

NOVEMBER 1991 B - A Few Thoughts on Sexual Harassment
 F - How Many Television Shopping Channels Will the Public Support?
 We Are Insulated from Reality
 A - When Your Banker Comes to Help You,
 Run Away Fast!
 Apples and Oranges are the Same
 According to Business Week
 The Gap Completes the Cycle
 Does Buying in Hong Kong Save You Money?
 If a Company is Good in One Area, It is
 Probably Good in Several
 W - Words - For Personal and Business Guidance
 (John D. Rockefeller Jr.)

APRIL 1992

DECEMBER 1991 B - The Disability 2000-CEO Council
 C - Corrections (Bureau of Labor Statistics and 1941)
 F - Let's Look at "Lowest Price" Guarantees
 Wonderful Republican Logic for the Wealthy
 A - Gouge!!! (Macy's)
 A Trend That's Both Good and Bad
 Changing Channels of Distribution
 Service is Always a Problem
 If You Rely on TRW for Credit Account
 Information, You Should Know...
 Savings for the Asking -- But Few Ask
 W - Words -- From Amos Parrish

JANUARY 1992 B - Ethics in Business - And in Business School
 F - No Wonder Retailers Go Broke
 A - Why Retailers Should Worry About Literacy
 Should You Charge for Parking? (plus info
 on handicapped shoppers)
 This Decision Makes "Cents"
 When Looking at the Same Thing, Do We Each
 See Something Different?
 W - Words - That Didn't Save the World

FEBRUARY 1992 B - Peace of Mind
 F - Are There Any Merchants Among Retailers?
 Do "MOR" and "FOR" Provide Usable Information?
 A - What Goes Up Must Come Down
 The National Retail Federation Convention,
 in Retrospect
 Absurd Numbers
 Who Lays Off the CEO?
 It is Hard to Forecast Retailing
 W - Words - That Should Bother Retailers

MARCH 1992

- B - AAFES Shows Civilian Retailers How
- F - What Happened to the Public Retailers of 1956?
Pricing Policy at Home Depot
- A - In Case You Believe You Are Giving Good Service...
Much of Retailing Is No Better Than The
Department of Defense, or Vice Versa
The FTC Finds A Reason to "Do Nothing"
An Exciting New Southland
The Oregon Attorney General Takes on Retailers
If You Use Credit Ratings When Hiring, Then...
The New Retail Arithmetic
- W - Words -- For Wills

APRIL 1992

- B - "Lowest Price Guaranteed" - As Practiced (Egghead)
- F - Sexual Harassment in Government and in Education
English as the Official Language
- A - Trend of Market Share in France
Are You in the "EDI" Yellow Pages?
The Retailer with Zero Shrinkage (South Africa)
Does Dropping the American Express Card Make
Sense?
If You Say You Are Going to Improve Service,
Read This...
In Case You Get specific Information for Target
Marketing...
Prescreening by Credit Bureaus and the Fair
Credit Reporting Act
How Department Stores Lose Customers
- W - Words -- From Tom Peters

MAY 1992

- B - Have You a Job for a Blind or Visually Impaired
Person?
- F - The Sam I Knew
- A - News on the Privacy Front
TRW Charged with Selling Inaccurate
Information
How Not to Create Loyal Employees
Sometimes I Wonder about Those of Us Who Run
Retail Stores
Could This Type of Cooperation Happen in the
U.S.?
The Champion "Employee Purchaser of the Month"
The Pattern of Retail Government
- W - Words -- About the Boardroom

JUNE 1992

- B - Sam Walton's Rules
- F - For Shoplifters, Peter Berlin is Both a Scourge and a Savior
Levi Strauss and The Gap Had Their Best Year Ever, But...
- A - How Can We Reduce Credit Card Fraud?
Preparing to Abandon CFC Refrigerants
Here Comes the Price Control by Manufacturers
A Few Words from Dollar General Stores
Something I Will Never Understand
The Future of Department Stores, As Seen from Europe
Canada May Strike Back
Is Trend-Sensitive, Lifestyle-Targeted Merchandising a Solution?
- W - Words -- From Granny, A Wise, Old Gal

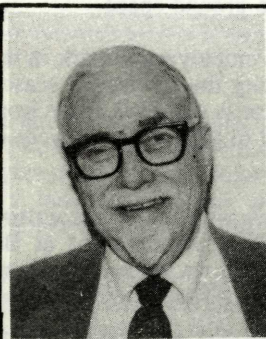
JULY 1992

- B - Update on Sexual Harassment
- F - Sears Bungled It
What Most Customers Know But Most Retailers Don't
- A - Timing is Everything (Hechinger)
Lechmere Wants Vendors to Take a Risk, But Lechmere Will Take the Profit
"De-myth-ing" Information on Employee Theft
Do You Wonder about Advertising Claims?
- W - Words -- From Bits & Pieces

AUGUST 1992

- B - Why We Don't/Can't Cure Our Urban Ills
- F - Citizens' Scholarship Foundation of America
A Look at the Energy Picture
- A - When You Watched Los Angeles Burn, What Were You Thinking?
How Accurate Are Your Press Releases?
Controlling False Comparative Prices
FTC versus Circuit City and The Good Guys
The Wonders of a Pocket Calculator
Those Cheating Money Raisers
- W - Words - Written by Anon Y. Mouse Just for This Recession

- SEPTEMBER 1992
- B - General Electric: The Crook
 - F - Free Enterprise, as Giant Food Sees It
Even the Conference Board is Asking...
 - A - From the State of Florida: Collecting Sales
Tax on Mail Orders
Has "Gulliver" Visited Your Balance Sheet?
An Advantage in Acquiring Another Name
Have Retailers Been Shortsighted on Medical
Care?
Unburden Your Mailbox - Do Not Shop by Mail
How Do You Feel about Passing Counterfeit
Currency?
Home Study Courses from Cornell
EDI Process
 - W - Words - From Cicero - 2000 Years Ago
- OCTOBER 1992
- B - You Authorized Voice Mail - Now Use It Yourself
 - F - The Most Frightening Article I've Ever Read!
(Lucky Stores)
 - A - Is Offense the Best Defense?
A Bad Number Accepted by Everyone (ADA)
A Word on Sexual Harassment from the EEOC
New York State v. Pergament Home Centers
Leaving the Work Force Early
A Missed Opportunity to Make Many New
Customers (Gump's)
It Is Never Too Late to Take the GED Test
 - W - Words - We Can Bring Back Again (E. A. Guest)
- NOVEMBER 1992
- B - A Bit of Praise for Mr. Wexner
 - F - Retailing: The Neglected Profession
 - A - How to Make a Customer for Life
What Was Macy Concentrating on Before?
The Story of a Test Store
A Thousand Points of Light
CEO, The Misunderstood Initials
Obscene Numbers and Crazy Advice
 - W - Words - My Mother Liked
- DECEMBER 1992
- B - Do You Ever Wonder Why the Public Distrusts Us?
 - F - Bryon W. Bilton, PFC 5th CL Specialist
Bad Numbers Discourage Everyone
Service Comes in Many Forms
 - A - Disability 2000 - CEO Council
A Study in Numbers
Will Retailers Catch Up with Their Customers
and Employ Gays and Lesbians?
The Limited, Your Landlord?
There is Efficiency in the Military
Polk Brothers, Inc. - R.I.P.
 - W - Words - To Fit the Occasion



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ROUTE TO

JANUARY 1992

WHY RETAILERS SHOULD WORRY ABOUT LITERACY

Dear Retailer, are you doing anything to increase literacy in your community?

Dear Retailer, are you complaining about the declining circulation of daily newspapers?

Dear Retailer, do you understand the connection between the two?

William T. Dillard, who opened a small store in Little Rock, Arkansas, in 1938 and who now has 214-plus department stores grossing more than \$3.6 billion, made some key points when he addressed the Southern Newspaper Publishers Association. Dillard called daily newspapers and retailers natural allies, saying they go together like ham and eggs, love and marriage.

Dillard admitted, when looking at the 90s, that he saw fewer retail firms and fewer newspapers but that did not detract from newspapers being the most effective medium for bringing customers in to buy merchandise. We all have seen what happened during the slow start of the 1991 Christmas season. Stores did not use more TV to stimulate sales; they took full-page newspaper ads and offered the store at 30% to 50% off.

Dillard pointed out some deficiencies in newspapers. He suggested they needed to know more about what their readers want, find ways to attract young readers, excel in editorial coverage, and offer a reasonable price. (The latter contradicts former Gannett chairman Allen Neuharth, who said that newspapers are underpriced.)

RTthought: I don't know of any people who set the VCR to catch the store TV ads during the day, but I do know lots of people who save the morning newspaper to read in the evening.

The circle goes like this: newspapers will survive if they have readers who will attract advertisers who, in turn, will make newspapers profitable. *Very few illiterates read newspapers. Very few functional illiterates read newspapers.* If retailers are to have good newspapers in which to advertise and if newspapers are to survive, then newspapers and retailers in every town should be sponsoring programs aimed at "100% literacy."

I know of no town where this sponsorship exists — but then I can't think of more than one or two towns where newspapers and department stores are growth businesses.

(Note: Thanks to *RT* reader and newspaper consultant Herman Silverman of Walnut Creek, California, for sending me an article from the November 30, 1991, issue of *Editor & Publisher*.)

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ETHICS IN BUSINESS — AND IN BUSINESS SCHOOL

Regular readers of *RT* know that (1) I am a graduate of Harvard Business School (HBS) and (2) that I have been critical of HBS because of its failure to stress the importance of ethics in business — **UNTIL** it received \$20 million from John Shad (MBA Harvard 1949) earmarked for this purpose.

In straightening out a batch of material in a file marked "Ethics," I came across an article in the *HBS Bulletin* of November/December 1978, written by John C. Baker and Deane W. Malott for their 55th HBS reunion. Both were from the Class of 1923 and both went on to be college presidents.

Wallace Brett Donham was dean from 1919 to 1942 (this includes my years at HBS). Dean Donham was considered the founder of modern business education. His views were summarized in a single paragraph written in 1929:

Young men must be fitted ethically as well as intellectually to assume positions of leadership, not only in their business communities, but in their social environment. To this end, the Harvard Business School is exerting its efforts to train men... to shoulder responsibility in rapidly changing surroundings and, at the same time, through consciousness of the social responsibilities of their achievements, to carry with them a sense of trusteeship.

Dean Donham said he had two goals when he accepted the leadership of HBS: (1) to develop business management into a profession; and (2) to raise the ethical standards of businessmen. The latter is really part of the former, since professionals are presumed to abide by codes of ethics.

In the years since 1942, many graduates have lost sight of both goals. Too many HBS graduates have been highly trained technicians rather than broad professionals. The ethical content of their education was lacking. Attention to ethics reached a low point when Lawrence E. Fouraker was quoted in *The Wall Street Journal* as having said that ethical standards are established in the home and that by the time students arrive at HBS it is too late to change them. It is my understanding that this statement was a factor in the replacement of Dean Fouraker.

The statement about not being able to change conduct seemed strange coming from the school which maintains that **anything** can be taught by the case method.

RTthought: I bring forth this history because it seems obvious that whatever HBS teaches has a bearing on the future of American business. It is true that HBS now has less interest in retailing than it did during the days of Professor Malcolm McNair and the support of retailers like Edward Filene and Jesse Straus. However, HBS education will

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impact the business conduct of many firms who vend to retailers.

HBS has introduced a mandatory three-week module on ethics for all first-year students. It will take some years for the effort of those HBS graduates who have been sensitized to their ethical responsibility to ripple through our business community. Our society will benefit sooner if other schools copy HBS.

SHOULD YOU CHARGE FOR PARKING?

How long has it been since you read about, heard about, or discussed the question of charging for parking at a large shopping center? Never? Should it be discussed? I believe so.

I thought of this subject when chatting with Stanley Whitman, the owner and developer of Bal Harbour Shops in Florida, a center anchored by Neiman-Marcus and Saks Fifth Avenue.

Bal Harbour Shops is across Collins Avenue from some of the largest hotel complexes in the country. Each hotel employs hundreds of people. Whitman reasoned that if he were to develop a conventional center, the parking lot would be filled by 8 A.M. each day with the cars of hotel employees, and there would be no room left for customers.

The center opened 25 years ago; the charge then was 10 cents an hour (43 cents in 1991 value). The charge was not for revenue but to protect the spaces for customers. The attendants at the exits were carefully trained to handle customers who would say, often indignantly, "I have never in my life paid to park in a shopping center!" The attendant would wave the customers through with a cheery "Come back and visit us again."

Looking back on 25 years of experience, this is what Whitman has found:

1. Today, few customers object to paying for parking.
2. There has never been a time that a customer has been turned away for lack of a parking space.
3. FAO Schwarz wanted to cancel its lease on opening day when it found there would be a charge for parking; today, it is very happy to have a store in the center.
4. The charge, which now is 25 cents for 20 minutes with a validated ticket, greatly reduces the common-area maintenance cost charged to tenants.
5. In 25 years, there has never been a stolen car.
6. In 25 years, there has been only one mugging.

According to Whitman, the latter two points are the most important.

Is there any large center open for more than five years that can match points 5 and 6 above?

Is there a large center open for *one year* that can match this record?

There are other benefits of this arrangement. The center regularly counts the number of empty spaces. Its leases call for four parking spaces per 1,000 square feet of gross leasable area. It knows it can operate on 3.4 spaces, except for four days a year. With this documentation, a planning board might

permit a larger building on the same ground space.

The figure of "3.4 spaces" permits employees to park in the center, except for a short time during the Christmas season when a secured employee parking lot is obtained away from the center. A shuttle bus is provided to take the employees to and from the center.

RThought: When I mentioned to my wife that I was writing this article and explained the parking arrangement at Bal Harbour Shops (which she visited when we walked to it from our hotel across the street), she said, "That would sure lose me."

There have been few centers which have followed the example of Bal Harbour Shops, but then most centers may not have thought through all of the facets of charging for parking.

RThought: One of my assistants, after improving the above section, suggested that I should discuss providing parking for handicapped people. Another of my assistants reported "physically challenged" as a term used on national TV news.

If I polled retailers, I believe the majority would consider laws setting aside a certain number of spaces for use by the handicapped to be just another example of an organized and vocal minority imposing unreasonable rules on business. After that, they would argue that most of the users of the set-aside spaces are not really handicapped.

My assistant brought this to my attention because she is handicapped. She has a badly damaged spine and can stand or sit for only a limited amount of time before having to lie down.

We became acquainted when we both attended city council and other local meetings. She brought a cot-size pad. When she could no longer sit, she would spread the pad on the floor and lie on it. She could hear everything just as well from her pad on the floor as I could from my chair.

She has to plan her time two or three days in advance, scheduling hours of lying down, in order to accomplish all the things she wants to do. There is a "Handicapped" placard on the dashboard of her car. It is a matter of pride with her (and, she believes, with other physically challenged people) to *avoid* using the reserved spaces, if possible.

Yet, there are times when people, after seeing her *walk* into a store, leave nasty, even crude, notes on her windshield. None are brave enough to ask her "Are you handicapped?" She would not be offended. She might explain the years she spent in bed, the fight to be able to walk again, the regular treatments she needs now, and the pain that is always with her. She might explain that she carries prescription anti-pain pills but that they have a strong and undesirable side effect. She will tolerate substantial pain in preference to taking one.

I have learned a great deal from her about how handicapped people meet the challenges that you and I do not face. In particular, I have been made conscious of the many handicapped people whose handicaps are not obvious because they are not wheelchair bound nor do they have missing limbs.

Because time and distance matter to the handicapped more than to others, she says such people are **unlikely** to go from store to store or from mall to mall doing comparison shopping. They are also **unlikely** to respond to sale ads, largely because it is always more difficult to get around in a crowd (stores, such as Target, that recognize this and have a special time before Christmas for the handicapped and the elderly to shop are to be commended).

Most "challenged" people have found a limited number of

NO WONDER RETAILERS GO BROKE

I am contacted regularly by 30 to 40 newspaper, magazine, TV, and radio reporters who work on retail stories. I try to give them accurate information. My purpose is to avoid largely inaccurate stories such as the one which appeared on November 30, 1991, in *The New York Times* National Edition.

Perhaps the only accurate item in the article was that President and Mrs. Bush left Camp David to spend \$28 in a J. C. Penney store, which was supposed to have led the way toward ending the recession/depression or whatever we were in during November — and continue to be in today.

Statement No. 1: "Isaac Lagnado, president of Tactical Retail Solutions, a New York-based consulting firm, said that the day after Thanksgiving typically generates 3 to 4% of the Christmas season's sales." Most retailers define the Christmas season as the period from Thanksgiving Day to Christmas. This year was the shortest possible time — only 26 days between the two holidays. Therefore, an average day for the season would generate 3.85% (for the maximum season of 32 days, the average day would be 3.125%). Did Lagnado really mean that the Friday following Thanksgiving Day was just an average day? If so, a lot of retailers wasted a lot of money on Thanksgiving Day advertising.

The paragraph continued after the sentence quoted above, and I gathered it reflected statements made by Lagnado: "The season, in turn, generates about 50% of sales for the year and as much as 65% of annual store profits."

Table I shows the sales for November and December for various types of retail stores, as reported by the Bureau of Census in Current Business Reports' *Monthly Retail Sales*, January 1991, from which I have extracted the November and December sales and expressed them as a percentage of the total 1990 sales.

TABLE I
Sales for Retail Stores in November and December
as a Percentage of Total Sales for 1990
(\$ million)

Type of Store	Sales for Nov '90	Percentage of Year	Sales for Dec '90	Percentage of Year	Total Nov.-Dec. Percentage	Total Sales for 1990
Jewelry stores	\$1,323	9.2%	\$ 3,065	21.3%	30.5%	\$14,402
Conventional dept. stores	5,672	10.6	8,853	16.5	27.1	53,565
Family clothing stores	2,829	10.1	4,242	15.2	25.3	28,005
National chain dept. stores	3,734	9.9	5,709	15.1	25.0	37,827
Men's and boys' stores	882	9.3	1,490	15.6	24.9	9,534
Discount dept. stores	8,628	10.2	12,309	14.5	24.7	84,625
Variety stores	684	9.4	1,081	14.9	24.3	7,236
Women's stores	3,042	9.2	4,239	12.8	22.0	33,122
Book stores	601	8.2	1,000	13.7	21.9	7,292
Liquor stores	1,785	8.6	2,501	12.0	20.6	20,813
Household appliances & TV	2,859	8.7	3,919	11.9	20.6	33,015
Sporting goods	1,138	8.0	1,773	12.4	20.4	14,258
Shoe stores	1,546	8.6	2,051	11.5	20.1	17,890
Drug stores	5,993	8.7	7,500	10.9	19.6	68,558
Furniture and home furnishings	4,528	8.8	4,620	9.0	17.8	51,565

The Christmas season in 1990 included eight days in

November, as compared with two days this year. Jewelry stores is the only category of stores that did more than 20% of their annual volume in December. The next largest figure was 16.5% for conventional department stores, or slightly less than twice the average month. (Twice an average month would be 16.67%.)

If we included all of November and all of December (the latter includes six days of *post*-Christmas clearance sales), only jewelry stores exceeded 30% of their annual sales and another three types of stores equaled or exceeded 25%. I am not certain whether the previous statement was made by Lagnado; I sincerely hope it was not. I can say, however, that several newspaper reporters have asked me if it is true that stores do 50% of their annual sales during the Christmas season, and I assured them that it is not true.

As to making 65% of the annual store profits during this period, it all depends upon how you keep your records.

In a separate file, I keep the annual reports on most public retailers with annual sales in excess of \$1 billion. Table II shows the Christmas quarter profit as a percentage of the profits for the year. I have eliminated food companies, companies with losses or unusual write-offs or adjustments, and companies which do not include a summary of their quarterly performance in their annual reports.

The only two companies to report "as much as 65% of annual store profits" during the **three months** including Christmas were Service Merchandise and Toys "R" Us. Service Merchandise is typical of catalog showrooms. It showed a net loss for the other three quarters. Thus, the Christmas quarter profit exceeded the final profit for the year. One would certainly expect "The Largest Toy Store in the World" to show most of its profit in its Christmas quarter.

TABLE II
Christmas Quarter Profits as Percentage of Year

Company	Percentage
Service Merchandise	136%
Toys "R" Us	73
Melville	61
Dayton Hudson	57
Tandy	51
May Department Stores	50
Circuit City	47
Woolworth	47
Spiegel	46
Avon Products	45
The Limited	43
Nordstrom	40
The Gap	39
Waban	37
Wal-Mart	37
J. C. Penney	36
Mercantile Stores	36
Rite Aid	36
Price Co.	35*
Longs Drugs	31
Costco	30*
Home Depot	25
TJX	21
Pep Boys	18

*1989 Christmas percentage. Year ending August 1990.

The unidentified reporter from *The New York Times* then add-

FEATURE REPORT *continued:*

ed apples and oranges to get this misleading conclusion: "And since consumer spending is responsible for generating about two-thirds of the gross national product, shopping activity in this period is crucial if the economy is to rebound." I don't know how the reporter spends his or her income, but I doubt that many people give as Christmas presents new houses or cars; paid-up life insurance policies; prepaid gasoline, utilities, dry cleaning, school tuition, or food for a year. All of these non-gift items are part of consumer spending. "Shopping in this period" is practically insignificant in terms of a rebound of the economy.

In reading the article from *The New York Times*, I tried to understand some of the quotes from retailers. For example, Linda Rice, the manager of a pet shop, reported that "recent sales were up about 15% over last year." What does "recent" mean? The last two days, five days, week, what?

Stephen Ryan, a Sears district business manager, said, "I know it's supposed to be all gloom and doom, but we're having the best month here that we've had in two years." When asked on the 29th of November, he must have been referring to the month of November. Therefore, I wondered how this year could be better than last year when there were eight post-Thanksgiving days against two days this year and the first post-Thanksgiving Day's sales were not yet totaled.

During December reporters will continue to ask "How's business?" Most of the answers will be "We are on plan" or "We believe we will make plan." Nobody ever says whether the plan is ahead or behind last year. I suspect most plans were below last year but made with the hope of at least equaling last year's sales.

I am always interested in the answers to questions about whether people are spending more or less than last year. I have run a nonscientific sample of a dozen or so people, asking if they can tell me how much they spent on Christmas 1990. Not one of them can tell me. They don't know. Yet, The Conference Board has questioned enough people to claim that 250 million people or so (fewer, if you throw out the very young and the old) will spend 3% less on gifts. Very precise. But

what about the 1 % more people we have this year, the 3 % inflation, and the fact that people are a year older and getting closer to the age when they spend more for Christmas?

The Conference Board has issued two other figures *not cited in the article*. It reported that "people" will spend \$375 this year on gifts. Does that figure include street people, people whose unemployment benefits have run out, people patronizing soup kitchens? Which people? And it went even further to say that "people" will spend \$36 billion on Christmas gifts this year. How does it arrive at that figure? How can anyone prove that figure? No one can even define "Christmas gifts," let alone have stores report the total sales of such gifts!

RTThought: I hope RT readers will join me in reciting:

1. We **do not** do 50% of our annual sales between Thanksgiving and Christmas.
2. We **do not** make 65% of our profit during the same period (unless you are with Service Merchandise or Toys "R" Us).
3. Dollar figures on how much each person spends on Christmas shopping **are worthless**.
4. When reporters call at 1 P.M. on the Friday after Thanksgiving Day to ask about Christmas sales and need an answer to meet a deadline, tell them "**I don't know.**"
5. If you know anyone on The Conference Board, please ask that person to try to **stop the board from making silly pronouncements** just to get publicity.
6. When a reporter calls you, tell him or her to come out and **interview your customers**. The comments won't necessarily make sense, but they will attract public interest and won't reflect unfavorably on the quality of people running stores today. And best of all, they won't result in newspaper articles which cause many of our customers to say "That's silly."

SHORT SHORTS

New Zealand (NZ) has an Electronic Data Interchange Association. The Retail and Wholesale Merchants Association (RWMA) is represented in the EDI Association, along with financial institutions, manufacturers, the government, and others. RWMA observes, "It is encouraging to see a number of [our] members attending an education seminar."

RTThought: NZ has a population of only 3,397,000 (1991 estimate). I suspect within ten years a higher percentage of NZ retailers, wholesalers, and manufacturers will be tied together through UPC/EDI/QR/EFT than in our great industrial nation, the United States. Because all NZ retailers are tied together in one national association, they get better service than do stores in the U.S. with our multiplicity of local, state, and national trade associations, each expecting the other to lead its members into the electronic age.

Questions and Answers

Question: How do you know if a newspaper ad offering 60% off is a pre- or post-Christmas clearance?

Answer: Look at the date at the top of the newspaper.

Question: How can you tell whether the advertised markdown on a sale item represents a true savings?

Answer: You can't.

Question: How do you know if the advertised price is firm?
Answer: Offer to buy the item if the store will knock off 20%.

What's new in mailing lists? If you call Penthouse's 900 number for a one-on-one talk with a live Penthouse model (how does one prove that he or she is talking to a "model"?), you spend an average of \$12. Penthouse is now making its mailing list, which grows at the rate of 10,000 per month, available through brokers. And if you joined Ducks Unlimited (431,491 active members), believing you were helping the ducks, you are also letting someone profit by selling your name. **RTThought:** These items came from *DM News* (November 25, 1991) and prove that any list can be, and probably is, sold.

Did you know that...? A Harris poll conducted for *Organic Gardening* concluded that between 1988 and 1990 an additional nine million people became organic gardeners. Forty-five percent of organic gardeners avoid chemicals; 60% (against 52% in 1988) won't use synthetic chemicals; and one-third are composting. Composting will increase with rising garbage collection charges. **RTThought:** If you have a garden department in your store, are you catering to this market? Or do your customers go to your competitor?

stores that they patronize. Among those who are driving, a major factor involved in store selection is the ease of parking their car and getting into the store. One major factor is the presence of enough blue-marked spaces set aside for the handicapped. The spaces must be convenient to the entrance, must be wide enough that opening doors is not a problem, and be brightly painted so there is no question about designation for handicapped people. When the painted markings are worn off, many customers assume the space is no longer reserved for the handicapped.

"Target marketing" is the "in" phrase for the 1990s. Why not "target" handicapped people? They become devout customers.

The handicapped can be identified in several ways. First, they may have a placard to place on the dashboard of their cars. Secondly, they may have special license plates. In California these licenses begin with the letters DP (Disabled Person) or DV (Disabled Veteran). Thirdly, all persons with a placard or special license plate have a wallet-size card identifying them (people using stolen placards are unlikely to have the card).

Sometime look at where the "handicapped" spaces are located at your store(s). Are they wide enough? Are they close enough? Is it obvious that they are reserved for the handicapped? Are you "challenging" the handicapped unnecessarily?

RThought: Now that we have provided proper parking for handicapped shoppers, let's look at what should be done for them inside the store. When the Americans with Disabilities Act (ADA) was passed, many retailers considered this still another case of a vocal minority imposing legislation that unrealistically punished retailers. For example, a ruling said that *all* checkout lanes had to be 36 inches wide. That standard is obviously absurd for a hypermarket with 50 to 60 checkouts. Unfortunately, some of our trade associations made equally absurd presentations to Congress about the impact of ADA.

I was particularly bothered by the presentation of the International Mass Retailing Association (IMRA). My recollection of exact numbers may be off. Essentially, it argued that the average mass retailer (discount store) had sales of \$200 per square foot. From that starting point, IMRA claimed that for every square foot taken up by wider checkout lanes the store would lose \$200 a year in sales — not just for one year but forever.

I believe this claim made the industry look foolish. I can guarantee that increasing the checkout area by 400 to 500 square feet in stores averaging 80,000 square feet will **not** reduce the sales of a store by \$1. Many individual stores do less than \$100 per square foot and others do over \$400.

If all a discounter had to do to produce sales of \$200 per square foot was build larger stores, every town would have several 500,000-square-foot stores, each doing \$100 million a year. It doesn't work that way.

Retailers who are interested in "target marketing" to the 13 million people with a work disability should have responded with constructive recommendations. They ought to have suggested a formula for the number of 36-inch-wide lanes; perhaps, one for every ten checkout lanes or major fraction thereof with a minimum of one lane. The 36-inch-wide lanes should be clearly marked "HANDICAPPED SHOPPERS — YOU COME FIRST IN THIS LANE." Just standing in a line often can be more difficult for some handicapped people than moving around. Whenever a handicapped shopper is identified, the checker should immediately ask "Do you need assistance to get to your car?" If the answer is "Yes," the call for someone to help should be made before starting to check

the merchandise. And there should be a chair at the end of the checkout lane for the handicapped person to sit, if necessary. (For some reason, supermarkets never have chairs or benches. One assistant told me her 74-year-old mother has had to sit on 50-pound bags of dog food to rest. My handicapped assistant has had to lie on the floor of some of our better stores.)

It would help if retail associations showed the world that they had an IQ above 100.

In department stores, which use single registers or area registers, signs should read "IF YOU ARE HANDICAPPED, YOU ARE NEXT IN LINE. PLEASE COME FORWARD."

Final RThought: I don't know whether I should appeal to your avarice (there is money to be made serving 13 million physically challenged) or your humanitarianism (those less fortunate than ourselves deserve all the help we can give). But either way, we all must learn more about the needs of the handicapped. The best way is to become well acquainted with handicapped people. You may have handicapped people working for you. Don't avoid them. Sit down for coffee with them. Ask them to give you an insight into their everyday problems. You will be surprised by the number of little things you can do to make life better for them.

Regardless of what motivates you, if you do something more to help, you will make this a better world.

THIS DECISION MAKES 'CENTS'

The background: The Australian dollar is worth about U.S. 79 cents. Thus, its pennies are worth about eight-tenths of a U.S. cent. Neither is worth what it was when an ice cream cone sold for 5 cents and a pack of cigarettes for 15 cents.

Australia decided in 1990 to eliminate the penny. It stopped making 1-cent and 2-cent coins on October 1, 1990, but left in circulation all of the existing coins to give retailers time to adjust their cash registers to rounding. Effective February 1, 1992, the Reserve Bank of Australia will no longer reissue the existing stock.

The existing coins remain legal tender but have value only if put together in multiples of five and exchanged at a bank.

Beginning February 1, 1992, transactions involving checks, credit cards, EFT at POS, and the like, will continue to be for exact amounts (to the penny). Cash transactions will be rounded down if involving 1 cent or 2 cents and rounded up to the closest 5 cents if they involve 3 cents or 4 cents.

RThought: Just yesterday I stood in line at a supermarket while the woman ahead of me searched her purse for enough pennies to give to the checker to avoid having some more pennies given to her. Sad to say, I have often done the same thing and have done it when people are lined up behind me.

It would be interesting to study the amount of time which would be saved at a checkout if we did not have to deal with pennies. I believe that were such results to be released FMI, IMRA, NARD, NACS, and others would immediately join in the clamor: "Out with the pennies!"

Source: *The Retail Trader*, November 1991, published by The Retail Traders' Association of New South Wales, Australia.

WHEN LOOKING AT THE SAME THING, DO WE EACH SEE SOMETHING DIFFERENT?

I hear many employers grouse about the quality of their employees and the lack of interest their employees have in their job.

Geyer's Office Dealer (51 Madison Avenue, New York, NY 10010), in its December 1991 issue, reported on a survey made by Steelcase, Inc., a major manufacturer of office equipment.

It is true that fewer office workers are reporting improved quality of working life: 70% reported improved quality in 1978 against 44% in 1991.

However, while 43% of office workers reported that they were very satisfied with their jobs, only 21% of the employers thought that their employees were satisfied. This same lack of understanding existed in Canada, in the European Economic Community, and in Japan. In Japan the numbers were 17% versus 9%. I believe that these figures show an important advantage we have over Japan in that *we are not exploiting: we have more satisfied office workers.*

As to an effort being made to improve the working conditions in offices, both employees (80%) and employers (87%) believe this is happening. This is common in all four economic communities measured, but it is least common in Japan (72% for employers and 63% for employees). *We are trying harder.*

RThought: Improvement comes only when management and employees work together. We talk more and more about having more and more communication between employers and employees, and yet we find more and more reasons why we don't get around to doing it!

WORDS — THAT DIDN'T SAVE THE WORLD

As I read the July issue of *Intelligencer*, the monthly publication of the San Francisco Regional Mensa, I found this piece of wisdom:

*I meant to save the world
Today
But my best shirt was in the wash
And I didn't want to do one thing
without doing an entire load
And I didn't want to do an entire load
And the cat threw up in the washer
from eating the dryer lint
And I didn't want to clean it up
So what could I do but watch Geraldo
in my jammies?*

Jennifer Clark
The Sacramensan

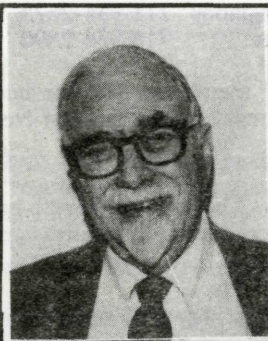
RThought: How true. We all intended to save the world today but nothing went just right for any one of us!

Retail Monthly/Year-To-Date Sales Comparison (\$ million; unadjusted)

SIC Code	Category	October		Percentage Change	Year to Date Ten Months		Percentage Change
		1991	1990		1991	1990	
52	*Bldg Matl Group	\$ 8,329	\$ 8,082	+ 3.1%	\$ 78,392	\$ 78,523	-0.2%
57	*Furniture Group	7,408	7,710	- 3.9	72,234	75,081	-3.8
571	Furniture Stores	4,044	4,366	- 7.4	39,765	42,417	-6.3
572	Appl, TV, Radio Stores	2,665	2,668	- 0.1	25,693	26,237	-2.1
5941	*Sporting Goods Stores	1,115	1,065	+ 4.7	11,697	11,347	+3.1
5942	*Book Stores	637	588	+ 8.3	6,151	5,691	+8.1
5944	*Jewelry Stores	985	1,025	- 3.9	9,653	10,017	-3.6
531 Pt	Conventional Dept Stores	4,400	4,305	+ 2.2	38,944	39,040	-0.2
531 Pt	Natl Chain Dept Stores	3,016	3,048	- 1.0	27,750	28,381	-2.2
	Subtotal	7,416	7,353	+ 0.9	66,694	67,421	-1.1
531 Pt	Discount Stores	7,576	6,846	+10.7	69,359	63,685	+8.9
531	*Department Stores	14,992	14,199	+ 5.6	136,053	131,106	+3.8
541	*Grocery Stores	28,789	28,055	+ 2.6	287,196	279,687	+2.7
56	*Apparel Stores	7,790	7,728	+ 0.8	73,910	73,228	+0.9
561	Men's & Boys' Stores	735	779	- 5.6	6,876	7,162	-4.0
562,3,8	Women's Stores	2,714	2,716	- 0.1	25,420	25,841	-1.6
565	Family Clothing Stores	2,470	2,284	+ 8.1	22,409	20,934	+7.0
566	Shoe Stores	1,381	1,546	-10.7	14,218	14,293	-0.5
591	*Drug Stores	6,233	5,841	+ 6.7	60,500	55,114	+9.8
596	*Nonstore Retail	4,507	4,684	- 3.8	40,691	39,943	+1.9
5961 Pt	Mail Order (Dept Stores)	398	422	- 5.7	3,474	3,654	-4.9
5961 Pt	Mail Order (Other)	2,546	2,671	- 4.7	22,568	21,963	+2.8
	*Retailing Today Total Store Retailing†	80,785	78,977	+ 2.3	776,977	759,737	+2.3
	**GAF TOTAL	38,190	37,614	+ 1.5	357,681	355,604	+0.6

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.



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ROUTE TO

FEBRUARY 1992

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WHAT GOES UP MUST COME DOWN

In the summary of the Woolworth Corporation 1989 annual meeting, there appeared the following statement:

In 1988, we opened or acquired a total of 1,154 stores in almost 40 formats. That constitutes more stores than any retailer in any country anywhere in the world has ever opened in any single year. [Emphasis added.]

Because the statement was untrue, I wrote to Harold E. Sells, Chairman, pointing out the following *annual increase* in stores operated by The Great Atlantic and Pacific Tea Company (A&P):

Year	Increase in Number of Stores
1922	2,133
1923	1,953
1924	2,118
1925	2,613

I received a reply from Roy Garofalo, Woolworth's vice president for investor relations and an old acquaintance. He made the point that "those 1922 to 1925 A&P stores almost certainly were very different from the A&P stores of today — or the 1,154 which we opened or acquired in 1988."

It was only when I read a January 9, 1992, headline in *The New York Times*, "Woolworth Cuts Back on Stores: 900 Will Be Closed, Sold, or Reformatted," that I realized that I had compared an "opened" figure for Woolworth with a "net-increase" figure for A&P.

RThought: I wondered how many of the "1,154 opened or acquired" stores in 1988 were part of the "900 will be closed, sold, or reformatted" in 1992?

Much of Woolworth's growth comes from acquiring chains. In this past year, Woolworth has announced the acquisition of the following groups of stores:

Country	Name of Store	Number of Stores
Netherlands	Dutch Profoot	NA
Netherlands	Sportsworld	5
England	Freedom Sports Line	9
United States	San Francisco Music Box Co.	110
Mexico	*	38
United States	Lamston Stores, NYC	25

*Ownership increased from 49% to 100%.

One can understand that chains acquired by Woolworth cannot be expected to have only good locations. However, a year-end announcement of 900 out of 6,500 to be "closed, sold, or reformatted" is a large percentage (14%). The \$250 million charge to be taken in the fourth quarter comes to \$275,000 per store.

PEACE OF MIND

The Sociology Department of Duke University studied hundreds of people and found just nine characteristics which contributed to "peace of mind." All are characteristics which can be developed — with a little effort.

First, the absence of suspicion and resentment. Don't nurse a grudge.

Second, live in the present and for the future. Forget the problems of the past.

Third, concentrate your energy on what you can change.

Fourth, take life as it comes. What else can you do?

Fifth, when under emotional stress, do not retreat within yourself.

Sixth, don't pity yourself or try to justify your past acts so as to appear "noble."

Seventh, practice the old virtues of honor, love, thrift, and loyalty.

Eighth, set attainable standards for yourself. Avoid trying to do the impossible — and failing.

Ninth, involve yourself in activities which help others.

RThought: Live for the future; get satisfaction from attaining possible goals while practicing old virtues; peace of mind will find you.

(Note: The above characteristics are paraphrased from an item in *Bits & Pieces*, published by The Economics Press, 12 Daniel Road, Fairfield, NJ 07004; \$38.30/yr. I have been reading *Bits & Pieces*, now called *Leadership*, since 1972 and recommend it to everyone.)

Part of the \$250 million charge may be against goodwill recorded at the time some of the stores were acquired. Goodwill is amortized by Woolworth over 40 years, the maximum allowed by Generally Accepted Accounting Principles (GAAP).

As one looks back over the changes in retailing during the past 40 years, one wonders if the "goodwill" of any retail concept can last 40 years.

THE NATIONAL RETAIL FEDERATION CONVENTION, IN RETROSPECT

One session of the recent NRF Convention stands out brightly in my mind — "Kmart's Corporate Commitment: Giving Back to the Community" — chaired by Joe Antonini, chairman and CEO of Kmart.

My roots go back to the days when virtually all stores were local stores. The owners knew that the only way they could have a better community was to do the job themselves by investing time and money.

I can remember the advertisements of Kahn Bros., urging people to vote for bond issues for schools, a new civic center, and other projects which would make Oakland a better city. Dad told me of the longtime customers who did not agree with my grandfather's position on a community project. They would stand in front of him, shake their fingers in his face, and say, "Solomon Kahn, I'll never shop in your store again." That didn't change the position Grandfather Sol took. All that could be done was to try to attract them back with good service, the right merchandise, and by support of a cause they favored.

Forty years ago, when I chaired the Publicity Committee of the Oakland Area Community Chest, I was able to get every sizable store in downtown Oakland to use its ads to support fair-share giving by all employees and businesses. I don't see that anymore. The last such ad I recall seeing was in the mid-1950s when Sherwood Swan and Company supported a critical school bond issue which would provide schools for the rapidly growing number of children.

The third panel speaker was Gerald Kilian, a Kmart store manager, who recently won an award from the International Jaycees in recognition of his contribution to many communities.

In 1984 Kilian started a "Giving Tree" (something I had never heard of before) in his Kmart store. Community organizations which assist the needy were contacted. On a card, the organizations put the name of a needy child and an item of clothing the child needed. The "Giving Tree" went up Friday following Thanksgiving with all the cards hung on it. People took a card from the tree and brought in that special gift to the store by December 15.

When Kilian first began this undertaking, a letter was sent to every organization in his community. He was able to get the local newspaper and radio station to co-sponsor the "Giving Tree." Within two days after Thanksgiving, customers had taken all 900 cards. He then put up another set of 900 cards which requested toys for the same children. These, too, were all taken!

After Kilian's success in 1984, he went to Kmart headquarters to seek support. In less than three hours, Kmart was persuaded to put this program in every store. Since 1985, about four million needy children have received gifts!

This was the story of one store manager with an idea which spread with the help of Kmart. At the end of his presentation, a hundred or more "tough" retailers were wiping tears from their eyes.

I urge each of you to order the cassette for Session 270E-36, **Kmart's Corporate Commitment.**

Write to:

Conference Copy, Inc.
2222 Avenue X
Brooklyn, NY 11235

For a credit card purchase: Telephone: 718-934-2678
Fax: 718-934-2890

The cost is nominal: \$9 for NRF members, \$10 for non-members; plus \$2 shipping. If you reside in the State of New York, add 8.25% sales tax.

Now, for the rest of the convention. The following were excellent programs. Tapes may be ordered using the address and telephone/fax numbers shown above:

270E-26: Retailing's Business Imperative: Becoming a Low Cost Producer.

270E-31: Shareholder Value Added: Is It Time for a New Performance Measurement for Retailing

270E-62: America's Sweeping New Civil Rights Act: Americans with Disabilities Act — Public Accommodations.*

270E-67: ADA Part II: Employment.*

*NRF has prepared an ADA Compliance Manual for the Retail Industry. The Justice Department uses this manual, according to a speaker from that department. The cost is \$40, plus shipping, and can be ordered from NRF, 100 West 31st Street, New York, NY 10001.

And what was missing at the NRF convention?

First, there was too little time given to the subject of "partnering." In 1991 NRF used the term "partnership," which, to me, is a passive term. "Partnering," as retailers know it, is the active relationship developed between vendor and retailer for the mutual benefit of both. The customer is also a winner. There should have been joint presentations by retailers and vendors reporting on how their "partnering" worked.

Too much emphasis was placed on increasing the gross margin *percentage* rather than the gross margin *dollars per square foot*. Developing a higher gross margin percentage merely invites lower cost retail formats (with higher gross margin dollars per square foot) to enter a store's market.

RThought: On balance, the 1992 convention was much improved over 1991, which, in turn, was an improvement over 1990. Although the weather was cold, it was not difficult going from the Hilton to the Sheraton and vice versa to attend the various sessions.

ABSURD NUMBERS

Headline: "Macy Projects Six-Month Sales will Grow 8.3%." (*The Wall Street Journal*, August 28, 1991.)

RThought: Macy's cannot project sales six months in advance to an accuracy of .1 of 1%, as suggested by the 8.3% figure. The projected 69% (not 70%) rise in operating profit is equally silly. **Suggested:** Sales will increase by 8-10% and operating profit by 65-75%. (**Note:** Both estimates were way off.)

* * *

Cited in an article on A&P: "Earnings for quarter ending September 7 will be \$13.4 million to \$15.3 million." (*The Wall Street Journal*, August 27, 1991.)

RThought: The spread suggests an accuracy beyond capability. **Suggested:** Earnings will be \$13 million to \$15 million.

ARE THERE ANY MERCHANTS AMONG RETAILERS?

Once we drew a distinction between "merchants" and "retailers," but that distinction has now been abandoned by the editors of dictionaries.

Let's look at a well-regarded dictionary for the definitions.

mer-chant *n* 1: a buyer and seller of commodities for a profit: TRADER. 2: the operator of a retail business: STOREKEEPER. 3: one that is noted for a particular quality or activity: SPECIALIST.

retail *vb* 1: to sell in small quantities directly to the ultimate consumer. 2: TELL, RETELL *vi*: to sell at retail — **retailer** *n*.

When I wrote, "Once upon a time we had great merchants like Rowland H. Macy, Edward Filene, John Wanamaker, and Stanley Marcus," did I mean that they were "buyers and sellers of commodities"? I believe not.

Rowland H. Macy saw a customer's need and he served it. Though he went broke three times while trying to establish a store selling merchandise at a fixed price, he succeeded on the fourth try. The result was the R. H. Macy & Co., Inc. we know today. It was Macy's idea, even though Isadore and Percy Straus, originally the china and glass concessionaires, carried it to its ultimate level. (Note: In recent pre-Chapter 11 months, the frequency of Macy sales led many to believe Macy's had abandoned fixed price selling.)

Edward Filene developed Filene's Basement, two levels of closeout merchandise located below five levels of high-class specialty merchandise. The Automatic Basement was a simple concept. Every item displayed the date it was put out for sale. If not sold by the 12th selling day, it was marked down to 75% of the original price; if unsold after 18 selling days, it was marked down to 50% of the original price; if unsold at the end of 24 selling days, it was marked down to 25%; and if unsold after 30 days, it was given to a charity. Filene would explain his system to anyone, yet no one else was ever able to develop a similar operation.

John Wanamaker used an organ and a clock to create the most popular meeting place in Philadelphia — right in the center of the main floor of his store.

Stanley Marcus sent models and garments by chartered DC-3 airplanes to put on exclusive fashion shows of very high-priced merchandise for owners of 100,000-acre ranches and rich oil fields.

These people were not "buyers and sellers of commodities for a profit."

I am certain that not a single one of these men and their famous fellow merchants ever talked of gaining market share. **They thought about pleasing consumers so that they would become customers.**

We forget that "consumer" and "customer" are not synonymous. A "consumer" is the user of what we have to sell; a "customer" is a "consumer" who shops at our store out of habit or "custom" (and if we excel at what we do, the customer will become devoted to us.)

As I read 1991 third-quarter reports, usually telling of less than expected sales increases (if any) and much less than expected profits, I found nothing about how retailers are going to do unique things to attract "consumers" to their stores in the hope they will become "customers."

One statement that bothered me read, "Pricing and promoting merchandise will be critical to increasing our market share through the holiday period, which includes six fewer days than last year." (Note: As one who worries about clarity, I don't know how one can "include six fewer days." I can understand something that "has six fewer days." Perhaps the writer recalled the Goldwynism, "Include me out!")

I would have preferred to have read "We have a plan that will so clearly convey the values we have to offer, the wide choice of merchandise, and the wonderful service that our thousands of enthusiastic associates are waiting to offer that we are confident we will gain new customers in each of our hundreds of stores."

"Gaining new customers" is how a store gains market share; "pricing and promoting merchandise" are two relatively insignificant tools. Relying on "pricing and promoting" only attracts those consumers who shop only at "sales." In most cases, a "sale shopper" never becomes anyone's "customer."

RThought: Too often, third-quarter reports bragged about moderate increases in overall and same-store sales, but then apologized for the drastic decline in earnings (or even a loss) by explaining that it was the result of stressing value to build market share. If the only way a store can gain market share is by cutting gross margin, it may not be around very long.

Cutting prices is not the only way to gain market share. The Gap reported a 40% increase in total sales and a 20% increase in same-store sales, while increasing its margin after "cost of goods and occupancy" by .44% and earnings before taxes by .66%. The Gap is increasing market share by providing the styling and assortment its customers want.

The Gap explains its success this way: "Our approach of offering well-styled, high-quality casual clothes at affordable prices — in other words, VALUE — has helped to generate strong sales in all three divisions." That sounds like an old Macy-Filene-Wanamaker-Marcus type of "merchant" organization at work!

SHORT SHORTS

What a difference a letter makes. Consider these two short sentences: "Consumer confidence soars." "Consumer confidence sours." **RThought:** Will the former ever return?

If it is true about banking, then I believe it is true about retailing. When Carl E. Reichardt, CEO of Wells Fargo Bank, addressed the 1991 annual meeting of the National Automated Clearing House Association, he was asked about the merging of banks into a limited number of superbanks (Canada operates with six nationwide banks). He responded in

the words of a former chairman of the Federal Reserve Board: "The United States has 15,000 banks, but it doesn't have 15,000 bankers to run them." Reichardt also stressed the tremendous economies which resulted when Crocker-Anglo merged into Wells Fargo a decade ago. The savings reached \$250 million to \$300 million dollars a year. He observed: "It is easier to eliminate expenses from duplicate systems than it is to create new products." **RThought:** The same is true of retailing, especially when the acquirer has more advanced internal systems than does the acquired retailer.

DO 'MOR' AND 'FOR' PROVIDE USABLE INFORMATION?

"MOR" (Merchandising and Operating Results) has been published since 1925. The name has been the same, although the organization which publishes the figures has changed its name from National Retail Dry Goods Association (NRDGA) to National Retail Merchandise Association (NRMA) to the National Retail Federation (NRF). I believe the decline in initials from five to three is a reflection of the decline in the number of firms providing figures.

"FOR" (Financial and Operating Results) was first published by the Harvard Business School Research Bureau and in 1964 was taken over by the NRMA, now the NRF.

Up until a decade or so ago, each publication disclosed the size of the sample used to develop its figures.

Looking at the 1974 reports covering data for 1973, the FOR was based on figures from 129 department stores and 42 specialty stores. The 1974 MOR disclosed the number of stores reporting on each major merchandise division: department stores ranged from 197 for Division 1000 (Adult Female Apparel) to 115 for Division 8000 (Home Furnishings, Appliances, and Utility Equipment). For specialty stores, the number of reporting companies ranged from 69 for Division 1000 to 52 for Division 5000 (Infants, Boys' and Girls' Clothing and Accessories).

The size of the sample has not been reported for many years.

Both reports were started when most retailers operated only one store and a large number of them used the same Retail Accounting Manual, which set up a standard account-number system and the same standard merchandise-department numbering.

Several years ago I wrote to Jim Williams at NRMA, bringing this shortcoming to his attention. No action was taken.

The continuous reduction in the number of reporting stores decreases the validity of each report.

The current MOR does indicate the "Number of Reporting Companies" for each merchandise classification. The 1990 MOR shows 64 as the largest number of department stores for any merchandise classification and shows the largest number of specialty stores at 29.

RThought: My thoughts were stimulated by the lead article in the October 1991 issue of *The Peter Berlin Report on Shrinkage Control*, which had a chart showing the variation in shrinkage for department stores and specialty stores. The

pattern for specialty stores is very erratic, going from 2.34% to 1.76% to 2.20% to 1.67% and ending at 2.19%. Department stores show less fluctuation but did start at 2.11%, declined to 1.65%, followed by a generally steady upward trend to 2.19%.

Many of these fluctuations may be the result of a changing sample.

Let me illustrate.

Assume that in Year 1 we have the following reporting stores:

Store	Shrinkage
A	3.0%
B	2.5
C	2.0
D	1.5
E	.5
Average	1.9%

In Year 2 Store A does not report, and the remaining stores report the *same* shrinkage.

Store	Shrinkage
B	2.5%
C	2.0
D	1.5
E	.5
Average	1.6%

Reported average shrinkage has now dropped from 1.9% to 1.6% but not a single reporting store showed an improvement!

In Year 3 Store F reports, so we have the following:

Store	Shrinkage
B	2.5%
C	2.0
D	1.5
E	.5
F	.5
Average	1.4%

Stores B, C, D, and E have reported the same shrinkage for three years, but now the figure reported by NRF would be down to 1.4%. On a chart such as the one drawn by Peter Berlin, it would appear that the *industry* is making great progress — in two years the shrinkage has dropped from 1.9% to 1.6% to 1.4%.

The only valid measure of a "trend" is when it is based on the *same* stores reporting both years or a statistically reliable sample.

SHORT SHORTS

How long does it take us to learn about quality? The answer may be "We will never learn." In *Business Tokyo* (July 1991), Osamu Obata of Toyota told 200 North American auto-parts makers that the defect rate was *100 times higher* for the 75 American suppliers used by Toyota at its U.S. plant than for its 147 Japanese suppliers. **RThought:** Ford started a "Quality is No. 1" program more than ten years ago. However, being No. 1 among three U.S. car manufacturers is not saying a great deal. Recently, I discovered Windsor Shirt

Shops (part of Phillips-Van Heusen) and wrote Larry Phillips about how pleased I was to find size 17 1/2-33 shirts and that I liked the touch of adding one button of each size to the bottom of the placket. I have since learned why the buttons are added — many of the attached buttons are not securely sewn. I have just received a silver thimble from Gimbels of Maine (not related to the Gimbel Brothers which failed) in Boothbay Harbor, Maine. Now that I am back in the tailor trade, I should have the best equipment!

WHO LAYS OFF THE CEO?

Our local newspaper, under the headline, "'91 Recession Slams Biggest Firms in U.S.," listed the following events from 1991:

January: Sears, Roebuck and Co. announces it will cut 21,000 jobs nationwide. The next month it will announce another 9,000 layoffs.

February: General Motors plans to eliminate 15,000 salaried employees over three years.

May: General Dynamics says that over the next four years it will cut 27,000 jobs out of a work force of 90,000.

June: Apple Computer will cut 1,560 workers over the next year — about 10% of its work force.

July: Citicorp says it may lay off 17,000 people. Also, 6,400 electronics-industry jobs have been lost in Silicon Valley over the past 1½ years.

October: Pacific Telesis will eliminate 3,000 of its 18,400 managerial positions.

November: IBM, which cut 20,000 jobs in 1991, announces it will eliminate 20,000 additional jobs in 1992.

December: General Motors announces it will eliminate another 74,000 jobs over the next few years.

RThought: None of the CEOs were/are to be laid off. Who lays off CEOs? The Board of Directors. Who selects the members of the Board of Directors? The CEOs. Who approves the salaries for CEOs? The Board of Directors. The system works nicely — for some.

One can argue that if CEOs had not permitted the 187,000 excess people, identified above, to be hired the unemployment number would have started higher by 187,000. However, had the 187,000 not been employed 10 to 25 years ago, many of them would not now be up to their necks in first, second, and third mortgages, loans for college for their children, and credit cards. The 187,000 would not have gotten used to well-paying jobs, nor would their families have gotten used to such incomes.

Family heads, who were well established at their employing firms and in their communities, are being reduced to broken men and women. They may spend a year trying to get jobs similar to the ones from which they were eliminated only to find that such jobs no longer exist, especially for people their age. Age discrimination is illegal but finding an applicant "overqualified" is not.

It is not only the employee who is broken in the process; the spouse and children are broken. I can remember people who were impacted by the Crash of 1929, including my father. It wasn't only stocks that lost value: houses lost value, cars lost value, jewelry lost value, and people lost self-value. The Crash had more impact on my sister, who was 14 at the time, than it did on me, as I was only 11. It destroyed the lives of many whom I knew who were between 16 and 21.

Actually, it was one of the best things that ever happened to me, just as bad-tasting medicine is often a good cure. My parents were divorced. My mother's household went from having a cook and a maid, to a cook, to no help. I can remember a family meeting at which my mother said, "We can keep two of three but not all three: college, a car, or a cook." We kept the car and college; Emma left, but remained

a friend. Though we were relatively well-off, it meant doing dishes and setting the table, making our beds, washing the car, cleaning the house, and no more Friday afternoon horseback riding lessons.

It put my feet firmly on the ground for the first time. Shortly after that decision, my brother Tom and I started two years of working in a neighborhood soup kitchen almost every night. By a stroke of good fortune, we were either on the serving side of the 30-gallon soup kettles or passing out the bread.

Even as I write about this era 60 years later, tears come to my eyes when I recall those lines of homeless, jobless men (there were few women — usually the women and children were sent off to family members still living on a farm).

We should be able to do better this time. I hope we will, but I am not sure.

IT IS HARD TO FORECAST RETAILING

I value a series of pamphlets written between 1958 and 1966 by E. B. Weiss, vice president and director of special merchandising services for Doyle Dane Bernbach Inc., an advertising agency.

Some of Weiss' forecasts were right on the button, such as his 1950s forecast of the importance of Sunday shopping: "Is there anyone who feels we would better serve the public by being closed on Sunday?" (I can remember when New York department stores were closed on *Saturday* and Sunday between the 4th of July and Labor Day and open only one night a week!)

The last Weiss pamphlets I have are entitled "Marketing Through Tomorrow's 100 Top Department Stores." Part I was issued in 1965 and Part II in 1966.

The other day, I looked at his list of the "100 Top Department Stores," and it was like looking at the 1929 lineup of the New York Yankees! Fifty-four of the 100 names are gone today. Some (Sanger-Harris, Bamberger's, Goldwater's) disappeared by acquisition or merger. Some (Gimbel Brothers, Hutzler's, Wolf & Dessauer, Forbes & Wallace) just disappeared.

Here are a few extracts from Part II, with my comments.

Chapter II states that one of the top 100 department stores had recently become aware, through research, that the average age of its shoppers was a disturbing 46 years. "It cannot be questioned that the average age of shoppers in the big discount chains is *considerably* lower. . . ." A May Company management executive remarked: "There is no end of trading up as long as the economy is successful. . . ." The president of The May Department Store Company told his stockholders, "We are ready to satisfy the *higher standards of taste* of our customers with the *steady upgrading of the fashion image* of our stores."

Chapter III is entitled "Major Department Stores Take Discounters in Stride." Weiss reminded readers that Macy's once operated profitably on a 20% gross margin and forecast: "... the discounters will accumulate costs, precisely as did department stores, and the gap between discount prices and department store prices will, therefore, narrow." This observation is an accurate forecast of what happened with most discounters. He gave examples of some of the 100 top department stores. He said that Abraham & Straus was meeting discount prices head on and concluded: "But the 100 leading department stores are now convinced that they can successfully hold the line against *all* forms of discount competition — and,

simultaneously, move up into merchandise and service areas where their rivals will not feel at home for some years to come." Unfortunately, many people did not want the service or felt that the *expected* service was no longer being delivered by department stores.

Chapter IV is entitled "Three Electronic Horsemen Ride Roughshod over Store Tradition." The "three electronic horsemen" were (1) automation in plant and warehouse, (2) electronic data processing in office and elsewhere, and (3) the means to tie together vast systems of instantaneous communications. Unfortunately, department stores never really rode with any one of the horsemen. Other forms of retailing, based upon a chain rather than a regional concept, went fast and rode further with the "three electronic horsemen" than did department stores. Unfortunately, most of the 100 top department stores were headed by merchants who saw the three electronic horsemen merely as "more expense" and spent most of their money on adding new branches over which they had less and less control.

RThought: Weiss clearly saw the need for the "three electronic horsemen." But he missed the fourth horseman — electronic data input at the point of sale tied into that "vast system of instantaneous communications"; and he missed the fifth horseman — "instant access to the data base from any point in the system." However, Weiss was close. Unfortunately, too many of the department store CEOs took comfort in the

response of the president of The May Department Store Company who had closed his eyes to what consumers had indicated they wanted (i.e., savings on well-known brands through reduced services as offered by discount stores). Too many "merchants" believed strongly in the "good, old way."

Weiss was right; the department store CEOs were wrong. Yes, I suspect that even in those days the department store CEOs were paid much more to be wrong than Weiss was paid to be right.

WORDS — THAT SHOULD BOTHER RETAILERS

From G. K. Chesterton:

Tradition is the majority vote of the dead.

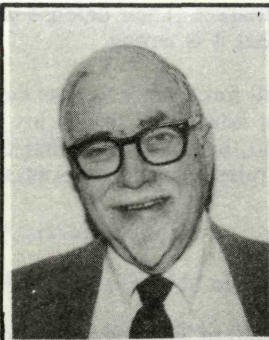
RThought: "Tradition" is being followed by many declining and/or disappearing retailers who failed to see that it was much more important to install good computer systems than it was to add another store or two. As I visit units of chains operating complex stores (department stores, supermarkets, discount stores, and super drug stores), which are not using scanning to record precise movement by SKU, the thought crosses my mind: Will they be here next year? Their injury or demise will be attributed to having been "traditional" to their own detriment.

Retail Monthly/Year-To-Date Sales Comparison (\$ million; unadjusted)

SIC Code	Category	November		Percentage Change	Year to Date Eleven Months		Percentage Change
		1991	1990		1991	1990	
52	*Bldg Matl Group	\$ 7,185	\$ 7,443	- 3.5%	\$ 85,531	\$ 85,966	-0.5%
57	*Furniture Group	7,970	8,110	- 1.7	80,223	83,199	-3.6
571	Furniture Stores	4,334	4,528	- 4.3	44,190	46,945	-5.9
572	Appl, TV, Radio Stores	2,831	2,859	- 1.0	28,440	29,096	-2.3
5941	*Sporting Goods Stores	1,160	1,138	+ 1.9	12,815	12,485	+2.6
5942	*Book Stores	694	601	+15.5	6,830	6,292	+8.6
5944	*Jewelry Stores	1,292	1,323	- 2.3	10,974	11,340	-3.2
531 Pt	Conventional Dept Stores	5,560	5,672	- 2.0	44,503	44,712	-0.5
531 Pt	Natl Chain Dept Stores	3,970	3,734	+ 6.3	31,721	32,115	-1.2
	Subtotal	9,530	9,406	+ 1.3	76,224	76,827	-0.8
531 Pt	Discount Stores	9,311	8,628	+ 7.9	78,680	72,313	+8.8
531	*Department Stores	18,841	18,034	+ 4.5	154,904	149,140	+3.9
541	*Grocery Stores	28,919	28,526	+ 1.4	315,981	308,213	+2.5
56	*Apparel Stores	8,908	8,807	+ 1.1	82,842	82,035	+1.0
561	Men's & Boys' Stores	864	882	- 2.0	7,751	8,044	-3.6
562,3,8	Women's Stores	3,099	3,042	+ 1.9	28,564	28,883	-1.1
565	Family Clothing Stores	2,977	2,829	+ 5.2	25,373	23,763	+6.8
566	Shoe Stores	1,446	1,546	- 6.5	15,650	15,839	-1.2
591	*Drug Stores	6,205	5,943	+ 4.4	66,711	61,057	+9.3
596	*Nonstore Retail	4,575	5,224	-12.4	45,280	45,167	+0.3
5961 Pt	Mail Order (Dept Stores)	513	538	- 4.6	3,987	4,192	-4.9
5961 Pt	Mail Order (Other)	2,699	3,168	-14.8	25,279	25,131	+0.6
	*Retailing Today Total Store Retailing†	85,549	85,149	+ 0.5	862,091	844,894	+2.0
	**GAF TOTAL	45,461	44,886	+ 1.3	403,199	400,484	+0.7

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.



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ROUTE TO

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IN CASE YOU BELIEVE YOU ARE GIVING GOOD SERVICE...

If you claim to offer your customers good service, be sure to read the February 1992 issue of *Kiplinger's Personal Finance Magazine*. The article is entitled "How to Get the Service You Deserve." The author told of her experience:

Everyone has a favorite bad-service story. This author's takes place in Woodward & Lothrop's department store in Wheaton, Maryland, where I was returning underwear that fell apart the first time it was washed. The clerk stared me down suspiciously, held the garment up high and shouted to the manager, "CAN WE TAKE THIS BACK?" I'm sure half the store was smirking.

Here are the strategies she set forth in the article:

1. Vote with your feet.
2. Ignore advertising.
3. Listen to your friends.
4. Get someone on your side.
5. Speak up.

It is so easy to establish a "Satisfaction Guaranteed" policy — I have done it several times. The rules are simple.

1. When a customer has a complaint, the first person contacted is to ask, "What would you like us to do?"
2. If the customer's request makes sense (such as something you would ask if you were in the customer's position), then you should grant it.
3. If the request is so extreme that you don't feel you should grant it, call your department manager, who will ask the same question and who will usually grant the request.
4. If the department manager is uncertain, the store manager, who is the only one who can say *no* to a customer's request, should be called.

Within a week or two you will find that salespeople, or others working on the floor, are always saying "Of course, we will," making friends right and left. Department and store managers will no longer be bothered.

RThought: *Kiplinger's* was kind enough to tell its readers about "Companies with Great Service":

American Airlines
Delta Air Lines
Disney Theme Parks
General Electric Answer Center
Lands' End

L. L. Bean
Nordstrom
USAA*
Wal-Mart Stores

*Basically, an insurance company for military people.

AAFES SHOWS CIVILIAN RETAILERS HOW

I was honored to serve as a consultant to the commander of the Army and Air Force Exchange Service (AAFES) for four years. Walter Loeb, formerly a senior retail analyst with Morgan Stanley and now a consultant, has succeeded me.

Long before Congress passed the Americans with Disabilities Act (ADA), it passed the Rehabilitation Act of 1973, which ordered government agencies to hire persons with the following disabilities: blind, completely paralyzed, convulsive disorders, deafness, distortion of limbs, mental illness, mental retardation, missing extremities, and partial paralysis. AAFES now employs 2,145 disabled employees, which represents 3.36% of its U.S. citizen work force. Almost a third of these employees suffer from the targeted disabilities.

AAFES' "Disabled Employee of 1991" was Rod Kaufman, the director of People Resources at Bergstrom Air Force Base in Austin, Texas. [Note that AAFES does not use the denigrating title, Human Resources, but the more friendly People Resources, just as Wal-Mart has a People Department.] Rod's disability? He is a quadriplegic.

With the assistance of a specially designed monitor, Pat Diviney practices his profession of architect — even though legally blind.

Rod Lindsey is a computer programmer, although he is paralyzed from the waist down and is confined to a wheelchair.

Tom Harmon works in the People Resource Directorate, despite lacking a left leg, which was amputated when he was six years old. This is not the Tom Harmon who played football but it is the Tom Harmon who made the varsity basketball team in high school.

RThought: If there is enough interest among *RT* readers, I would be happy to approach General Wheeler, Commander of AAFES, to ask if he would arrange a seminar on providing jobs for people with disabilities. If interested, just drop a note to me at P.O. Box 249, Lafayette, CA 94549.

Your store is not on the list? Perhaps there is a reason. Why not test the four retailers listed and note what they do. Then have someone test your store and see what kind of a report you get.

MUCH OF RETAILING IS NO BETTER THAN THE DEPARTMENT OF DEFENSE, OR VICE VERSA

Air Force Magazine (November 1991) reported that in 1988 "the Pentagon acknowledged that it had no adequate means of 'maintaining awareness of either technology or industry trends, nor for understanding, analyzing, or assessing the national or international issues that surround the questions of American technology or industrial competitiveness.'"

The article went on: "The Department of Defense [DoD] does not know the extent to which foreign-sourced parts and components are incorporated into the systems it acquires."

The DoD is, today, less inclined to make such confessions. However, it refrains from claiming that it is current on either question.

The DoD has opposed a proposed federal law which would mandate a defense industrial base information system. DoD says that it would be difficult, expensive, and unnecessary.

RThought: Many retailers in the below \$250 million sales category are in the same position as the DoD. They are not aware of the technological changes which are taking place in retailing. They may shop the merchandise and the prices of competitors but do not take the more important step of researching how competitors reduce operating costs and increase control. Thus, there is truth in the oft repeated statement that of the retailers who were around in 1990, half will be gone by the year 2000.

THE FTC FINDS A REASON TO 'DO NOTHING'

We retailers are selling many items which have been improperly or poorly described by manufacturers, even major manufacturers, as "environmentally safe" or "environmentally friendly"; as "recyclable" or "degradable"; or as "made of recycled materials." More and more claims are made, appealing to the growing consumer interest in protecting the environment. Some are outright misstatements; but many are outright lies.

At the present time the consumer has few protectors. The National Advertising Division of the Council of Better Business Bureaus is handling an increasing number of complaints brought before it — but only hears those complaints against manufacturers who are willing to submit voluntarily.

States, counties, and even cities are passing laws which affect the packaging of nationally distributed products. Without restraint, we may soon have 100, 200, or even 1,000 different rules. Even though the false claims are made by the manufacturer, it is often the final seller, the retailer, who is accused of perpetrating fraud on the public.

The attorneys general in all of the states, the major advertising associations, and virtually all of the consumer protection organizations have called upon the Federal Trade Commission (FTC) to use its rule-making authority to bring this situation under control.

The FTC consists of a chairman and four commissioners. The chairman, Janet Steiger, says that she supports the idea of issuing guidelines, while one commissioner, Mary Azcuenaga, says that the FTC has sufficient power to crack down on deceptive practices. She maintains that by handling deceptive practices "case by case" the FTC can build a set of standards. It is my belief that many of our "finest" suppliers are going to perpetrate frauds on our customers in an effort to gain an

additional 1% or 2% share of the market. Their defense will be simple: The FTC has not said that it is wrong.

RThought: Inaction by the FTC will force states to pass their own laws, as some are doing right now. This brings joy to some Reagan/Bush appointees, who thus can claim that the federal government is not imposing rules on business. Soon we shall have chaos on a broad scale.

AN EXCITING NEW SOUTHLAND

Many of us in retailing watched the fall of The Southland Corporation with great sadness. Some of us have known the company from the days when it was the Southland Ice Company. I was introduced to the company in 1944 when Uncle Sam sent me to Texas. This was two years before the name "7-Eleven" was adopted. Southland created an industry.

In the 1980s, the Thompson family, fearing a takeover at a time when financial results were not sparkling, took on an extreme amount of debt in order to take the company private. Many of us wondered how it would be paid off. We wondered even more when the Thompsons undertook a major real estate development in Dallas.

However, my views on the future of Southland changed when I received a "To our stockholders and bondholders" letter from the new president and CEO, Clark Matthews. The company is now learning from the new majority shareholders, Ito-Yokado (the second largest, but most profitable, retailer in Japan) and Seven-Eleven Japan, a subsidiary of Ito-Yokado and licensee of Southland. It is concentrating on inventory management and retail pricing. Inventory management means using electronic point-of-sale machines and item-by-item control; retail pricing means more competitive and more consistent pricing.

In Tampa, Southland is experimenting with a "frequent shopper" program called "Payback." It is testing the use of commissaries to provide daily delivery of quality sandwiches and salads; new products are being added; and its 50 stores in Austin, Texas, are being used as a working laboratory.

RThought: Based on Southland's third-quarter report — the first in a long time to show a profit — the company is moving along at a sales rate of \$8 billion a year. It will be a long time before the equity figure turns positive, but the necessary steps are being taken, and the financing is adequate for the present operation.

THE OREGON ATTORNEY GENERAL TAKES ON RETAILERS

Dave Frohnmayer, Attorney General, State of Oregon, took on several types of retailers for their illegal (and unethical) advertising practices.

First, the Department of Justice and the Better Business Bureau reviewed the truthfulness of ads by 14 jewelers. They found four misleading practices:

1. ... failing to offer goods at the reference (regular) price.
2. ... offering sale prices after the end of the sale.
3. ... failing to identify the basis of the reference price.
4. ... continuous sales, such as 30% to 55% off the claimed "regular" prices of gold chains.

Samuels Jewelers, without admitting wrongdoing, after adver-

WHAT HAPPENED TO THE PUBLIC RETAILERS OF 1956?

Food Stores

ACF - Wrigley Stores	Acquired by Allied Supermarkets; then bankruptcy
American Stores	Merged with Skaggs; Skaggs changed name to American Stores
Alpha Beta Food Markets	Merged with American; then into Skaggs; now American Stores
Colonial Stores	Merged with Weingarten
Food Fair	Bankruptcy
Jewel Tea Co.	Merged with Skaggs; now American Stores
National Tea	Acquired by Loblaw
Penn Fruit Co.	Bankruptcy
Purity Stores	Liquidated
Red Owl Stores	Acquired by Gamble Skogmo; then merged into Wickes
J. Weingarten	Acquired by Kroger

What Happened**Department Stores**

Arnold Constable	Reorganized in bankruptcy
L. S. Ayres	Acquired by Associated Dry Goods
Associated Dry Goods	Acquired by May Department Stores
Broadway Hale	Renamed Carter Hawley Hale
Bullock's	Acquired by Federated Department Stores; then by Macy's
Burdine's	Acquired by Federated Department Stores
City of Paris	Liquidated
City Shoes Co.	Reorganized in bankruptcy
Daniels & Fisher Stores	Acquired by May Department Stores
Emporium-Capwell	Acquired by Broadway Hale; renamed Carter Hawley Hale
The Fair	Acquired by Montgomery Ward
Forbes & Wallace	Liquidated
Gamble Skogmo	Merged with Wickes
Genung's	Acquired by Supermarkets General
Gilchrist Co.	Liquidated
Gimbel Brothers	Acquired by BATUS; then liquidated
Goldwater's, Inc.	Acquired by Associated Dry Goods; then by May Department Stores
Halle Bros.	Acquired by Marshall Field
L. Hart	Liquidated
Hearn Department Stores	Acquired by Allied Stores
Hecht Co.	Acquired by May Department Stores
Higbee Co.	Acquired by Brierly Investments (New Zealand)
Joseph Horne	Acquired by Associated Dry Goods; then by May Company
Interstate Department Stores	Bankruptcy; reorganized as Toys "R" Us
J. B. Ivey	Acquired by BATUS; then by Dillard's
J. M. McDonald	Acquired by Wickes; then liquidated
R. H. Macy	Management buyout
Marshall Field	Acquired by BATUS; then by Dayton Hudson
Meier & Frank	Acquired by May Department Stores
Miller & Rhoads	Acquired by Garfinckel; then

What Happened

Outlet Co.

Rich's

Rike-Kumler

Ed Schuster & Co.

Stix, Baer & Fuller

Thalhimer Bros.

Raphael Weill & Co.
Western Department
StoresWoodward & Lothrop
Yunker Bros.**Specialty Stores**

Abercrombie & Fitch

Adam Hat Stores
Best & Co.Blauner's
Bond Stores, Inc.
Brooks Bros.Dejay Stores
Franklin Stores
Frost Bros.

Garfinckel's

Grayson-Robinson
Harzfeld'sHolly Stores
Kennedy's
Lane BryantLerner Stores
Lytton's
J. E. May's
Miller-Wohl
Neiman-Marcus

Ohrbach's

Richman Bros.
Roos Bros.

Tiffany & Co.

acquired by Allied Department Stores
 Acquired by United Department Stores; then bankruptcy
 Acquired by Federated Department Stores
 Acquired by Federated Department Stores
 Acquired by Gimbel Brothers; Gimbel to BATUS; liquidated
 Acquired by Associated Dry Goods; then by Dillard Department Stores
 Acquired by Carter Hawley Hale; then by May Department Stores
 Taken private; then liquidated
 Changed name to Rhodes Western; acquired by Amfac; changed name to Liberty House; then liquidated
 Leveraged buyout
 Acquired by Mutual of Omaha Insurance

What Happened

Bankruptcy; name acquired by Oshman's Sporting Goods; then by The Limited
 Liquidated
 Changed name to Beco; taken private
 Liquidated
 Taken private; later liquidated
 Acquired by Garfinckel's; Garfinckel's acquired by Allied Department Stores; acquired by Campeau; then by Marks & Spencer
 Liquidated
 Liquidated
 Acquired by Manhattan Industries; leveraged buyout from Manhattan
 Acquired by Allied Stores; then by Campeau; then liquidated
 Liquidated
 Acquired by Garfinckel's; then by Allied Stores; then by Campeau
 Liquidated
 Acquired by The Limited
 Acquired by McCrory; then by The Limited
 Taken private; then to The Limited
 Reorganized in bankruptcy
 Reorganized in bankruptcy
 Acquired by Petrie Stores
 Acquired by Carter Hawley Hale; then by General Cinema; now Neiman-Marcus Group
 Acquired by Amcena; then liquidated
 Acquired by F. W. Woolworth Co.
 Acquired by Atkins; then by Genesco; then sold to investment group; then liquidated
 Acquired by Avon Products; then a management buyout; now public again

FEATURE REPORT *continued:*

Virginia Dare Stores Liquidated

Drug Stores

Gray Drug Stores

Katz Drug

Parkview Drugs

What Happened

Acquired by Sherwin-Williams Paint

Sold 1971

Acquired Gem International Discount Stores; followed by bankruptcy and liquidation

Rexall Drug

Thrifty Drug Stores

Became Dart Industries; then merged with Kraft to make Dart-Kraft; then split
Acquired by Pacific Lighting Corp., a utility; now renamed Pacific Enterprises

RThought: If my history is wrong on any of the 81 stores listed, please let me know. Send the information to RT, P.O. Box 249, Lafayette, CA 94549.

PRICING POLICY AT HOME DEPOT

Months ago I noted that Home Depot had a different tab for stores in the Greater San Francisco Bay Area. One tab covers the stores in Colma and San Carlos (where Home Depot dominates the area) and the other covers stores in Concord, Fairfield, Fremont, Milpitas, Pleasanton, San Jose, San Leandro, Santa Clara, and Sunnyvale (all are towns where significant competitors still exist).

The table below shows the variance of the price in the competitive-area tab and the price in the dominated-area tab.

Percentage Variance	Number of Items	Percentage Variance	Number of Items
+32%	1	-8%	22
+15	1	-9	12
+12	1	-10	6
+11	1	-11	4
+10	2	-12	7
+9	1	-13	3
+8	3	-14	2
+7	1	-15	3
+6	2	-16	2
+5	1	-17	4
+3	4	-18	2
+2	2	-19	1
+1	3	-25	3
-1	8	-27	2
-2	16	-30	1
-3	38	-33	2
-4	43	-37	1
-5	47 (Median)		
-6	21		
-7	14		
	TOTAL ITEMS		287

We can summarize the figures as follows:

Total number of items with different prices* 287
Number with lower prices where there is competition . . 264
Number with higher prices 23

Median price difference where there is competition . . -5%

*There were six or seven hundred items with the same price.

RThought: In addition to pricing lower where there is competition, when faced with competition, Home Depot will reduce prices to less than the competitor's prices. It has no hesitancy in going below what appears, to an outsider, to be below its cost. (Note: California has a fair competition law. Pricing at less than a 2% above cost is presumed to be an act intended to destroy competition *unless* the price is set to meet that of a competitor. I cannot recall the law being enforced over the past two or three decades.)

In addition to an aggressive — one might even call it “carnivorous” (the fourth definition in Webster's Ninth New Collegiate Dictionary is “rapacious”) — pricing policy, Home Depot has large stores, large assortments, large parking lots, and few out-of-stocks. I hear good reports on its service. From my observation, Home Depot carries a wider range of merchandise than any of its competitors.

SHORT SHORTS

Because you devote time to voluntarily supported charitable organizations, you should be interested in this law. In 1989 Tennessee passed a law requiring professional fund raisers to disclose, prior to requesting a contribution, that they are “PROFESSIONAL SOLICITORS” — in exactly those words — and to explain that they will receive costs, expenses, and fees from the solicited funds. The law was challenged as a violation of guaranteed free-speech rights. The Federal District Court for the Western Division of Tennessee upheld the law. **It is not being appealed.** The plaintiffs said that an official of the Tennessee Department of Education told the court that, because of a lack of education, half or more of the state's population would have difficulty understanding the phrase “professional solicitor.” **RThought:** This is a starting point. With the passage of time it is likely that the Tennessee law can be amended to broaden the required wording. [Source: The October 8, 1991, issue of *The Chronicle of Philanthropy*, 1225 23rd Street, N.W., Washington, D.C. 20037; \$57.50/yr. for 25 issues.]

This was the way it was — Christmas 1991. A friend of mine went into a long-established (founded in the 19th century), upscale women's store (five stores; \$20 million in sales). And

now I quote her: “Lots of deep reductions, so I went to try to take advantage of these. After an hour and a half of trying on many items, I chose a shirt and sweater. However, even with the reductions, I decided that I could not spend what was still a relatively high price for the sweater. I told the saleswoman that if the sweater could be brought down to my ceiling, I would purchase the two items. A quick discussion with the manager, and they met my condition — amazing! In addition, as an incentive to visit the store after the first of the year, I would receive 20% of my December purchase price applied to a new purchase.” **RThought:** Under the same circumstances, a car dealer (new or used) would have done the same thing. Mr. Rowland Macy, please come back! Latter day retailers are abandoning your hard-earned victory: selling at a fixed price.

What do Macy's California and Daiei have in common? Many of Macy's California ads contain asterisks and a footnote to tell the reader that the merchandise shown is not in the San Rafael, etc., store. Daiei, Japan's largest retailer, in an ad in *Business Tokyo* has a footnote saying, “Some stores don't carry the above goods.” **RThought:** One of the advantages of chains, such as The Limited, The Gap, or Office Depot, is that they seldom have to use that footnote.

tising 40% to 60% discounts against an improper reference price in a Mother's Day promotion, gave assurance that it would not commit any of the four misleading practices listed above and paid \$900 to cover costs.

Rubenstein's Furniture, which operates five outlets in Oregon, agreed to change its reference price advertising. It also agreed that before using a "former" price it would sell 25% of that item at the reference price during the six months preceding the sale, or it would offer the item at the regular price for 70% of the time. Further, it would limit sales to 60 days.

Finally, Rubenstein's will "refund the total amount paid by a customer, without return of any merchandise, when it is unable to prove the accuracy of its advertised reference price." It also paid \$3,000 to the Department of Justice for consumer education purposes.

Next was City Antiques. It advertised that it was going out of business when it was not. To make matters worse, some of the prices advertised during the sale were higher than the regular prices. City Antiques was advised by Profit Management Associates, Inc. (PMAI), an Illinois company which specializes in "going-out-of-business" liquidation sales. Much of the "planning" was done by a person named Pelett, an agent for PMAI. To try to make it a legitimate "going-out-of-business" sale, letters were sent to suppliers saying that both stores would reopen one week after the "liquidation" sale ended, using the same name, having the same employees, and selling similar goods at the same locations.

For City Antiques, the price was higher: \$25,000 for each law violation, restitution to consumers, and payment of the cost of investigation and prosecution.

Pay'n Pak Stores, Inc. was advertising 70% off manufacturer's list price for custom window blinds. Unfortunately, Pay 'n Pak had never sold the blinds at the reference price. It agreed to arbitrate complaints, refund purchase prices without the return of goods, keep records supporting claimed reference prices, pay \$3,500 for consumer education and another \$2,000 in attorney costs.

Finally, Smith's Home Furnishings, with nine stores, agreed to comply with the law regarding reference prices, including clear identification of former prices, and agreed to give full refunds without return of merchandise when unable to prove the accuracy of claimed reference prices. Forced by the court, Smith's paid \$12,500 toward consumer education.

RThought: Retailers may not be making money but the attorney general is. As a management consultant, I might point out to the attorney general that he has no competition and he might well benefit the citizens of Oregon by raising the price he is charging retailers. Every store cited knew that it was (a) breaking Oregon law and (b) creating dishonest ads. I can guess at the reason given by Smith's for doing this: We were only doing what all of the other stores were doing.

Note: This information was brought to the attention of *RT* by an Oregon reader and management consultant, Burton Nudelman.

IF YOU USE CREDIT RATINGS WHEN HIRING, THEN...

Two retailers (Macy's, as well as its subsidiaries; and Kobacker Company of Columbus, Ohio, operator of 750 PicWay Shoe stores) have signed a consent order with the Federal Trade Commission (FTC). The FTC alleged that both failed to tell job applicants who were denied employment based on information in their credit records that the credit

record was at least part of the reason for the denial. They also failed to tell these applicants the name and address of the credit rating firm which provided the information and, thus, prevented the applicants from getting free access to the data to check for inaccuracies.

In other words, neither firm complied with the disclosure provisions of the Fair Credit Reporting Act (FCRA).

Under the consent order, both companies are required to do the following:

1. Maintain documents demonstrating their compliance with FCRA; that is, that they used credit ratings and disclosed this fact to persons denied employment.
2. Send a letter to recent job applicants who were denied employment based solely or partly on information in their credit reports; and the letter must include the name and address of the credit bureau that provided the information.

RThought: It is more understandable that Kobacker, which has no significant charge accounts, would make this mistake; there is less excuse for the violation by Macy's, which, until recently, operated a credit department managing about \$1.5 billion in retail accounts receivable.

If you carry your own receivables, you might have your credit manager instruct your personnel department on the provisions of FCRA. If you don't, you should have your personnel department write for a free copy of the FTC brochure, "Credit Reports: What Employers Should Know About Using Them," at the following address:

FTC Public Reference Branch
Room 130
Sixth Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20580

The FTC points out that a consent agreement has the force of law with respect to future conduct. Each future violation may result in a civil penalty of \$10,000.

THE NEW RETAIL ARITHMETIC

The item below appeared in *The Right Touch*, a mail-order catalog issued by The Rytex Company of Indianapolis, Indiana. Does something about it surprise you?

D. LUCITE LUGGAGE TAGS

One of our most popular gifts for the traveler. Three-line name and address is deeply etched in 24K gold into handsome lucite tag, size 3" x 1 1/2" x 1/8". Tags attach to luggage with a genuine cowhide leather strap.

Your choice of:

Tag Color: Clear, Black, Gray, Blue,
Tortoise Shell, Red, White

Imprint Color: Gold

Imprint Style: As Shown Only

#D35-1 Set of Three Deluxe Luggage Tags
(Must Be Same Color) \$23.00

#D35-X Each Additional Tag \$ 9.00

RThought: When I read this ad, I thought of a music publisher I met 30-plus years ago who had come to the United States in steerage just after the turn of the century. The food en route was not very good. When he landed in New York, there were peddlers selling oranges and crying out, "Three cents apiece, three for a dime," and so he bought three! When he wrote a book about his experience, he used that phrase for the title.

I believe the music publisher would have purchased three name tags for \$23 and an extra one or two at \$9 each, don't you?

WORDS — FOR WILLS

My wife saved the April 2, 1984, issue of *The Catholic Voice*, published by the Diocese of Oakland, because of an article entitled "Wisdom of Lifetime Distilled in Ethical Wills." She, a devout Catholic, wanted me to know that it is an old Jewish custom to include ethical thoughts in a will. There were several examples.

In a will, a young Israelite who was killed in Israel's war of independence wondered whether life is so short that it should be enjoyed as much as possible, or whether life *can* be completely enjoyed. He concluded:

...we should dedicate life to a sacred and worthy goal, to sacrifice it for something which will be valued after life.

After saying that he did not want an elaborate headstone or a fancy funeral, Sholem Aleichem, a well-known Jewish humorist who died in 1916, gave these instructions:

...that my family assemble each year on the anniversary of my death and read from my stories, preferably funny ones.

Sam Levenson, another Jewish humorist, wrote to "my grandchildren and to children everywhere," saying that he was leaving them his "unpaid debts," which he called his "greatest assets":

...my debt to America for the opportunity it gave me

...my debt to my parents for giving me America.

...my debt to my biblical tradition that man does not live by bread alone.

RThought: Rabbi Jack Riemer, who studied this matter, found a family with four generations of ethical wills, each quoting from the one before.

I have written an ethical will. When those who remain gather for the reading of my will, it will relate to them how happy my life has been, how many things I have left unfinished, how much there is to do in the world to help others, and how I hope they will find as much happiness as I have found in my family and in helping others. I hope I will have friends who will remember me and, perhaps, can be invited once a year for drinks and snacks and, perhaps, to report to the others on what they have done to make this a better world for those who live in it. And I hope they will come.

The drinks and snacks can be proof that man does not live by bread alone!

Retail Monthly/Year-To-Date Sales Comparison (\$ million; unadjusted)

SIC Code	Category	December		Percentage Change	Year to Date Twelve Months		Percentage Change
		1991	1990		1991	1990	
52	*Bldg Matl Group	\$ 6,985	\$ 6,558	+ 6.5%	\$ 92,676	\$ 92,524	+0.2%
57	*Furniture Group	9,860	9,784	+ 0.8	90,059	92,983	-3.1
571	Furniture Stores	4,626	4,620	+ 0.1	48,855	51,565	-5.3
572	Appl, TV, Radio Stores	3,899	3,919	- 0.5	32,296	33,015	-2.2
5941	*Sporting Goods Stores	1,953	1,773	+10.2	14,819	14,258	+3.9
5942	*Book Stores	1,101	1,000	+10.1	7,923	7,292	+8.7
5944	*Jewelry Stores	2,854	3,062	- 6.8	13,785	14,402	-4.3
531 Pt	Conventional Dept Stores	8,648	8,853	- 2.3	53,156	53,565	-0.8
531 Pt	Natl Chain Dept Stores	5,503	5,709	- 3.6	37,227	37,824	-1.6
	Subtotal	14,151	14,562	- 2.8	90,383	91,389	-1.1
531 Pt	Discount Stores	13,398	12,309	+ 8.8	92,097	84,622	+8.8
531	*Department Stores	27,549	26,871	+ 2.5	182,480	176,011	+3.7
541	*Grocery Stores	30,113	30,448	- 1.1	346,307	338,661	+2.3
56	*Apparel Stores	12,746	12,696	+ 0.4	95,626	94,731	+0.9
561	Men's & Boys' Stores	1,425	1,490	- 4.4	9,177	9,534	-3.7
562,3,8	Women's Stores	4,238	4,239	+ 0.0	32,795	33,122	-1.0
565	Family Clothing Stores	4,446	4,242	+ 4.8	29,834	28,005	+6.5
566	Shoe Stores	1,884	2,051	- 8.1	17,562	17,890	-1.8
591	*Drug Stores	8,152	7,500	+ 8.7	74,874	68,557	+9.2
596	*Nonstore Retail	4,868	5,096	- 4.5	50,232	50,263	-0.1
5961 Pt	Mail Order (Dept Stores)	492	547	-10.1	4,479	4,739	-5.5
5961 Pt	Mail Order (Other)	3,013	3,104	- 2.9	28,370	28,235	+0.5
	*Retailing Today Total Store Retailing†	106,181	104,788	+ 1.3	968,781	948,682	+2.1
	**GAF TOTAL	67,093	66,621	+ 0.7	470,391	467,105	+0.7

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures, contact Irving True, Business Division, Bureau of Census, Washington, D.C. 20233, or call (301) 763-7128/7129. Irving has been very helpful to me over the years.

RETALES

by ERIC CRAIG

Surely this must be a record for retail store reconstruction in Australia. Today (June 29), exactly four weeks after closure of the BIG W discount store at Westfield Miranda in Sydney (this page, June 1), a totally new BIG W of 5111sq m will open its doors. In less than a month, the walls, ceiling and floors have been completely renewed. The store has been fully refitted and the layout and departmental presentations brought into line with the highly successful operation opened at Penrith Plaza in March.

BIG W's state of the art Penrith store was given a thorough examination last week by **Jack Shewmaker**, director and former president of Wal-Mart USA. Mr Shewmaker's verdict: "One of the best-presented discount stores in the world". So, it's going to be extremely interesting to compare it with the new version discount store K mart plans to roll out next November at Innaloo, Perth.

Paul Simons, Woolworths' chairman, has once again claimed – most recently to the Australian Marketing Institute – that Woolworths' pretax profit this financial year would reach \$240 million. Mr Simons is not one to over-stretch his forecasts, but he has nominated this result so consistently, you can bet your boots it will be modestly exceeded when the company's scoreboard is revealed.

Woolworths' 1991-92 financial year actually finished on June 21, more than a month in front of Coles Myer's. So Woolworths' directors will have up-to-the-minute statistical data to approach the market with a substantial flotation any time from early August onwards. We've been told by financial market sources that preparation of the prospectus is well advanced.

Gerry Harvey with laryngitis? The possibility flitted through our mind on noting a "stand-in" plugging Harvey Norman Discounts on television, instead of its cost-conscious chairman and advertising presenter, Mr Harvey. But, no need for alarm. The straight-shooting retailer was in Fiji, in his capacity as chairman of NARTA. Before departing for the friendly isles, he was able to sew up opening arrangements for Harvey Norman's fourth ex-Norman Ross store at Wallaceway Centre, Chatswood, on June 17. The homewares-electricals chain finishes its financial year with 33 outlets, and every indication of another strong result.

Dollar Days are still a popular promotion for Coles' stores, but, when the \$5 unit requires a multiple purchase, surely the quantity should lend itself to a household's normal requirement of that item. An offer of **four** utility sprayers for \$5 appeared to have unlikely appeal for most shoppers.

Sales of \$1 million have been totted up in a fortnight less than 12 months by Williams the Shoemen's year-old specialty shop at Carindale Centre, in Brisbane's south-eastern suburbs. Bouquets to **Bridgette Marroni**, Williams'

manager, and **Lorraine Marshall**, Carindale's marketing manager, for this noteworthy effort.

Sam Walton – Made in America, the Wal-Mart founder's own story, was published early this month, not long after the death of this US folk hero. The book's foreword concludes by claiming the Wal-Mart story was unique. "Nothing quite like it has been done before. So maybe by telling it the way it really happened, we can help some other folks down the line take these same principles, and apply them to their dreams, and make them come true."

On putting the customer first, a Wal-Mart store manager said: "One time on a buying trip with Sam, we stayed eight of us to a room. The room wasn't very big, either...But sometimes today, I'm asked how we stay so cheap. That's simple: because we believe in the value of a dollar. We exist to provide value to our customers; in addition to quality and service, we have to save them money. Every time Wal-Mart spends a dollar foolishly, it comes right out of our customers' pockets. Every time we save a dollar, that puts us one more step ahead of competition – which is where we always plan to be."

On becoming more international: "I don't know if Wal-Mart can maintain our leadership position by just staying in this country. I think we're going to have to become a more international company in the not-too-distant future." That comment came from a late chapter in Sam Walton's story. Is it possible that he had a token Australian investment in mind, to start with?

Fed up with Wal-Mart tales? This postscript must be added: A number of respected Americans applauded Sam Walton on the dust-cover of his just-published book. Top position was awarded to the commendation of **Ross Perot**, the "wild card" in this year's US presidential contest.

It's one thing to report in virtually every issue of INSIDE RETAILING items stressing the critical importance of customer service and quite another thing to experience it as a paying customer. **Murray White**, the INSIDE RETAILING editor, dropped a \$2 coin given in change at Sydney Opera House the other night in the usual crush of people at a performance interval. It rolled under the drinks service counter, apparently lost. Prepared to write it off, he speculatively asked the bar staff whether they could see it, but, not to worry about it, it was gone. Moments later, a tap on the shoulder and a supervisor gave him a replacement \$2 coin and said the staff would be sure to find the missing coin when they cleaned up after the performance resumed. Take a bow, Gardner Merchant Rowland, the Opera House caterers.

Caring for your customer has been a lifetime study for **Robert Kahn**, US publisher of Retailing Today. He offers this formula: "When a complaint is made, the staff member should ask, 'What would you like us to do?' Any reasonable request should be granted immediately. If the request is too extreme for the staff member to agree to, call the section manager, who will ask the same question, and usually grant the request. If still uncertain, the store manager should be called, as the only person who can politely decline the request, and explain why." Within a few weeks, Mr Kahn maintains, you will have salespeople replying, "Of course!" and making friends right and left. ♦

Put out RET issue
MAR '92

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USA - Trends in department store retailing

"Retailing Today" (Box 249, Lafayette, California 94549) has made an analysis of the trends in sales of department stores, based on the Monthly Retail Trade Report of the Department of Commerce.

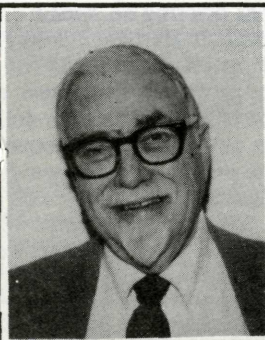
This analysis shows that while department store sales rose from \$ 151,933 million in 1987 to \$ 182,480 million in 1991 there were important differences in the performance of different types of department store activity.

Department stores can be divided into three categories: Conventional Department stores, National Chains which are represented by Sears, Penney and Montgomery Ward, and Discount Department Stores, e.g. Kmart, Wal-Mart, Target etc.

The following table illustrates the changes that have taken place in the last five years:

<u>Sales by Types of Department Store, 1987-1991</u>						
<u>Type of store</u>	<u>1987</u>		<u>1989</u>		<u>1991</u>	
	Sales \$ mn	% share	Sales \$ mn	% share	Sales \$ mn	% share
Conventional	48,242	31.8	52,844	31.2	53,156	29.1
National Chain	36,791	24.2	37,918	22.4	37.227	20.4
Discount	66,900	44.0	78,744	46.4	92.097	50.5

The discount department stores now represent just more than one-half of the total sales recorded under the general heading of "Department Stores". The share of conventional department stores in the total has declined, but not as rapidly as that of the "National Chains".



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ROUTE TO

APRIL 1992

VOL. 27, NO. 4

TREND OF MARKET SHARE IN FRANCE

The *Retail News Letter*, published by the International Association of Department Stores, reported the following change in market share in finance for various types of retailers:

Type of Store	Percentage 1980	Percentage 1989	Percentage Change
Department stores	5.1%	5.7%	+0.6%
Variety stores	1.2	0.9	-0.3
Specialist stores	70.1	67.8	-2.3
Supermarkets	1.3	1.6	+0.3
Hypermarkets	3.1	3.4	+0.3
Mail order	6.4	9.6	+3.2
Markets and fairs	7.9	6.1	-1.8
Other	4.9	4.9	0.0
TOTAL	100.0%	100.0%	

The term "department store" in finance does not include discount stores as it does in the United States. Discount stores are included under hypermarkets (not all hypermarkets are 200,000-square-foot stores). Most food products are sold through specialist stores.

Mail order has increased market share by 50%, a much greater increase than in the U.S. Department stores in France have done much better than in the U.S. Variety stores in France have done much better than in the U.S. Variety stores are disappearing as they are in the U.S. Markets and fairs are declining in importance as shopping centers continue to develop, even in smaller towns. The biggest decline, as in the U.S., is among specialty stores, whether single stores or chains.

RThought: You can develop your own figures for market share by type of retail outlet from the monthly report on retail sales on page 4 of *RT*.

ARE YOU IN THE 'EDI YELLOW PAGES'?

An outfit called "EDI, spread the word!" (Box 811366, Dallas, TX 75381; telephone 214-243-3456) publishes the EDI Yellow Pages: The Business Partner Directory, which lists the names and addresses (mail and electronic) of companies using EDI.

The current directory shows that the number of firms listed has almost doubled from the previous year — 12,200 to 20,500.

The table below shows the annualized growth between EDI directories since the first one was published just four years ago.

'LOWEST PRICE GUARANTEED' — AS PRACTICED

One of my assistants reported the following incident:

My two sons went to Egghead in Concord last week to buy a sound board and speakers for their PC computer (approximately \$150 retail).

Egghead advertised "Lowest Prices Guaranteed," so my sons brought in an ad from a computer company on Sutter Street in San Francisco which quoted a lower price for the item than did Egghead. The salesperson told my sons that Egghead couldn't accept the ad because Egghead would have to call the San Francisco store to verify the price advertised; and since it was Saturday, the San Francisco store was not open.

Both of my sons came home disappointed. However, I was proud of them that they didn't succumb to Egghead's price! My husband was upset, however, that Egghead had taken advantage of our sons because they were "younger" customers and shopping on their own. He asked them to go with him to the Egghead store in Walnut Creek to see what it had to say.

When they showed the ad to the salesperson at that store, the salesperson said that he would accept the ad — BUT that he really shouldn't, as the San Francisco store was "out of the area"??? He also said that it would cost them more to drive to San Francisco and pay the bridge toll and parking in order to buy the items from the other store than it would be to pay the price at Egghead. My husband didn't bother to tell the salesperson that he works a block away from the store in San Francisco!

I believe Egghead goes to great lengths to make it difficult for a customer to take advantage of its "Lowest Price Guaranteed" ads, and I believe Egghead should not include such a policy in its ads if this is the way it intends to execute it! Furthermore, it seems strange to me that there isn't a consistent policy for all of its stores: two different excuses from two different stores for not wanting to accept the competitor's ad and match the lower price doesn't make sense, nor does it make good business.

RThought: I hear these stories frequently, and I usually don't report them. However, I have confidence that my assistant accurately presented the facts.

Perhaps we shall hear from Egghead about its "policy."

Issue Month	Number of Users	Months Since Last Issue	Annualized % Increase
July 1987	1,465	NA	NA
March 1988	3,600	8	269%
November 1988	5,000	8	108
June 1989	6,500	7	122
January 1990	8,800	7	131
September 1990	12,200	8	108
September 1991	20,500	12	68

RThought: I repeat: If you do not plan to use EDI within the next few years, you should be preparing to liquidate your business and retire. The compound annual growth rate for 4½ years: 84%!

THE RETAILER WITH ZERO SHRINKAGE

Would you believe that there is a multimillion dollar retailer with no inventory shrinkage?

The Buyer, South Africa's leading retail magazine, says, "Yes, there is one!"

The store is owned by a man named Mohammed, the store is named Mdapuna, and it is in rural South Africa.

Let me repeat the story as it appeared in the June 1991 issue of *The Buyer*:

Imagine a multimillion Rand [35 cents in U.S. currency] retail operation with zero shrinkage. Just think how such a situation would impact on your margins!

The secret lies in customer control. Only 100 people at a time are allowed into the store, with a queue sitting outside patiently watching the world go by as they wait their turn.

Once inside, I followed a large lady with a baby on her back and a box on her head. She shuffled slowly through the throng, stopping to buy two large batteries and a tea towel (displayed side by side).

Within seconds of her touching the merchandise, an assistant is at her side, handing the goods to a "wrapper" to be parcelled up.

The transaction is recorded in detail (goods, price, and tax) on a little piece of cardboard that looks as if it's cut from a shoebox. This is then handed to a "runner," who sets out with card and cash for a cashier, who is manning a till the South Africa Museum would kill for.

He's back with the parcel (the piece of cardboard stuck to it) and the change in the space of about two minutes — which sure beats standing at a checkout for 20!

Two hours later the large lady has chosen four dresses, a radio, cooking oil, shoes, two blankets, her batteries, and tea towels (all parcelled with their relevant pieces of card) and has finished her list for the day.

She has received personal treatment in her own language; has value for money, plus a detailed copy "guarantee" of each transaction. She has even been greeted by name by the owner, himself. She will be back and so will her children, and no doubt her children's children.

If I am asked if there is a "black market," I have to say "Yes, I have seen it." But don't ask me how it works. I'm only supposed to be an expert. Ask Mohammed — presuming you can catch him in his imported hi-tech turbo-charged Merc Aviator.

RThought: All of us have always known that if we had enough coverage on the floor shoplifting would disappear. It appears that Mohammed didn't know that he wasn't supposed to have enough coverage to do just that! He has enough coverage for the number of customers he lets in the front door — and he has no shrinkage. Perhaps, he ignores the advice of his controller on "calculated risks."

DOES DROPPING THE AMERICAN EXPRESS CARD MAKE SENSE?

Hartmarx Corporation's retail subsidiaries (Wallachs, Baskin, Silverwoods, Hastings, Jas. K. Wilson, Zachry, Anton's, Wolf Bros., Klopfenstein's, and another 30 subsidiaries) announced that they will no longer honor American Express (AmEx) cards. The reason, as reported in the February 10, 1992, issue of *NSM Report* (233 East Wacker Drive, Suite 4413, Chicago, IL 60613; \$225/yr.) is that Hartmarx is charged 1% more by AmEx than it is charged by Visa and Mastercard. Hartmarx cited a need to save money. It does have profit problems, and it should do everything possible to improve profits. But will the elimination of AmEx cards help it?

Hartmarx will save 1% on all persons offering an AmEx card who switch to Visa and/or Mastercard. If Hartmarx does 5% of its business on AmEx, it will pick up 1% profit on 5% of its sales, or a .05% improvement in profit. But suppose the holder of the AmEx card is using the card because each dollar can be used to earn mileage under several airline frequent flyer plans? That customer may use another card when first learning that AmEx is no longer honored, but it may well be the last transaction at a Hartmarx store. I don't know of a single Hartmarx store which is so unique that a customer cannot find another convenient place at which to buy Hartmarx, Hickey Freeman, or Sansabelt clothing.

Now the question is: What is the point at which you lose money by trying to save money on AmEx fees?

If a Hartmarx store's expenses are analyzed, they might show that expenses which truly vary with sales (percentage rent, sales commission, alteration costs, wrapping supplies, etc.) come to 15%. If the gross margin is 50%, then the contribution to overhead is 35%. If one customer in 35 cancels a sale or switches stores, terminating AmEx does not save any money, nor does it lose any money. However, if two in 35 cancel a sale or switch, Hartmarx has increased its loss by the amount of money it *thought* it was saving when it dropped the AmEx card.

RThought: Knowing controllers as I do, let me warn you about suggestions from your controller on how to save money. Reducing a specific expense item without considering the impact on sales is not a measure of savings. Determining the impact on sales is complicated, as the exposition above illustrates.

Most of us know that Tuesday is a terrible day in retailing. In one conversation years ago, when the type of thinking criticized above was being discussed by a friend of mine, Mervin Morris, founder of Mervyn's, suggested with tongue in cheek that my friend's company might save money by closing his stores on Tuesday!

There is a lesson to be learned here: Beware of a controller's analysis — it could bankrupt your store.

IF YOU SAY YOU ARE GOING TO IMPROVE SERVICE, READ THIS...

A survey of subscribers to *Communication Briefings* (700 Black Horse Pike, Suite 110, Blackwood, NJ 08012; \$69/yr.) found that 82% are influenced in their opinion of a company by the way the phone is answered. [That is probably true of people who call retail stores.] Forty-two percent are irritated by automatic phone menus. [I suspect that more than 42% of callers to retail stores are irritated, because they may be less accustomed to being greeted by a machine than are business people.]

The survey found 25% of respondents are annoyed when the phone is not answered by the third or fourth ring. [Retail customers may not become equally annoyed until the fifth ring.] Twenty-one percent are annoyed when they get a busy signal from an 800 number. [I am certain that store customers are even more annoyed when the 800 number is busy the second time; by the third or fourth time, the caller is probably no longer a customer.]

RThought: If a store knows that 42% of its customers will be irritated by an automatic phone menu, why is one installed? I believe it is because retailers, who brag about providing "service," are not "people" smart.

SEXUAL HARASSMENT IN GOVERNMENT AND IN EDUCATION

Harassment in the Federal Government

The Senate Judiciary Committee, as part of the Judge Clarence Thomas hearings, was able to find Professor Anita Hill. However, it could not find a report — "Sexual Harassment in the Federal Workplace: Is It a Problem?" — prepared by the U.S. Merit Systems Protection Board at the request of the Subcommittee on Investigations of the Committee on Post Office and Civil Service, U.S. House of Representatives.

The report was completed in March 1981 and covers 1977 through 1980, which is approximately the time during which Professor Hill alleges that Judge Thomas harassed her.

The Merit Board sent out over 23,000 questionnaires and received more than 20,000 replies for an 85% response rate. *Never before have I heard of such a response rate from such a large sample!* As the preface to the report stated, "an 85% response rate far exceeds the minimum standards for reliability." This, then, is a fair measure of the situation from 1977 to 1980 in the federal government.

Both men and women responded to the questionnaire.

Sexual harassment was broken down into three levels of severity:

Most Severe	Actual or attempted rape or assault
Severe	Deliberate touching Pressure for sexual favors Letters or calls
Less Severe	Sexual remarks Suggestive looks Pressure for dates

Based on the study, the report found that women and men who were likely to be harassed were:

- Young
- Not married
- Of higher education
- A member of a minority, racial, or ethnic group (if male)
- In a trainee position (or office clerical, if male)
- In a nontraditional position for their sex
- Under an immediate supervisor of the opposite sex
- In a work group composed predominately of the opposite sex

Based on the study, Professor Hill was clearly among those who were most likely to be harassed.

The breakdown on the level of harassment by sex was:

Sex	Most Severe	Severe	Less Severe	Total Victims
Female	1%	29%	12%	42%
Male	*	9	6	15

*less than .9%

Study those figures. In the federal government, from 1977 through 1980, 42% of all women and 15% of all men were subjected to sexual harassment.

A second study was made by asking people who had worked in private industry to report *their* experience; and, without publishing figures, the study concluded that the harassment rate in the federal government *was about the same as in private industry*. Inquiring among friends, I have yet to find one who believes that within his or her industry 42% of the women are subjected to sexual harassment. **Do you believe 42% of the women in retailing have been subjected to**

sexual harassment as defined in the report? If so, please write and describe the situation.

Among women, the highest rate of sexual harassment experienced was in the Department of Labor (56%) and the lowest was in the Department of Agriculture (31%). Harassment of men ranged from the Department of Health, Education, and Welfare and the Veterans Administration (both 22%) to the Department of Transportation (9%).

Harassment was almost uniform over pay ranges (remember, these are 1980 rates):

Range in Salary	Women	Men
\$1 - \$10,999	47%	19%
\$11,000 - \$14,999	39	19
\$15,000 - \$19,999	42	14
\$20,000 - 23,999	42	11
\$24,000 and up	42	13

Sex of Harasser	Female Victim	Male Victim
Male	78%	18%
Two or more males	16	4
Both male and female	2	6
Female	2	60
Two or more females	1	12
Unknown	1	0
	100%	100%

What happened to the harassed person/what did the person do?

What Happened to Victims of Severe Harassment	Women	Men
Transferred, disciplined, or given poor rating	79%	87%
Asked or told person(s) to stop	53	69
Reported to supervisor or other official	54	46
Avoided person	42	51
Made a joke of behavior	32	45
Threatened to tell or told other workers	35	29
Ignored the behavior or did nothing	24	41
Went along with the behavior	8	25

RThought: Expanded to the total federal government work force, 294,000 women and 168,000 men were subjected to sexual harassment. It is my belief from watching the hearings and now learning of what was happening in the federal government that the Senate may have seated a sexual harasser on the bench of our Supreme Court.

Sad RThought: The survey was repeated in 1987. The figures were the same.

Harassment at Harvard University

Harvard Magazine (January-February 1992) had an article entitled "Sex and Secrecy at Harvard College."

In the fall of 1983, Professor Sidney Verba...released the results of a survey...of sexual harassment within the Faculty of Arts and Sciences." This was based on a 70% response to 3,800 questionnaires distributed to 800 faculty members, 1,000 graduate students, and 2,000 undergraduates. More than 1,100 were women.

Sexual harassment as reported:

Women - tenured faculty	32%
Women - nontenured faculty	49
Women - graduate students	41
Women - undergraduate students	34

Despite this level of harassment, complaints to the department's Committee on Sexual Harassment averaged only about 40 a year for the past five years [1978-83]. Only nine of the 189 complaints required "formal action."

continued

FEATURE REPORT *continued*:

It should be pointed out that only complaints of sexual harassment against members of the faculty are referred to the committee. The article mentioned an unidentified great scholar who "felt it unnecessary to be other than moderately discreet about his proclivity for propositioning anyone in a skirt. Though not known to impose himself by abuse of his authority, he was happy to use his fame as bait."

RThought: Here, again, we have a survey that shows a high level of sexual harassment and a public record that shows virtually none. Are survey respondents telling lies? I doubt it. I believe any retailer who has ever made a similar survey was startled by the number of employees who have been subjected to sexual harassment; and, yet, the number of formal complaints have been few.

Since the 1983 survey Harvard has reacted vigorously to complaints of sexual harassment against faculty members but, apparently, less effectively in cases involving only students.

ENGLISH AS THE OFFICIAL LANGUAGE

I am against efforts to make English the official language. We survived the decades of ghettos where only Italian, Polish, German, Yiddish, Russian, and even Chinese and Japanese (in San Francisco) were spoken. Today, the third generation speaks without an accent.

An erudite friend with a long career in book stores asked me if Bank One in Columbus, Ohio, is incapable of writing clearly or if it writes as it does to confuse its cardholders.

Here is the sentence that he could not follow:

The Daily Purchase Balance is calculated by taking the daily beginning balance of purchases minus the portion of payments and credit adjustments applied to the purchase balance, and credit vouchers, plus purchases, fees and finance charge (except automatically assessed fees and finance charge billed on cycle day which are included in the next business day balance) applied to the purchase balance, and debit purchase adjustments.

Here are a few questions regarding the above statement:

It tells us what will happen to "the portion of payments and credit vouchers applied to the purchase balance," but what becomes of the portion that is NOT applied to the purchase balance? And who decides what portion is and what portion is not applied? On Tuesdays, does Bank One apply only 10%, and on Thursdays, apply 50%? Is this a legal way to steal from customers? Will its defense be "We told them what we were going to do and they did not complain"? Heck, "they" didn't even understand!

As I read the sentence, "debit purchase adjustments" are *added* to the balance rather than subtracted!

RThought: If we are to have workplaces where both sexes are to be treated equally and with respect, we have a lot of work to do. I know of no study in retailing, especially one that had a 70% or an 85% voluntary response rate from a sample of 3,800 or 23,000. The only way one can tell whether retailing (or any other business) is seriously concerned about this matter is to see published results of properly conducted studies. We know how to do scientific sampling for market surveys; we know how to survey our employees. It is time for us to study sexual harassment in retailing.

Until we take action, we will have senior executives claiming "No such thing happens in our company," as they move from one affair to another, each time promising a pay raise and/or a promotion, thinking that nobody in the business knows about their conduct.

RThought: Perhaps some retail academics will undertake a sexual harassment survey of one or more major retail employers. Such a study would contribute more to revised personnel practices in retailing than many studies that I read.

RThought: Three people proof each issue of *RT* at least three times, and some mistakes still slip through. If there is a sentence that even one staff reader has a problem understanding, we change it until its meaning is clear.

However, Bank One gets even worse:

Pay the New Balance of Purchases in full every month and incur no Finance Charge on the New Balance of Purchases. There is a grace period of at least 25 days to avoid additional Finance Charge on the New Balance of Purchases. Pay at least the New Balance of Purchases by the Date Payment Due shown on your current Statement to avoid additional Finance Charge.

Here is your quiz for the day:

1. What is said in the third sentence that has not already been said at least once in the first two sentences?
2. What is said in the second sentence that could not have been incorporated into the first sentence?
3. Does the following sentence include everything said in Bank One's three sentences: "Pay the New Balance of Purchases in full by the Date Payment Due (which provides a grace period of at least 25 days from the end of the prior billing cycle), and you will avoid an additional Finance Charge"?

RThought: Credit cardholders should be allowed to appeal poorly written instructions to the Federal Trade Commission, and the card issuer should be forbidden from the collection of any finance charges until the explanation is written in clear, eighth-grade English.

SHORT SHORTS

Will you have to collect sales taxes for the states that handle your garbage? The North Dakota Supreme Court held that a mail-order stationer, Quill Corporation, had to collect sales tax on sales made into North Dakota, even though it had no physical presence in North Dakota. (Quill is appealing this decision to the U.S. Supreme Court.) In reversing the U.S. Supreme Court's *Bellas Hess* decision, the North Dakota court abandoned the test of having an office in, and/or people operating in a state to come under the jurisdiction of that state.

Among points raised: North Dakota had to dispose of 24 tons of solid waste generated each year by Quill's catalogs. It added that most mail-order solicitations have not been requested and, in many cases, may be unwanted by the customer. **RThought:** The day is coming when anyone who wants to do business by mail in any state will have to collect sales tax for that state. One of the "economies" of mail order will disappear: a sales tax savings exceeding the delivery charge.

If a store knows that 25% of its customers are annoyed when the phone is not promptly answered, why does a store under-staff its switchboard when there are ways to divert calls to someone other than the operator? Again, I believe it is because retailers, who brag about providing "service," are not "people" smart.

And the same applies to retailers who don't install enough 800 lines!

It always pays to be "people" smart. One would expect retailers to be more "people" smart than other groups of businesspeople.

IN CASE YOU GET SPECIFIC INFORMATION FOR TARGET MARKETING...

The United States attorneys in Newark, New Jersey, and Tampa, Florida, have taken on eight "information brokers" who are charged with bribing Social Security Administration employees to provide confidential earnings and employment information.

The President of Super Bureau, Inc., of Monterey, California, has been indicted on 32 counts of "coaxing" a Social Security employee in New Jersey to provide confidential information for a fee.

Included in the indictment are: the operator of Locate Unlimited in Mesa, Arizona; the owner of Tracers Worldwide Services in Corpus Christi, Texas; the owner of Interstate Information Services in Port Jefferson, New York; and the former owner of International Criminal Investigative Agency in Port Angeles, Washington.

Some information was obtained by bribing FBI employees.

The Big Three credit bureaus have continued to sell information to the above firms, even though the bureaus know they cannot protect the information once it has been sold to the brokers.

RThought: If someone in your business has suddenly "discovered" a great source of information, whether for tracing a bad debt or targeting high-income people, you should check thoroughly to be certain you are not dealing with a business which obtains its information illegally.

(Source: *Privacy Journal*, Box 28577, Providence, RI 02908; \$109/yr.)

PREScreening BY CREDIT BUREAUS AND THE FAIR CREDIT REPORTING ACT

Prescreening is a process by which a consumer reporting agency (credit bureau) compiles or edits a list of consumers meeting specific criteria which is provided by a business for use in soliciting specific customers for credit products.

A prescreened list represents a series of "consumer reports" because it conveys information on each consumer named.

The Fair Credit Reporting Act (FCRA) does not deal with

prescreened lists, but it does say that a credit report can be obtained only for the purpose of making a *firm* offer of credit to the named person. To obtain a consumer report, the requester must have a "permissible purpose." Thus, prescreening legally may not be used for insurance, employment, or other purposes.

FCRA acts to safeguard the confidentiality of consumer credit information. A clear connection between creditor and consumer must exist before the creditor may legally obtain a credit report. If a firm offer is to be made to those names who clear the criteria set by a credit grantor, a permissible link exists.

The credit grantor is legally obligated to make a firm offer to every person who meets the prescreening criteria, and the list must be used promptly following its delivery to the creditor. Any conditional offer is an inadequate basis for having obtained a prescreened list.

Once the consumer accepts, the offer cannot be withdrawn, even if based upon new information concerning the consumer. Incorrectly applying the criteria during the prescreening or failing to retrieve all information does **NOT** qualify as permissible reasons for withdrawing an offer. The few permissible reasons are: repossessions; charge-offs; filing for bankruptcy; or entry of liens or judgments. These criteria must have been part of the disqualifying factors set forth in the prescreening instructions to be valid reasons for withdrawing the offer if they occur after the list has been prepared.

It is permissible to offer a low limit originally and to review that low limit after receipt of a full credit report, but the low limit cannot be less than the amount normally given when opening accounts.

RThought: This information was extracted from a more extensive explanation contained in a letter from the Federal Reserve Bank of San Francisco on the FCRA dated December 4, 1991. A copy can be obtained by calling the Consumer Affairs Unit at 415-974-2967, or by writing to FRBSF, 101 Market Street, San Francisco, CA 94105.

Several retailers have been fined and/or subjected to continuing injunctions for failing to reveal to job applicants that they were turned down in part or wholly because of a credit report. The rejected employee has the same right as someone turned down for credit; they must be provided a free copy of the credit report to determine the accuracy of the information.

RT has previously reported on gross inaccuracies in credit reports issued by the Big Three credit agencies.

HOW DEPARTMENT STORES LOSE CUSTOMERS

I have four wonderful women assistants who often serve as my eyes and ears in the retail world. All are mature, competent shoppers. All have reared or are rearing a family.

Here is a report by one of my assistants of an experience during the second week of last December.

In a major department store's Sunday tabloid there was a full page, in color, showing three models wearing fleece separates in a polyester/cotton blend with a choice of five pastel shades and five bright shades (however, no bright shades were illustrated). My assistant was attracted by the V neck shown in the largest picture.

When she visited the local branch (one of its largest volume branches), only one V neck was displayed, and it was

damaged. Only two pair of matching gray pants were on the rack, a petite and a large. A clerk went into the stockroom and found one V neck and one pair of medium pants, but not the "assortment" of five pastel shades and five bright shades, as advertised. However, there was a large table of nonmatching pants and tops of the sort shown in the tabloid.

My assistant left without the \$40 purchase that she had wanted to make and commented, "I wasted my time finding a parking space."

RThought: How many times do you think she will return to that department store? She plays weekly in a three- or four-table duplicate bridge group. How many of her bridge-playing friends do you think she told about her shopping experience at this major department store?

Some buyer thought the items were worth a full page in a pre-Christmas tabloid appearing on December 8. The ad read, "Now through December 24"! But there was not enough to last through the first day!

WORDS — FROM TOM PETERS

One of Tom Peters' recent columns was headed "Sometimes Crises Make Great Teachers." The thoughts were stimulated when his wife went through an urgent five-hour surgery.

The headings of the sections give the tone.

- Perception is everything — and extremely plastic
- Acknowledge emotion
- A little TLC goes a long, long way
- We *can* handle change
- The need for control
- Focus

Under "We *can* handle change" were these words:

It turns out that the true enemies of change, like the hard-line Soviet apparatchiks who tried to dump Mikhail Gorbachev, are mainly managers fearful of losing power.

RThought: Those managers who resist change because they are fearful of losing power (and there are many in retailing) should think about the catastrophic damage they do to themselves and, more often, to the hundreds or thousands of people working in their stores and who are loyal to them. How many faithful employees are hurt when a few members of top management try to make a killing through an LBO in which they put up a few dollars for the equity and someone sells junk bonds to finance the balance? I won't list the number of retailers who, today, are 50%, 25%, or even 0% the size they used to be. So many faithful sales, office, receiving, and warehouse employees are out of jobs, without their promised pension/profit-sharing money, and are at mid- or later-life trying to start over again. I feel sick when I read about some of the "golden parachutes" these executives have arranged for themselves.

Retail Monthly/Year-To-Date Sales Comparison (\$ million; unadjusted)

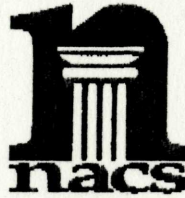
SIC Code	Category	January 1992		Percentage Change	Year to Date		Percentage Change
		1992	1991		1992	1991	
52	*Bldg Matl Group	\$ 6,449	\$ 5,626	+ 14.6%			
57	*Furniture Group	7,097	6,705	+ 5.8			
571	Furniture Stores	3,778	3,667	+ 3.0			
572	Appl, TV, Radio Stores	2,608	2,422	+ 7.7			
5941	*Sporting Goods Stores	1,039	907	+ 14.6			
5942	*Book Stores	860	744	+ 15.6			
5944	*Jewelry Stores	768	769				
531 Pt	Conventional Dept Stores	2,857	2,716	- 0.1			
531 Pt	Natl Chain Dept Stores	2,413	2,231	+ 8.2			
	Subtotal	5,270	4,947	+ 6.5			
531 Pt	Discount Stores	5,927	5,363	+ 10.5			
531	*Department Stores	11,197	10,310	+ 8.6			
541	*Grocery Stores	28,432	27,676	+ 2.7			
56	*Apparel Stores	5,998	5,641	+ 6.3			
561	Men's & Boys' Stores	634	611	+ 3.8			
562,3,8	Women's Stores	2,047	1,966	+ 4.1			
565	Family Clothing Stores	1,726	1,531	+ 12.7			
566	Shoe Stores	1,147	1,120	+ 2.4			
591	*Drug Stores	6,189	5,771	+ 7.2			
596	*Nonstore Retail	4,136	4,269	- 0.3			
5961 Pt	Mail Order (Dept Stores)	305	312	- 2.2			
5961 Pt	Mail Order (Other)	2,382	2,503	- 4.8			
	*Retailing Today Total Store Retailing†	72,165	68,418	+ 5.5			
	**GAF TOTAL	31,276	29,126	+ 7.4			

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

MAY 19 '92 16:17

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May 19, 1992

Retailing Today
c/o Robert Kahn, CMC, Editor
Robert Kahn and Associates

*Ret'd
April 92 PT*

Mr. Kahn,

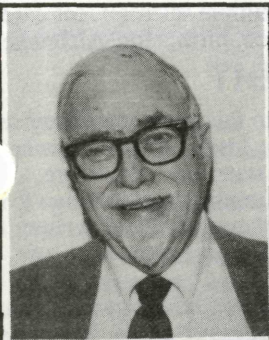
I am requesting in writing permission to use the item "If You Say You Are Going To Improve Service, Read This . . ." (excepting the RThought information) from the April 1992 (Vol. 27, No. 4) issue of *Retailing Today*. We would like to use the item in two upcoming issues of our own newsletters, *Campus Marketplace*, and *Focus on the Campus Marketplace*.

Thank you in advance for considering this request.

Duane Sutton, Editor
Campus Marketplace
Focus on the Campus Marketplace

National Association of College Stores

mag.
Will enter exchange for
your permission
magazine
216-775 7777
5-20-92



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ROUTE TO

MAY 1992

VOL. 27, NO. 5

NEWS ON THE PRIVACY FRONT

The Privacy Journal (Box 28577, Providence, RI 02908; \$109/yr.) for March 1992 reported several items of interest to retailers.

On drug testing: Random drug testing is uneconomical if you have fewer than 1% positives (positives include no-shows). An example of uneconomical testing was that which was done by the National Collegiate Athletic Association, which tested 6,000 football players in the fall of 1991 and found two positive to marijuana, one to cocaine, five to steroid drugs, and six no-shows, for two-tenths of 1% positives.

Help the FBI tap your line??? The FBI is seeking legislation which would make it easier for it to tap new, high-technology telephone lines. The new Integrated Services Digital Network, which makes display systems possible and eases networking computers over telephone lines, would have to be modified to permit easy tapping (optic-fiber lines are more difficult to tap). The FBI is seeking Congressional action to require all telephone companies and operators of private exchanges to make telephone lines easy to tap. The cost, about 20 cents per telephone line per month, would be passed on to users.

Credit bureau lobbies show their power. TRW and Equifax fought providing a free credit report once a year and received approval for an \$8 charge (much more favorable than having to provide one free). They are also trying to obtain legislation which would relieve them of liability for inaccuracies in reports which cause damage to the subject of the report.

Finally, they are trying to establish a federal law which will preempt existing state laws.

Do you do this when evaluating job applicants? The New York Division of Human Rights is taking action against Delta Air Lines, based on 100 complaints by former Pan American employees interviewed after Delta acquired Pan Am. Delta asked about marital status, sexual activities, birth control, removal of tissue from the body, and even "Why aren't you married?" Delta was fined \$8,000 in 1989 for similar violations.

RThought: I recently read a small "ad" in a magazine — one column wide and perhaps 5 inches high. I don't recall the exact wording, but it went something like this: "The independent views in this magazine are brought to you through the courtesy of the First Amendment of our Constitution." We don't recognize those who have a special interest in destroying our freedom of speech.

When thinking of the First Amendment and how nonchalant we are about protecting it, my thoughts go back to Thomas

HAVE YOU A JOB FOR A BLIND OR VISUALLY IMPAIRED PERSON?

Let me begin by thanking my friend, Stanley Fenvessy, a fellow Certified Management Consultant, who, with me, was a founder of the Institute of Management Consultants some 23 years ago. We are among a handful of the original 140 members who are still active.

Stan specializes in assisting direct-marketing associations with their order fulfillment process and writes a regular column in *DM [Direct Marketing] News* called "Fenvessy on Fulfillment."

In the March 9, 1992, issue he talked about James Benton, an outstanding reservation clerk working for Holiday Inn. James can book a vacation or business accommodation, confirm it, arrange for a rental car, and record the credit card information.

James is blind. He uses a Braille-based computer system which "displays" the information on a computer-activated Braille strip just below the keyboard. He reads Braille almost as fast as a sighted person can read a display.

For the visually impaired there are systems which provide an enlarged display on a monitor.

Stan knows of blind or visually impaired people who handle reservations for Ramada Inns, TWA, Marriott, and Federal Express; renew subscriptions for *Newsday*; receive delivery orders for Pizza Hut; and answer inquiries at Emigrant Savings Bank in New York.

RThought: Are there jobs in your business which a blind or visually impaired person could perform? For assistance, call Barbara Fried, Director of Career Services, The Lighthouse, New York City, at 800-334-5497.

Jefferson, the man who incorporated the free-speech concept into the Constitution of the State of Virginia before there was a United States of America. He wrote to Colonel Edward Carrington on January 16, 1787, when we had neither a U.S. Constitution nor a Bill of Rights:

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.

TRW CHARGED WITH SELLING INACCURATE INFORMATION

A suit against TRW by Sid Tool Company, a direct marketer of industrial tools, is proceeding toward trial in Federal Court in New York. In 1989 Sid Tool rented a list of 540,000 names. The suit claims that 40% of the addresses provided to Sid Tool either were no good (out of business, moved) or that the Standard Industrial Code was not one of the codes specified.

It is alleged that TRW did not check the list against the change-of-address list maintained by the U.S. Postal Service. Had this been done, many of the addresses would have been eliminated.

Sid Tool also charges that TRW purchased the names from others and did not check on the accuracy of the purchased lists.

RThought: Considering the inaccuracies which I have found in TRW reports issued on me, I am not surprised. I was once denied credit because of a report from TRW. Among other inaccuracies, I found the report contained an account for my married daughter listed at her home address; one for another Robert Kahn with a different middle initial; two accounts at Macy's California, which, Macy's told me, did not exist; and more.

[This item is based on an article in *DM News*, March 9, 1992. I wonder if TRW stands for "The Record's Wrong"?]

HOW NOT TO CREATE LOYAL EMPLOYEES

More and more companies are providing self-insured hospital and medical coverage. Many are taking advantage of "loop-holes" which can leave employees without their promised coverage.

In 1987 the U.S. Supreme Court upheld in the case of the Pilot Life Insurance Company of Greensboro, North Carolina, that "health self-insurers are exempt from the state laws that permit juries to assess punitive damages for improperly denied medical claims." In recent cases federal courts have interpreted the Employee Retirement Income Security Act as preempting all state laws covering hospital and medical benefits. Thus, self-insured employers are not subject to state laws controlling insurance companies. This position, now being appealed to the U.S. Supreme Court, was set forth in a U.S. Appeals Court decision which said that "forces in the marketplace" should be allowed to determine what coverage an employer must provide in order to hire and keep the desired quality of employees.

The net result is that state laws controlling insurance companies do not control self-insuring companies. For example, self-insured plans do not have to provide treatment for alcoholism, although many states require all insurance companies to provide such coverage. The list of such examples is long.

The situation is highlighted by cases involving retailers. Richard Owens worked for Storehouse, a furniture chain in Atlanta. He had been told that he had medical coverage up to \$1 million; but when he contracted AIDS, his coverage was cut to \$25,000. At H&H Music in Houston, \$1 million in coverage was cut to \$5,000 for a person with AIDS. The Circuit Court in New Orleans ruled that each company had the right to do what it did, even though both Georgia and Texas require insurance companies to continue coverage for AIDS.

In various states there have been cases in which self-insured plans have provided less coverage than an insurance company

would be required to provide for multiple sclerosis, for care of a child who has been blind since birth, for Alzheimer's disease, and for other conditions.

RThought: There are other sides to this problem. Many self-insured plans reinsure against major losses. The reinsurance is not an insurance policy under the state law. Therefore, reinsurers are not bound to provide the reinsurance coverage to the extent that they would be if they themselves had written the insurance policy.

The cost of health and welfare insurance has been rising much faster than have other expenses. In many cases, it has risen faster than sales have increased and, in almost all cases, much faster than profit has increased. Companies are in a serious financial bind. More and more employers have found it necessary to discontinue health insurance for their employees; others ask employees to pay a percentage of the cost.

Health insurance for the uninsured may be included in political platforms now being debated. It is doubtful, however, that a political decision will be reached within the next few years.

RThought: It is one thing for the employer to exclude coverage from a plan and another thing to suddenly tell a person with a serious illness that, henceforth, his or her coverage will be dramatically reduced. It is unconscionable to cut coverage to \$5,000. It is important that self-insured plans be subject to the same rules as insurance policies.

RThought: During a TV broadcast on April 25, 1992, Thomas A. Scully, Associate Director of Human Resources, Office of Management and Budget, U.S. Government, reported that 75% of the work force are employed by companies which are self-insured. All can have their insurance coverage changed at any time, as was done with the two cases cited.

[Note: The information, exclusive of **RThoughts**, was summarized from an article in the March 29, 1992, *New York Times*.]

SOMETIMES I WONDER ABOUT THOSE OF US WHO RUN RETAIL STORES

I am in the process of listening to 22 tapes covering sessions which I was unable to attend at the January 1992 Annual Convention of the National Retail Federation.

Speaker after speaker admonished the audience, presumably senior retail executives, that retailers are not aware that "the consumer is seeking value"! And the audience asked questions about "the consumer seeking value"!

Can you imagine that?

RThought: Perhaps my age is showing. I worked vacations in a department store during what has been termed the "Great Depression." There was nothing "great" about 1930 and the years up to World War II. My father, Irving, was in retailing from 1905 to 1965 (at 21, he was the youngest president of the California Dry Goods Association). He never discussed with me the consumer's desire for value. He assumed I was bright enough to observe that. Occasionally, he repeated a story which had been told to him by his father, Solomon, who was in retailing from before 1879 (when his father, Israel, opened a store in Oakland) until 1910. It related to the *obligation of integrity* (which includes value) and what some refer to as "the public trust" which a retailer owes to his or her customers. And I am absolutely certain, though I was not there, that Great Grandfather Israel imparted such wisdom to his other sons, Henry and Fred, as he had to Solomon.

THE SAM I KNEW

Sam Walton is gone. Our 20-year friendship has left me with fond memories and continuing admiration.

I couldn't think how best to describe Sam until I listened to a tape about David Hume. Hume has been described as one of the most influential of the 18th century British philosophers. What impressed me wasn't something that Hume said. It was something said *about him* by Adam Smith (*Wealth of Nations*), one of Hume's closest friends, in a letter he wrote after Hume's death:

Thus died our most excellent and never-to-be-forgotten friend, concerning whose philosophical opinions men will, no doubt, judge variously, everyone approving or condemning them accordingly as they happen to agree or disagree with their own, but concerning whose character and conduct there can scarce be a difference of opinion. Upon the whole, I have always considered him, both in his life and since his death, as approaching as nearly to the idea of a perfectly wise and virtuous man as perhaps the nature of human frailty will permit.

What Smith wrote about Hume expresses what I and many others who knew Sam would have said about him.

Several who have written about Sam did not know him. Yet, as the column by Vincent F. Lopresti to the right illustrates, the people of Sierra Vista, Arizona (population 33,000), knew a man named Sam Walton long before Sam was famous. They knew him years before there was a Wal-Mart store in town, when they began a project of neighborly goodwill. Sam read about their project and sent them a check.

But I want to write about the Sam I knew.

Even as he contributed to the many good works of others who were of different religions, Sam served his own church as a Sunday school teacher, as the principal of the Sunday school, and as a deacon.

The number of worthy projects supported by Sam, either directly or through the Sam and Helen Walton Foundation was staggering. One particular contribution is close to my heart — Sam and Helen sponsored the development of Arkansas Educational Television's GED (General Equivalency Diploma) program. It motivates and prepares adults who have not completed high school to take the GED test. If a participant once attended a high school but did not graduate, yet later passes the GED test, the participant receives his or her diploma from that high school. For those participants who *never* attended school (not uncommon, particularly among those who dropped out of high school during the Depression) the diploma is issued by the state.

I first observed the importance of the GED program during World War II. Our AAF Service Group established Quagmire College on Leyte. Members of the outfit, working as teachers without books, ran classes in history, math, and English, in addition to another 30 or 40 subjects. One series was aimed at preparing men, some of whom had never been to high school, to take the GED test. Most passed. At that time we did not know that the G.I. Bill would come along. A good number of Leyte GED graduates went on to college and successful careers.

Among those attracted to the Arkansas television program sponsored by Sam and Helen were many women who, because of pregnancy, had not completed high school. For years, they

Walton's donations served area greatly

Samuel Moore Walton, who died Sunday, left his imprint on America as few have.

From a humble beginning, he graduated from college, served his country in World War II, worked as a clerk for JC Penney and built the Walmart and Sam's Stores into an American dream success story.

Vincent F. Lopresti

Vincent F. Lopresti is a retired Navy officer and engineer, an amateur historian, and founder of the Cochise College Botanical Gardens.



About ten years ago a story about "La Ciudad de Papel", The City of Paper, concerning one hundred and eighteen families who lived in houses made mostly of cardboard, rusty tin and warped wood, twenty five miles southeast of Nogales, was released to the Associated Press by the Sierra Vista Herald.

Out of the clear blue sky, this writer received a check for \$1,000.00 from a man named Sam Walton in Bentonville, Ark. for the City of Paper Project. This became an annual event. Several years went by and the Reader's Digest carried a story about a man named Sam Walton who had founded the Walmart Stores. For the first time, I realized just who was behind the Walton Foundation's gifts to the poor in Mexico.

When it was announced that Walmart was going to open a store in Sierra Vista, a letter was written to Mr. Walton offering my services to help the manager of the new store getting settled. A beautiful letter was received in reply that said:

"At this time I don't know of anything you could do to help our store get started, but enclosed you will find a check for \$5,000.00 for your City of Paper Project."

Thanks to Mr. Walton's help, thirty houses and a ten bed hospital have been built in "La Ciudad de Papel."

In 1990 TV and newspapers carried tragic stories of children starving to death in Africa. Having a hobby of cactus research, I knew that prickly pear cactus and its fruit had been eaten by the Indians for centuries. An effort was made to find persons and/or organizations in Ethiopia, Sudan and Mozambique who would agree to accept and take responsibility to receive and plant cactus cuttings.

Finally, when Mr. Getachew Worku, Secretary of Agriculture in Ethiopia agreed to handle a shipment of 1,000 prickly pear cuttings, a letter was sent to Mr. Walton informing him of the plan. Two weeks later, a telephone call was received from Mr. Walton which was brief and to the point. The conversation follows:

"How much do you need to ship the cactus cuttings to Ethiopia?"

"It will cost \$7,000.00 to air freight 1,000 pounds of prickly pear cuttings."

"A check will be in the mail today."

"Thank you Mr. Walton."

That was the only time I was privileged to talk to Mr. Sam Walton. Much to my regret, there was never an opportunity to meet the man personally and thank him for his support of my projects for the poor around the world.

There is a boys' orphanage a few miles northeast of Mexico City to which, through the Sierra Vista St. Vincent de Paul store, many truck loads of clothes have been donated. About a year ago, a letter was received from Rev. Lau, who operates the orphanage indicating their truck urgently needed a major overhaul.

The letter with a few words of explanation of the situation was sent to Mr. Walton who immediately sent a check covering the urgent repairs.

Not long ago when informed that there had been a robbery at a girls' orphanage in Nogales, Sonora, once again Mr. Walton came to the rescue with a replacement.

In February of this year a telephone call was received from the Waltons indicating a substantial check was in the mail to be used for the purchase of medical supplies for the free St. Vincent de Paul Medical Clinic in Nogales, Sonora. Shortly after the check arrived another call came from Christy Walton informing me that the Walton Foundation was procuring a Medical Audio Diagnostic Device for that clinic.

Only last month, President Bush awarded Mr. Samuel Moore Walton the Freedom Medal, highest honor that can be given to a civilian in the United States. It was well deserved.

had been locked out of jobs requiring a high school diploma, even though they could perform the work. There can be no

FEATURE REPORT *continued*:

event which changes a person's life more, especially the life of someone in his or her middle years, than to suddenly become a "high school graduate." One must be a friend of such a person to comprehend their feeling of personal fulfillment after having passed the GED test.

For many years, Sam and Helen have provided 90 scholarships a year, allowing entrepreneurial students from South America to attend one of three liberal arts colleges in Arkansas. Why? Because Sam and Helen have always believed it was a good thing to do. I am sure Helen will carry on this family tradition.

Just before Sam's death, President Bush traveled to Bentonville to present to Sam the Presidential Medal of Freedom, the highest civilian presidential award. The retail world applauded.

Sam could be called the Horatio Alger of our century. At the time of his death, the company he started after World War II, with sales of less than \$100,000 in its first year, had reached the following position among publicly held companies in the U.S.:

First largest domestic employer.....	400,000
Fourth largest market value.....	\$61 billion
Ninth largest in net profits.....	\$1.6 billion
Tenth largest in sales.....	\$44 billion

And this position was reached in the face of 107 companies each having greater assets.

Retailers — in fact, free enterprisers worldwide — admire what Sam accomplished with Wal-Mart. I believe I can reduce the Wal-Mart operation to seven simple principles, simple rule-of-thumb practices which can help any business to operate well:

1. To serve the public, as nearly as we can, to its complete satisfaction.
2. To offer the best possible dollar's worth of quality and value.
3. To strive constantly for a high level of intelligent and helpful service.
4. To charge a fair profit for what we offer — and not all that the traffic will bear.
5. To apply this question to everything we do: Does it square with what is right and just?

To these basic principles one should add:

6. To constantly improve the human factor in our business.
7. To reward the men and women in our organization through participation in what the business produces.

Any retailer can follow these principles. Sam would immediately recognize the first five principles as those set forth by James Cash Penney in 1914 as "The Original Body of Doctrine," later to be called "The Penney Principles." Number 6 was added later. Number 7 evolved over the years, beginning with store managers and senior management and was gradually extended to virtually all "associates" (a J. C. Penney term that Sam took to his Ben Franklin stores and then to Wal-Mart).

Sam took to Wal-Mart another Penney practice. When Mr. Penney became the Honorary Chairman of the Board and no longer ran the day-to-day operation, he spent his time visiting the stores, talking to the associates, and asking questions about how the company could better please its customers. Sam saw the benefits, so he did the same.

When Sam read or saw something which made good retail sense, he absorbed it and used it. One of Sam's favorites was a sign which has been in front of Stew Leonard's one-of-a-kind super food store in Norwalk, Connecticut, since 1970. From 1970 to 1985 it was a wooden sign; however, since 1985 it has been literally "cast in stone." It reads:

OUR POLICY

RULE 1: The customer is always right.

RULE 2: If the customer is ever wrong, reread Rule 1.

Sam loved to quote Stew's rules because they were an important step in implementing the first of Mr. Penney's five doctrines, later to be called "principles."

He absorbed the principles of Sol Price's Price Club into Sam's Club. Over the past decade each has copied improvements the other has made.

No one has written about Sam and the free-enterprise system of which we Americans are so proud. We espouse competition, particularly, clean competition. That is exactly what Sam did. He did it better than any other retailer in the world has ever done. When the government cut the tax rate on corporations, Sam cut prices in order to pass the savings on to his customers. Other retailers thought he should have kept it for his stockholders. However, see No. 4 among "The Penney Principles."

Who speaks highest of Sam's accomplishments? The heads of Kmart, Target, and others who have to compete with Wal-Mart. And the President of the United States. Who complains? Those of the small merchants who, upon investigation, have usually provided poor service, limited assortments, and high prices, but who survived before the arrival of a Wal-Mart because there was *no* competition.

We forget that just because a merchant signs a lease, buys store fixtures, and invests in inventory, it does not mean that the community owes the merchant a living. It means only that the merchant *has an opportunity to earn the patronage* of the townsfolk. If the merchant does it right for 10 years, then he or she is offered the *opportunity* to earn their patronage for another 10 years.

Sam did it best of all.

Epilogue: Sam, we loved you and we shall miss you.

[*Note: Jean Bilafer, Rosie Motta, and Lynn Hiden contributed to this Feature Report.*]

Dad traced back to the earliest days of retailing the obligation of a retailer "to provide value."

No wonder we had 17,000 retailers who went bankrupt in 1991. They didn't know the consumer wanted value! Why else would each speaker at the NRF convention feel it necessary to announce his or her great "discovery."

I don't know how many years of 17,000 bankruptcies will be needed to purge an industry of retailers who don't understand that a consumer *has an absolute right to receive honest value for each dollar spent*. The consumer has the greatest enforcement tool in the world: he or she can stop patronizing those retailers who do *not* provide value just as soon as that merchandise becomes available elsewhere!

COULD THIS TYPE OF COOPERATION HAPPEN IN THE U.S.?

The Notes, the monthly newsletter of the Retail and Wholesale Merchants of New Zealand, reported the start of the "Share New Zealand" joint venture between American Express and the New Zealand Tourism Board. It has a goal of inspiring 3 million people to visit New Zealand by the year 2000.

The hope is to involve all New Zealanders in the process.

American Express has printed 2 million postcards which can be obtained free from outlets of Avis, Budget, Hertz, New Zealand Post, Air New Zealand, and Quality Inns. It is hoped that they will be sent to friends around the world. The New Zealand postal service has arranged to send the postcards anywhere in the world for N.Z.50 cents (U.S.28 cents). There is space for a message, along with a tear-off section of the card to be sent to any New Zealand Tourism Board office, which will then provide a large packet of information.

"Share New Zealand" will be promoted over national TV.

RThought: Patty and I have visited New Zealand twice — neither time long enough. One of these days, we may get back with sufficient time to start at the northern tip of the North Island and then meander down to the southern tip of the South Island.

However, my real question is: Would it be possible in the U.S. for any metropolitan area or state of 3 million people to undertake such a project, requiring the cooperation of so many major free-enterprise organizations, plus the U.S. Postal Service?

THE CHAMPION 'EMPLOYEE PURCHASER OF STOCK'

More and more retailers are offering employees the opportunity to purchase stock through payroll deduction or through direct payment. Usually, the company adds from 5% to 20% to the amount the employee invests. When stock is purchased from the market rather than as new issue stock, the company absorbs the brokerage fee.

I have just learned about an employee who must be the most successful "employee purchaser of stock" of all time: Theodore R. Johnson of the United Parcel Service who retired in 1952.

Johnson began working for UPS in 1924, when it was just getting started. During those 28 years he never earned more than \$14,000 a year. When he retired, his stock was worth \$700,000!

However, that was *then* — what about *now*?

Johnson and his wife have just established the Theodore R. and Vivian M. Johnson Scholarship Fund which will be administered by the Citizens' Scholarship Foundation of America. Twenty percent is set aside for children of UPS employees in Florida. The remainder will provide scholarships to a local private college and to organizations for the disadvantaged, the deaf, and the American Indian.

The foundation will begin with \$36 million. But don't worry about the Johnsons — they have another \$36 million in reserve — because the UPS stock has increased more than 1,000 fold in the 40 years since Johnson retired!

THE PATTERN OF RETAIL EMPLOYMENT

In 1988 President Bush promised 30 million new jobs during the eight years he expected to be in office. Thirty million equals 3,750,000 jobs per year for eight years.

The following is what has happened to the private work force and the retail portion since Bush took office:

Industry	1989 Q-4 (000)	1990 Q-4 (000)	1991 Q-4 (000)
Private industry	91,099	91,437	90,419
Index	100.00	100.37	99.25
Retail trade	19,631	19,623	19,221
Index	100.00	99.96	97.91
General merchandise stores	2,548	2,468	2,297
Index	100.00	96.86	90.15
Food stores	3,195	3,241	3,213
Index	100.00	101.44	100.56
Auto dealers and gas stations	2,090	2,071	2,037
Index	100.00	99.09	97.46
Eating and drinking places	6,481	6,594	6,555
Index	100.00	101.74	101.14
All other retail stores	5,317	5,249	5,119
Index	100.00	98.72	96.28

General merchandise includes conventional, national chain and discount department stores, variety stores, general stores, and warehouse clubs. The drop of employment has been great in conventional and national chain department stores; increases in employment in self-service discount department stores do not offset that decline.

SHORT SHORTS

Improvement at NRF. In the past I have criticized NRMA, the predecessor of NRF, about selling publications without identifying the date of publication. Many of the books I examined several years ago at an annual convention were seriously out of date. Recently, however, I received a mailing from NRF on its available publications. Thirty-eight were identified as "Closeouts — Older Books at Bargain Prices."

RThought: This is a major improvement, in line with the standards I hope all of its members have set for their own advertising.

What's in a name? I received a mailing with a return address of:

VIRGIN MAILING & DISTRIBUTION
Sussex RH11 OPQ
England

RThought: I am always amazed at what can be sold by mail!

SHORT SHORTS

"We're always 30% off" is the major headline on a page advertising jewelry in Best Products' catalog 2022, received in March of 1992. However, that statement is followed by "The Appraised Value of All 1-Carat and Larger Diamond Solitaire Jewelry" and is followed by a page of reduced prices compared with "Ref \$. + " A study of the very small print at the bottom of the last inside page discloses, "+ Reference Retail: An item's Reference Retail price is your guide to its regular selling price at department stores and similar retailers. It is not our present or former selling price. You may want to make an exact comparison of retailer prices before you buy. Our Reference Retail price is either the suggested retail price recommended by the manufacturer in this publication's distribution area or **our own determination of full retail price based upon customary retailer markups for similar merchandise.**" [Emphasis added.] **RThought:** I remember the story of the merchant who always had big signs on the front of his store reading, "ALL MERCHANDISE AT COST." When asked how he could stay in business selling at cost, he replied that he always bought *below* cost!

WORDS — ABOUT THE BOARDROOM

Fortune quoted Victor H. Palmieri, an experienced corporate turnaround expert, as saying:

Strategies are okayed in boardrooms that even a child would say are bound to fail. The problem is, there is never a child in the boardroom.

RThought: Stockholders should take more actions against directors. This should include challenging the use of stockholders' money to buy directors and officers' liability insurance in order to hold directors harmless when the directors, through friendship, greed, inattention or irresponsibility, cause harm to the shareholders.

An examination of many of the retail bankruptcies indicates decisions which, as Palmieri points out, a child would say are bound to fail. In many cases where management resists so-called unfriendly takeovers, the beneficiary of the resistance is not the stockholder but the management. In the case of a takeover which is so heavily leveraged that the debt is unlikely to be serviced, the beneficiary is apt to be the *new* management, which puts in only a few dollars for all or a large part of the equity. This new management expects that it can quickly take the company public again and multiply its investment of thousands of dollars into millions of dollars of tradable stock (as was the goal at Macy's).

In addition, companies which fail to install available and needed electronic and computer equipment do not serve the stockholders' interest and often cause the retailer to fail. Paying dividends in the face of declining earnings is another move against the long-term interest of the stockholders, as evidenced by General Motors. And finally, some of the exorbitant salaries paid top executives, particularly when reported by newspapers, don't help the value of the stock and, in the face of a severe recession, is morally *wrong*.

Retail Monthly/Year-To-Date Sales Comparison (\$ million; unadjusted)

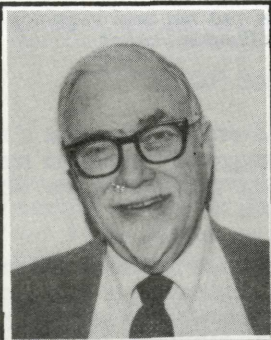
Note: February had one extra day — an extra Saturday.

SIC Code	Category	February 1992		Percentage Change	Year to Date Two Months		Percentage Change
		1992	1991		1992	1991	
52	*Bldg Matl Group	\$ 6,784	\$ 5,683	+19.4%	\$ 13,177	\$ 11,309	+16.5%
57	*Furniture Group	7,099	6,495	+ 9.3	14,197	13,200	+ 7.6
571	Furniture Stores	3,909	3,612	+ 8.2	7,713	7,279	+ 6.0
572	Appl, TV, Radio Stores	2,466	2,273	+ 8.5	5,043	4,695	+ 7.4
5941	*Sporting Goods Stores	1,119	954	+17.3	2,155	1,861	+15.8
5942	*Book Stores	574	499	+15.0	1,436	1,243	+15.5
5944	*Jewelry Stores	1,013	934	+ 8.5	1,796	1,703	+ 5.5
531 Pt	Conventional Dept Stores	3,439	3,143	+ 9.4	6,303	5,859	+ 7.6
531 Pt	Natl Chain Dept Stores	2,466	2,174	+13.4	4,879	4,405	+10.8
	Subtotal	5,905	5,317	+11.1	11,182	10,264	+ 8.9
531 Pt	Discount Stores	6,436	5,546	+16.0	12,376	10,909	+13.4
531	*Department Stores	12,341	10,863	+13.6	23,558	21,173	+11.3
541	*Grocery Stores	27,293	25,658	+ 6.4	55,720	53,334	+ 4.5
56	*Apparel Stores	6,343	5,784	+ 9.7	12,348	11,425	+ 8.1
561	Men's & Boys' Stores	598	554	+ 7.9	1,229	1,165	+ 5.5
562,3,8	Women's Stores	2,165	2,000	+ 8.3	4,235	3,966	+ 6.8
565	Family Clothing Stores	1,929	1,693	+13.9	3,651	3,224	+13.2
566	Shoe Stores	1,192	1,140	+ 4.6	2,333	2,260	+ 3.2
591	*Drug Stores	6,148	5,686	+ 8.1	12,390	11,457	+ 8.1
596	*Nonstore Retail	3,691	3,811	- 3.1	7,821	8,080	- 3.2
5961 Pt	Mail Order (Dept Stores)	300	289	+ 3.8	605	601	+ 0.7
5961 Pt	Mail Order (Other)	1,952	2,116	- 7.8	4,298	4,619	- 6.9
	*Retailing Today Total Store Retailing†	72,405	66,367	+ 9.1	144,598	134,785	+ 7.3
	**GAF TOTAL	33,125	29,700	+11.5	64,446	58,826	+ 9.6

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.



RETAILING TODAY

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CORRECTION

Thanks to Tom Hester of GE Capital Corporation for pointing out that TRW did *not* oppose providing free credit reports; it was Trans Union. TRW agreed, by signing a consent order, to give a free report to all of its customers. The error appeared in the May 1992 *RT*.

HOW CAN WE REDUCE CREDIT CARD FRAUD?

In Spence Nilson's January 1992 issue (No. 516) of *The Nilson Report*, Nilson outlined the increasingly effective technologies now available to reduce credit card fraud. He began by pointing out that the plastic cards we now use are both the cheapest and easiest to defeat. The signature panel on the back of a card may help reduce fraud (about 8% are not signed), but a signature is easy to forge.

The next step would require the use of a PIN (Personal Identification Number), such as is used with ATM cards. However, *assigned* numbers would mean the customer would have to remember a different PIN for every credit card; a *customer-selected* number entails additional cost. And, Nilson noted, PINs are being stolen.

Using a picture further increases the cost, particularly if it is to be electronically stored. Alas, pictures remain the same, but the appearance of the card owner changes with time. And pictures cannot be read by POS terminals.

Biometric data (fingerprints, voice prints, eye prints, hand geometry, or dynamic signatures) is much more expensive and more difficult to acquire. However, it can be automatically updated and can be read by POS terminals.

RThought: Each technical advance becomes more economically attractive as the fraud, measured on a per-active-account basis, increases. As the percentage of people using ATM cards increases, the use of PIN identification with the present plastic cards becomes more economically feasible.

RThought: Perhaps our society should attack fraud another way: by teaching ethical standards in grade school. Ethics are taught in Japan's lower schools; and although fraud still exists in Japan's society, there is much less in its than in ours.

PREPARING TO ABANDON CFC REFRIGERANTS

We continue to discuss the elimination of chlorofluorocarbons (CFCs) in order to reduce the rate at which the ozone layer is being depleted (eventually, the ozone layer will be restored, if

SAM WALTON'S RULES

David Norris, a fellow Certified Management Consultant who is located in Winnetka, California, sent me the following story.

At a seminar on entrepreneurship put on by MIT, a speaker said that his son, while in high school, had written to Sam Walton, asking how Mr. Walton had become successful. Within five days he received a personal letter from Mr. Walton, which set forth the following:

How to Succeed in Business

- I. Count the cost of time, energy, and investment that will be necessary.
- II. Become dedicated to:
 - A. Hard work
 - B. Sacrifice
 - C. Reinvestment in the business
 - D. Obtaining all the knowledge that is possible
 - E. Setting attainable goals
 - F. Sharing profits with employees
 - G. Practicing hospitality and aggressiveness
 - H. Having a willingness to serve others

RThought: Note "E" above. At Wal-Mart's 1990 annual meeting, Sam, working from some numbers on the back of an envelope, explained how he had come up with a goal for Wal-Mart associates of annual sales of \$125 billion by the company's annual meeting in June 2000. Wal-Mart had just finished a year during which sales were \$23.8 billion. In response to Sam's query — "Can we do it?" — the associates roared back, "Yes, we can, Sam!"

One hundred and twenty-five billion dollars would put Wal-Mart in a class with General Motors, now the world's largest volume business. However, Sam was unlikely to have been aware of that fact at the time. Had he been, it would have made no difference to him.

For Wal-Mart to increase annual sales from \$23.8 billion to \$125 billion in 10 years would require a compound annual growth of *only* 18%, a much *lower* increase than Wal-Mart has reported in any year in its history.

David Glass, President and CEO of Wal-Mart, has predicted that the company should reach between \$54 billion and \$57 billion in sales for the year ending January 1993. To get from \$54 billion to \$125 billion in seven years will require a compound annual growth rate of *only* 12.7%. In the current vernacular, this should be a "slam dunk"!

As Sam set forth in his letter on "How to Succeed in Business," he had set an "attainable goal."

we act promptly and with common sense). Many other countries are going through the same process. In many countries the leaders are showing more common sense than ours are showing, which is not an uncommon situation.

The April 1992 issue of *The Retail Trader*, published by the Retail Traders Association of New South Wales, included a position paper from the Australian Supermarket Institute (ASI).

The following information has been extracted.

Australia has signed an international agreement to phase out CFCs. The final date is expected to be set at December 31, 1995.

Australia has more than 200,000 commercial refrigeration systems in the food sector. CFC presently costs between A\$10 and A\$20 per kilogram. Replacement gases are likely to cost four to eight times as much. **THERE IS NO GAS PRESENTLY AVAILABLE WHICH IS OZONE BENIGN.** HCFC22, also called R22, is currently available and can be used in existing systems. It causes only 5% as much ozone damage as CFC and is considered a transitional gas. It, too, will ultimately be banned.

Other gases are being developed. Some will be transitional gases, such as R22. Those which do not impact the ozone layer may not work in existing refrigeration systems. If refrigeration systems have to be replaced, they should be replaced by systems which are certified to work with R22. CFC systems should *not* be purchased. There are two other transition gases: R12 for medium temperature applications and R502 for low temperatures. Again, systems using these gases should be properly certified and guaranteed before being purchased.

ASI is negotiating with the Commonwealth of Australia and the state governments to minimize the transition costs to food retailers and to assure that there is an adequate supply of replacement refrigerants during the transition period. Stores may be required to prepare and submit phase-out plans.

RThought: Someday, I hope that I shall be able to write an article about cooperation between our retail trade organizations and our state and/or federal governments which matches the type of cooperation existing in Australia, New Zealand, and Canada, and, to a lesser extent, South Africa (publications from these countries are among those I regularly read). Such cooperation may exist in other countries, but I am not aware of it.

HERE COMES THE PRICE CONTROL BY MANUFACTURERS

In case you don't read *FTC News Notes*, you may have missed the following announcement:

The FTC has *granted* a request from Pioneer Electronic (USA), Inc., to modify a consent order to allow the company to *withhold cooperative advertising allowances* from dealers and to *unilaterally terminate dealers* who have advertised its products at prices other than those suggested by the company.

The FTC *declined* to delete provisions in the order prohibiting Pioneer from refusing to deal with retailers who will *not* enter agreements [i.e., they pay for their own ads] to advertise Pioneer products at a suggested price, and from intimidating, coercing or delaying shipments to *nonsigning* dealers who do not adhere to suggested advertising prices.

The Commission also proposed to modify the order to permit Pioneer to *unilaterally terminate signing* dealers who sell the products at prices below those suggested by the company, conduct explicitly deemed legal

by the Supreme Court. This change had not been requested by Pioneer. (Docket No. C-2755) (4/9/92) [Emphasis added]

RThought: What does this mean?

1. Pioneer can terminate a co-op advertising allowance if the retailer advertises below the "suggested" minimum retail price. This certainly changes the meaning of the word "suggested."
2. For now, Pioneer must continue to sell to dealers and may not use "intimidating, coercing, or delaying of shipment" methods to retaliate against dealers who *do* advertise, at their own expense, below the "suggested" retail price. However, these tactics are hard to prove. How do you prove that the shipment did not fall off the truck or that it was a mistake which sent the shipment to the wrong address?
3. It appears that Pioneer will be allowed to cancel *your* dealer agreement if you are late with a payment. Is being late by one day, after 10 years of a perfect record, enough to allow Pioneer to cancel? Watch for future FTC announcements or court cases.
4. May a dealer advertise all Pioneer products, using co-op money, with the notation "Call for price," as is done by 47th Street Photo and others? Watch for future FTC announcements and/or court cases.

RThought: Because the proposed modification, if allowed, would permit Pioneer to unilaterally terminate dealers under several conditions, I believe it is time that all retailers involve themselves in defeating this precedent-setting action. Whatever Pioneer is allowed to do, hundreds of other manufacturers will be allowed to do.

A FEW WORDS FROM DOLLAR GENERAL STORES

The letter to the shareholders of Dollar General stores (1,522 stores in 23 states) from Cal Turner Jr., the CEO, outlined the following "strategic intent for the 1990s":

- To achieve increases in same-store sales and, consistent with that primary objective, to open as many productive new stores as possible.
- To reduce our overhead as a percentage of sales, enabling us to further sharpen our low everyday prices.
- To increase the return on our largest financial asset — inventory.
- To develop our "number one" resource, human assets, to its fullest potential and to provide future management primarily by promotion from within. (As CEO, I assure you that we recognize this to be the goal of highest priority!)

RThought: These are common sense principles. I hope that Turner will not let these principles become "just a plaque on the wall," as has happened to those fundamentals laid down by James Cash Penney in 1914 and which were *not even mentioned* in conjunction with J. C. Penney Company's recent 90th anniversary sale.

[Note: Write to 104 Woodmont Boulevard, Suite 500, Nashville TN 37204, or telephone 615-386-4000, for a copy of Dollar General's 1992 annual report and "primer" in retailing.]

FOR SHOPLIFTERS, PETER BERLIN IS BOTH A SCOURGE AND A SAVIOR

Most RT readers know the name Peter D. Berlin through his consulting service on shrinkage, and/or his publication, *The Peter Berlin Report on Shrinkage Control*, or through his articles in many trade publications.

However, few RT readers know that Berlin is the executive director of Shoplifters Anonymous (SA), which has helped thousands of shoplifters abandon their practice of shoplifting.

SA was started in 1977 by Larry Conner in Delaware County, Pennsylvania. Conner obtained permission from the local court system to try to rehabilitate shoplifters *arrested* for the first time. (Note: The course does not necessarily address first-time shoplifters. It addresses those who are *arrested* for the first time, although they may have shoplifted many times before without being caught.)

What is the program?

Let me quote from the literature provided a local judge:

SA is a not-for-profit organization which provides the court with community-based *alternative sentencing programs* (for juveniles and adults) designed to reduce shoplifting recidivism and relieve crowded court dockets.

The SA court program is *not* a self-help group using a "twelve step" program but rather a structured home study and classroom program which is used by court systems as either a condition of sentencing, condition of probation, or a pretrial diversion (intervention) and is typically administered either by probation departments, other court personnel, a local private agency, or directly by SA. Fees are paid by participants, with an allowance for indigents.

SA offers structured-learning, a six-hour home study program which has been psychologically designed to help offenders get to the root cause of their shoplifting behavior. It allows them to work at their own pace and helps them to weigh risk-versus-reward factors and to consider which actions will serve their best interests.

The court may also require offenders to attend a three-hour classroom session following completion of the home study segment. The classroom session uses modern group therapy techniques to help habitual offenders learn how to effectively deal with their "addiction," how to prevent relapses, and/or how to recover from them.

After Conner's death in 1986, the service languished until it was purchased from the Conner family by Berlin.

The SA system is being used in courts in New Jersey, Ohio, Michigan, New York, Florida, and North Carolina, as well as in Pennsylvania, where Conner began the program.

Here are some comments about the program from those who have used it:

Educational programs give the court a way to help people get what they need early, not when they're on parole.

* * *

Rehabilitation should be the primary goal of the juvenile court.

* * *

Court dispositions which consider educational programs not only allow offenders to pay back their debt to society but can give them the help they need to prevent them from repeating the offense.

* * *

There are a large number of shoplifters who need the benefits of educational rehabilitation and psychological treatment programs to help keep them out of the criminal justice system.

* * *

And here is what has been said by some who took the course:

This course has given me the courage to change my behavior patterns.

* * *

I was very close to being addicted to shoplifting. I am glad now that I listened to this tape. It made me wake up and realize what really goes on.

* * *

It definitely allowed me to see things no courtroom or police officer has been able to put across.

* * *

RThought: I believe the SA course may be more effective than traffic school. The many courts using traffic school as a tool to create offender awareness as to how drivers endanger themselves and others may want to install the SA method.

If the SA program is not used in court districts where you have stores, you can bring the program to these courts. Berlin has a special packet of introductory material which can be given to a presiding judge. The use of SA material is often within his or her discretion.

Local schools should be most supportive of an educational approach, rather than a criminal (jail) approach, to the problem of shoplifting.

We, as retailers, have both a responsibility and an opportunity. *We* are the ones who use open displays of tempting merchandise. *We* are the ones who have decided that our reduced level of staffing with a higher percentage of inventory shortage is a "sound, economic decision," without considering the impact of our acts upon those who patronize our stores.

The least *we* can do is promote and support SA to offset our tempting of hundreds of thousands of people to enter a life of crime (shoplifting). *We can* assist in curing the addiction for which *we are*, in part, *responsible*.

For more information, write, telephone, or fax:

Shoplifters Anonymous
Attention: Peter D. Berlin
380 North Broadway, Suite 206
Jericho, NY 11753

Telephone: 1-800-848-9595
Fax: 516-932-9393

Tell Peter that "Bob Kahn sent me."

A note to Peter Berlin: This is a great program! Thanks for taking it over from Larry Conner and building on his start.

And a note about Peter Berlin: I am privileged to know him, for both his responsible work in the area of shrinkage control and his public service through SA.

LEVI STRAUSS AND THE GAP HAD THEIR BEST YEAR EVER, BUT...

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The *Oakland Tribune* (April 20, 1992) reported that The Gap was buying "Made in USA" merchandise from a contractor on the island of Saipan. The *Tribune* said that "garments carrying 'Made in USA' tags might more accurately have been labeled, 'Made on Saipan with Chinese slave labor.'"

The *Tribune* also reported that both Levi Strauss and The Gap, earlier this year, admitted that at the time of the inquiry they had garment manufacturing contracts with an enterprise on the U.S. Territorial Island of Saipan which imports laborers from China — many of them teenage girls who were worked up to 85 hours a week, seven days a week, under prison-like conditions. The employer held their passports so they could not leave; they were housed in fenced barracks; and they worked under the "watchful eyes of guards." Their pay ranged from \$1.63 to \$1.75 an hour — even below the legal minimum wage on Saipan of \$2.15 an hour.

RThought: Although many retailers say that the label, "Made in USA," isn't as important as having a good price (which often means the goods were bought offshore), it appears that both Levi Strauss and The Gap do value the "Made in USA" label. Not satisfied with an "honest" contractor who pays the legal minimum wage of \$2.15 an hour (and who is not required to pay *overtime* after 40 hours or to provide any fringe benefits), *they contracted with a firm which violated the law.*

The article did not indicate that either company *claimed not to know* what was happening *nor* was either company quoted as being aware of the situation. The government investigation into this matter, which is now under way, may disclose how much each company knew unless, of course, the two companies negotiate a settlement which includes a provision that the records be sealed.

RThought: Levi Strauss, after being discovered in this situation, has drafted a set of standards more or less admitting that unethical business is bad business.

The standards include the following:

We will do business with partners whose workers are, in all cases, present voluntarily, not put at risk of physical harm, fairly compen-

sated, allowed the right of free association, and not exploited any way.

Contractors will be *favored* [this is not an *absolute* provision] who schedule employees to work 60 hours or less a week and *should* [not "must"] be allowed one day off a week. [Emphasis added]

Children under 14, or younger than the compulsory age to be in school, will not be employed. [This is a positive statement.]

Prison or forced labor is prohibited. [This is a positive statement.]

Corporal punishment or other forms or mental or physical coercion is prohibited. [This is a positive statement.]

Contracts will not be renewed or initiated in nations where there are pervasive violations of basic human rights. [This is a positive statement.]

Levi Strauss will only do business with partners who share our commitment to the environment. [This is a positive statement.]

The company will only utilize business partners who provide workers with a safe and healthy environment. [This is a positive statement.]

Business partners are expected to be law-abiding as individuals and to comply with legal requirements relative to the conduct of their business. [This statement should not be necessary.]

This set of standards has been submitted to the 800-member American Apparel Manufacturers' Association for adoption by it and, thus, accepted by its members.

RThought: I report on this situation with great sadness. In the post-war period, Walter Haas Sr. and Dan Koshland headed Levi Strauss; they were followed by Walter's sons, Walter Jr. and Peter. The senior statesmen are deceased, and Wally Jr. and Peter have retired. However, during some 40 years after World War II, Levi Strauss was not only the leading apparel manufacturer but the leader among all types of manufacturers in showing concern for its workers. The leveraged buyout included a heavy layer of debt (which was recapitalized in 1991, together with taking on more debt). Partners in the LBO now seek the maximum possible gain. Some practices permitted today, in a pattern of greed, would *not* have been permitted in the days of Dan Koshland and Walter Haas Sr., nor later by Wally Jr. and Peter Haas. Ethics are not transmitted by genes; and not all generations respect individuals who place ethical standards above a quick profit.

Levi Strauss and The Gap were not alone on Saipan: they were in the company of Eddie Bauer, Chaps, Christian Dior, Van Heusen, Perry Ellis, LaMonde, and others.

RThought: I have the same feeling of betrayal that I had when I learned that my alma mater, Stanford University, was cheating on what it charged the U.S. government as overhead on research contracts.

SHORT SHORTS

Will the next bride please pay attention? In the April 1992 issue of *Value Retail News* (15950 Bay Vista Drive, Suite 250, Clearwater, FL 34620; \$144/yr.), the monthly magazine for factory outlets and their tenants, it was reported that Home Depot has announced a gift registry for newlyweds. Perhaps a newly wed couple needs an extra bathroom or a renovated kitchen! A store called 99 Cents Only, located in Huntington Park, California, picked up on the idea, used it as a joke, and receive 500 phone calls! **RThought:** I am willing to bet, however, that Home Depot's registry will become permanent and successful.

The "Home Depot" of the bookstore business. During 1991 drug store sales increased by 9.2%, discount department stores by 8.8%, and bookstores by 8.7%. **Bookstores by 8.7%?** That's right. The super bookstore is doing what Home Depot is doing. BookStar, a subsidiary of Barnes & Noble, will open a 30,000-square-foot store in Oakland, California, which will stock 150,000 books and periodicals and will be open from 10 a.m. to 10 p.m. 364 days a year! BookStar has 47 superstores in operation, but the Oakland store will be its largest. **RThought:** It seems BookStar learned the lesson taught by Tower Records: tremendous assortment and long hours. I can't wait to shop it!

SOMETHING I WILL NEVER UNDERSTAND

An Idaho newspaper wrote about a town preparing for the arrival of a Wal-Mart store. The article stated that the owner of a local nursery reported that he had increased emphasis on deliveries, increased his assortment of trees and shrub plantings, and was now offering free gardening classes. He also joined a buying cooperative to lower his costs.

RThought: In many communities a local nursery owner may do none of these things. When a big store arrives, the nursery owner may fear that the big store will put him or her out of business. MY QUESTION: Why hadn't the nursery owner taken these actions before a big store loomed on his horizon? Merchants would earn a lot of money and goodwill by better serving their customers and would be better positioned in the event of a Wal-Mart, a Kmart, a Target, or even a Home Depot's arrival. Unfortunately, many merchants find it easier to milk a monopoly than to please patrons. In the long run, a merchant always loses by not being the best merchant possible at all times.

RThought: On the other hand, I don't know why all small town retailers don't take the type of actions this nurseryman did: provide new services, offer an expanded product line, learn how to buy cheaper, and, most of all, do one's utmost to satisfy every single person who ever visits the store. A Wal-Mart, a Kmart, or a Target may still come to town; but if all of the independents are strong, their town will become an even more important trading center because the major store will add to the town's already strong retail appeal.

THE FUTURE OF DEPARTMENT STORES, AS SEEN FROM EUROPE

James B. Jefferys of the International Association of Department Stores, an organization of stores in accordance with its name, recently traced the history of department stores in Europe. His conclusions are of interest.

The Future

So looking forward to the year 2000 or even beyond, is there a future for department stores? There are many views, but, on present evidence, a guarded answer is yes. And there is a proviso that department store firms must be clear as to their role in a changing market and perhaps make some structural changes. In Europe, it is now becoming clear that there is not a profitable future for the smaller department store, the offering of these stores being too limited and the competition too severe. Stores of under 50,000 square feet, except in some very special circumstances, will have to be closed or converted into large specialty shops (not so easy as it sounds). Even the stores with less than 100,000-square-foot selling space will have problems unless they cease trying to offer a little of everything to everyone. Commercially, the policy must be to concentrate the offer of merchandise so that it cannot be matched by the competitors in their particular market; that is, intensify their attractiveness and reputation.

But the future of the larger stores would seem assured. The large store can offer merchandise of quality and taste for the man, the woman, and the child, and can offer goods for the home, for leisure, and for entertainment. Moreover, this offer can be made under conditions of space, lighting, comfort, and service that no competitor can match. Certainly, the appeal of such stores is not universal but should be directed at a sector of the market. However, there can be no doubt that the size and spending power of this sector, which, with its ups and downs, has increased in the past and will continue to increase in the future. And department store firms should, if they have a clear commercial policy, be able to meet the taste and demands of this growing sector.

The overall share of department stores in total retail trade of different European countries may not increase in the future, but the opportunities for individual department stores to be successful will be present.

(Reprinted with permission)

RThought: I would add only a few comments to apply this

conclusion to department stores within the United States.

First, many smaller communities which now have department stores are not large enough to support a 100,000-square-foot store. Enlarging an existing store to 100,000 square feet could make it less economically viable. The superior U.S. freeway system and the great number of passenger cars make a department store located at some distance a reasonable and convenient place to shop. It would be considered remote in much of the world.

Secondly, in many larger communities with two, three, or four department stores, some of which have branches, the general observation of the Boston Consulting Group (originally applied to fields other than department stores) is that only the largest and second largest are likely to be sufficiently profitable to survive. A typical factor which produces this result is the lower cost-per-inch for newspaper advertising enjoyed by the largest retail advertisers. The cost of the same space to the larger store is much smaller as a percentage of sales.

Thirdly, there is the high cost of appropriate computer power which is spread over a small volume. Fortunately, outsourcing computer service is beginning to solve this problem.

Finally, we differ from Europe. Many European cities have protected their downtown retail location as a major shopping center for more than 400 years; we can barely do it for 40 years. For example, Richmond, Virginia, a city with more than 200,000 people, but with a declining population, no longer has a major department store in its downtown area.

CANADA MAY STRIKE BACK

Many American retailers have some of their most prosperous stores along the Canadian border, because Canadians cross the border to buy for less in the United States.

As one might expect, Canadian retailers would prefer to have these consumers shop at home. Unfortunately, they have two strikes against them: The VAT (Value Added Tax) is added to each item on top of sales tax. In addition, on many items, there is a higher import duty into Canada than into the U.S.

The Retail Council of Canada is working with Canada's Department of Finance to establish punitive duties to bring the following items into Canada from the U.S.:

VCRs	Microwave ovens
Telephone answering machines	Electronic organizers
Audio cassettes and records	Crystalware
Household irons	Rice cookers
Automatic toasters	Aluminum baseball bats
Binoculars	Tennis rackets
35mm cameras and accessories	Soccer balls
Flash guns	Video units and games
Camera lenses	TV converters
Slide projectors	Sewing machines
Photo enlargers	Squash rackets
Silver oxide batteries	Basketballs and volleyballs

RThought: When Canadian traffic at your border stores falls off, what will happen to your profitability?

SHORT SHORTS

What's wrong with retail *résumés*? I quote from a recent one: "...while showing *consistent positive results* in improving gross profit." **RThought:** Where is the *résumé* which says "...while showing *consistent expense reduction* so that we could reduce prices and increase volume and market share"?

WORDS — FROM GRANNY, A WISE, OLD GAL

Almost all of my life I have collected sayings which I often use with clients or include in talks. I attribute most of them to my maternal grandmother, Ella Baum Lowenthal. For example, I like to point out that "Granny said one should never draw to the red ball," a term applicable to billiards. However, since Granny was born in 1861, when billiards was already a well-established game, someone must have made that observation many years before Granny even knew of the game of billiards. (When I first saw my wife-to-be she had a pool cue in her hand!)

One of my favorite sayings is "Granny always said that if two people agree all of the time, one of them is unnecessary."

Thus, you can imagine my disappointment when I read one of

the quotes in the back of the May 11, 1992, issue of *Forbes*:

**When two men in business always agree,
one of them is unnecessary.**

William Wrigley Jr.

RThought: I believe I'll continue giving Granny credit for what I thought was an "original" statement. Why muddy the waters explaining who William Wrigley Jr. was! And I will continue to credit Granny for many of the observations I want to make. It is a nice way to remember a wonderful person who lived until 1948. She always had something to live for: first, it was for my brother to arrive home from World War II; and then, for me to do the same; and then, for the birth of her first great grandchild. "Tomorrow" was always important to Granny, even though she was confined to her bed for years and, at the end, was suffering from inoperable cancer.

**EACH YEAR THE MARCH RETAIL MONTHLY/YEAR-TO-DATE
SALES COMPARISON FIGURES ARE RELEASED LATER.
NEXT MONTH WILL INCLUDE MARCH AND APRIL FIGURES.**

IS TREND-SENSITIVE, LIFESTYLE-TARGETED MERCHANDISING A SOLUTION?

I receive all kinds of unsolicited letters because *RT* is listed in many directories. Recently, I received a letter from Korn/Ferry (K/F) International which began with a normal salutation. I recognized its name and know that it considers itself to be the world's leading executive search firm.

The letter started, "Over the past decade department stores have steadily lost market share to their competition — the discounters, the national specialty chains, and the outlet malls. Yet, even as the 80's brought about the department store's decline, so, we believe, it perfected the means for their revival."

Why was an executive search outfit writing a letter like this to me?

It continued to talk about everything *except* executive search.

On the second page I found, "Recasting strategy this way means reorganizing — reorganizing the way stores are laid out and reorganizing their management. We would propose that department stores experiment with layouts by psychographic segments rather than merchandise category. We foresee shopping floors arranged by lifestyle."

At the end of the second full page I found, "My co-author in this *article* would be [perhaps, he wasn't?] Michael Calman." K/F had tried to sneak an article by me as a letter, hoping I would print it!

I have trouble with psychographics and lifestyles. With a dozen categories, where do you put Hanes hosiery? A bit in each lifestyle? Or, do you carry 12 complete assortments of duplicating styles?

RThought: I thought back to a study I read some months ago. It was a study of the Dallas-Fort Worth market. Customers

were asked, as they left a store, "What other stores have you shopped during the past four weeks?" Guess which was the most shopped retailer? Wal-Mart (this excludes five or six Sam Clubs and two Hypermart U.S.A. outlets). Foley's was a close second.

Would Wal-Mart be the largest and most profitable retailer in the world if it concentrated on using psychographics and tried to appeal to lifestyles?

I believe that if general department stores (May Company, J.C. Penney, Macy's, etc.) were to follow this pattern they might get more business from the targeted groups but would lose lots of business from the nontargeted groups. What K/F proposes is no way for department stores to stop their overall decline in absolute sales.

SHORT SHORTS

Discovered for the 104th time. Jack A. Robinson, Founder, Chairman, President and CEO, of Perry Drug Stores in Pontiac, Michigan, was the subject of a feature in *Stores* magazine (April 1992), the official publication of the National Retail Federation. According to *Stores*, "The chain — which once sold everything from pets to kitchen sinks — took a hard look at its merchandising mix and slashed ancillary items [Is that what those categories were??] in favor of what Robinson considers core drug store items." **RThought:** Why do founders and CEOs always believe that they can do something better than specialists? Gone are Treasury discount stores from J. C. Penney Company, Jeff's Jeans from Mervyn's, the Syracuse Supremacy store from Macy's, Gold Triangle and Fedway stores from Federated Department Stores, AlMart from Allied Stores, and on, and on, and on. The importance of "concentrating on core" business will be "discovered" by some other major CEO for the 204th time before the end of this decade!

SUMMARY OF TELEPHONE CONVERSATION
WITH SABRINA JOHNSON, LEVI STRAUSS & COMPANY

Sabrina Johnson's objection to the article was the manner in which the company's guidelines are set and making it appear that it was after the recent disclosure of the problem on Saipan.

Johnson said that the company started the guidelines in the summer of 1991 and that they were adopted in February of 1992 by the company and later by the manufacturers association.

Johnson also told me that the material discussed in the Oakland Tribune was brought to the company's attention in the summer of 1991; but she vehemently said that there was no connection between that and the decision to establish guidelines.

The company sent a team, contacting the contractor, when it became aware of the charges. In mid-1991, the contractor assured them that everything had been corrected. There is still a criminal case against him, but Johnson understands that he will plead no contest.

The company has a permanent office on Saipan, but it wasn't equipped to audit the contractor it was using to see whether or not people were being paid correctly, etc.

I asked Johnson if the company had plants in China, and she said that it does. I asked why -- since the company's guidelines said that "contracts will not be renewed or initiated in nations where there are pervasive violations of basic human rights" -- the company hadn't dropped the ones in China in view of the Tiananmen Square massacre several years ago? Johnson said that the company was going through all of the countries. I asked her if that meant the company was starting with Zaire and eventually will work its way down to "Z"? She didn't get the point.

I asked Johnson to send me a letter setting forth specifically what she felt should be corrected. I said that if I did make a correction that I would have to bring forth the information she had given me, which was that it was a coincidence that the company became aware of what was happening on Saipan and that it decided to establish guidelines.

Johnson said that those were approved in February 1992 and that the company has still not gotten around to reviewing its situation in China. It doesn't know if it is using any prison or forced labor in China -- but if it follows its previous practice of just asking the contractor who says no, it will let the matter go at that point.

#

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August 12, 1992

Robert Kahn
Retailing Today
Box 249
Lafayette, CA 94549



QUALITY NEVER GOES OUT OF STYLE

Put w/ June 92 RT

Dear Mr. Kahn:

As a follow up to our phone conversation and regarding the article referencing Levi Strauss & Co. in your June 1992 issue of Retailing Today, I'd like to urge your to correct some inaccuracies in the article and alert your readers. The Oakland Tribune article, which seems to be your source of information, had a number of inaccuracies. In the future, we would appreciate the opportunity to give you the facts.

We had numerous conversations with the contractor in question over the last two years urging improvements, many of which were made, and were assured last summer that many problems the Labor Department lawsuit alleged had been rectified.

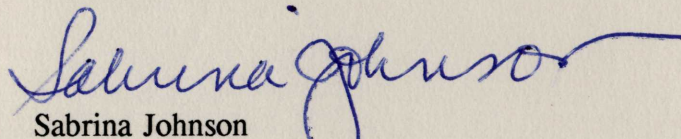
In February of this year when we heard "slave labor" charges in media reports, we immediately dispatched an investigative team. Our team found no evidence of forced labor, but did discover that the contractor was under criminal investigation and intended to plead no contest to a felony charge. We have standards for contractors which require that they obey the law, treat their workers fairly and act ethically. This contractor did not meet these standards so we severed ties in late February. We developed our standards last year as an outgrowth of our values, not in response to the Saipan incident. *cannot accept*

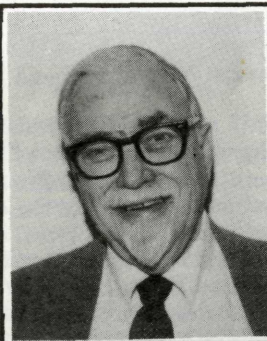
As you know, we have shared our guidelines with the American Apparel Manufacturers' Association and the Labor Department, the ACTWU, and other public interest groups. All of these groups have lauded our guidelines as a model for others to adopt. We want to influence others to develop similar standards. *not absolute*

We have changed the labels on our garments made in Saipan to read "Made in Saipan, U.S.A., (U.S. insular possession) of imported fabric" to ensure that consumers aren't misled.

Levi Strauss & Co. has a heritage of conducting business and treating its employees in a manner that reflects its values. This is still true today and extends to production contractors and their workers who make our products.

Sincerely,


Sabrina Johnson
Manager, Corporate Communications



RETAILING TODAY

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ROUTE TO

JULY 1992

VOL. 27, NO. 7

TIMING IS EVERYTHING

Here are some comments from the annual report for Hechinger Company.

The Hechinger division is the cornerstone of the company. Our 78 stores...average 60,000-70,000 square feet and \$12 million sales.

The Home Quarters Warehouse division is the company's principal expansion vehicle. Our 33 HQ warehouse stores average 86,000 square feet...generate approximately \$20 million in sales a year.

In the year ending January 1992, the company had done the following:

- Closed seven Hechinger stores
- Sold its accounts receivable
- Converted six conventional Hechinger stores to Home Project Centers
- Raised \$66 million from the sale of 5.75 million shares
- Converted three Hechinger stores to Home Quarters

In looking ahead, the "Dear Shareholders" letter said:

Looking toward the future, we see a rapidly changing competitive environment. On the one hand, we expect less competition from weaker chains and mom-and-pop hardware stores as our industry continues to consolidate. At the same time, however, we anticipate increased competition in those markets where we have traditionally been strong from a handful of the industry's largest, most formidable players.

On May 27 Hechinger announced the creation of a "one-time, after-tax strategic reserve of \$57.3 million" to "cover the estimated costs associated with the conversion of the Hechinger division stores to new, remodeled and enlarged Home Project Centers (HPC)."

The announced conversion schedule calls for eight in 1992 and 10 to 12 centers a year thereafter. It will take six to eight years to convert all stores. All of the cost has been charged to the year ending January 1993.

RThought: The strategic reserve of \$57.3 million just about offsets the \$66 million equity gained from the sale of new shares. One wonders if the anticipation of the reserve was one of the reasons for raising the extra equity.

Though the annual report described the Hechinger division as the "cornerstone of the company," it may have been referring more to the cement floor, warehouse-type walls, and parking lot than to the method of operation.

Most companies set up such reserves as part of their fourth-quarter reports. In this case, the decision apparently was made by the board while the accountants were completing their audit and the printer was preparing the annual report.

This action may start a new string of great fourth quarters and miserable first quarters!

UPDATE ON SEXUAL HARASSMENT

Sexual harassment and rape, primarily, but not solely, crimes by males against females, are so widely spread throughout our society and so often excused or tolerated that I believe it is necessary to bring to my readers as much pertinent information about them as is possible.

The National Victim Center and the Crime Victims Research and Treatment Center conduct an annual survey of a random group of 4,008 women. This study began in 1990 and is repeated each year. Based on a sample four times the size of the sample used to determine the relative popularity of President Bush, Governor Clinton, and H. Ross Perot and, thus, much more accurate, the centers estimate that 683,000 rapes were committed in 1990 against women *18 years of age or older*.

This figure is roughly five times the number estimated by the Department of Justice. The head of the Bureau of Justice Statistics admitted that its estimate of the incidence of rape, which is based on reports to authorities, was underestimated.

Six hundred and eighty-three thousand rapes were committed against females 18 years or older; *but* the centers estimate that in 1990 *another 1.1 million were committed against females younger than 18!*

Based on the survey, the centers estimate that 12.6 million adult females have suffered forcible rape at least once in their lifetime. Nearly 30% reported that they were attacked before the age of 11. The survey indicated that a third of the victims contemplated suicide, compared to 8% of women who had not been raped.

Thirty-nine percent of the rapes were committed by boyfriends or other acquaintances, 36% were by relatives, and 22% were by strangers.

The most recent survey found an increased reluctance by women to report rape to the police due to the publicity arising from the charge against and acquittal of William Kennedy Smith; and the charge against and conviction of Mike Tyson.

RThought: Statistics for 1989 show that 52% of the 20 million employees in retailing are women. Industries with a higher percentage of female employees are: finance, insurance, and real estate; private household; hospitals and health service; schools and colleges; social services; and legal services. None have even *half* as many employees as the retail industry.

More than in any other single occupation, efforts in retail-

continued

LECHMERE WANTS VENDORS TO TAKE A RISK, BUT LECHMERE WILL TAKE THE PROFIT

In July 1989 Dayton Hudson announced the sale of its 27 Lechmere stores to a combination of Berkshire Partners (an investment company), members of the Lechmere management, and other investors. As usual, the amount and terms were not disclosed.

In 1988 Lechmere had sales of \$769 million with a \$22 million operating profit.

As one might guess, the purchase was a highly leveraged deal. At the end of its January 1992 year, the right-hand side of the balance sheet looked something like this:

Current liabilities.....	\$ 80,000,000
Other liabilities.....	100,000,000
Equity.....	25,000,000

Lechmere once had dreams of going national; instead, the new owners closed 10 stores outside the Northeast and decided, despite the regional recession, to concentrate on the Northeast. It has added two stores and now wants to add more. To get financing and other assistance, it sent the following "Dear Vendor Partner" letter:

In 1991 Lechmere recorded its second consecutive year as a profitable private company. While others retrenched or retreated, we successfully entered two new markets, remodeled an existing location, and exceeded all of our financial objectives. Our sales growth and market share improvement laid the foundation for recently announced plans to open three additional new stores.

These stores are strategically located south of Boston, in Kingston and Taunton, and in the Providence market in North Attleboro. When they open in the fall of this year, they will enable us to solidify our trade area dominance. Additionally, we will be completely renovating our Woburn store to enhance the shopping experience of our customers.

As the face of retailing evolves, it becomes increasingly apparent that win-win partnerships between manufacturers and dealers are critical to mutual success. We, at Lechmere, recognize the vital role our suppliers play in enabling us to achieve our goals. I quote one statement from our internal *Priorities for Lechmere* document:

"Lechmere is a partner with its vendors and suppliers in the enterprise of servicing the needs of the customers."

To that end, we are enlisting your partnership in launching our new stores in the following ways:

- We will be bringing in merchandise for the three new stores up to 90 days prior to opening to insure proper set-up and opening stock levels. We are asking for an additional 60 days dating on top of our normal terms [which may not be net 30] for all new store purchase orders.
- Our total marketing efforts for the new stores will be extensive, including a strong multi-media advertising campaign. We are asking for a 10% discount off the cost of new store purchase orders to help defray the additional expenditures.
- Many of our Marketing Managers will be proposing additional support from some of you at Promotional Partnerships for special Grand Opening events.
- We will be contacting representatives of your organization for their support in product training for our new associates and management.

I know the past results we have enjoyed together are proof of the dynamic force Lechmere represents in the Northeast. I look forward to your continued support and to sharing even greater success in the future.

Sincerely,

J. Kent Flummerfelt
President

RThought: Let me try to examine this letter.

continued

ing to eradicate sexual transgression can have a profound effect on these statistics.

Late Note: The stories of assaults and harassment of women by United States Naval officers as part of a drunken brawl during the Tailhook Association Convention at the Las Vegas Hilton Hotel illustrate the scope of the problem. The failure of senior male Naval officers to respond to complaints by women officers illustrates how difficult it will be to correct this problem in our society. On June 26, 1992, Secretary of Navy H. Lawrence Garrett III, who was at the Hilton Hotel when the incident took place, tendered his resignation to President Bush. The President accepted it without the traditional "regrets." Congress has frozen 4,000 Navy and Marine Corp promotions until it can be determined if any responsible senior officers were present at the convention.

There are now 19 stores instead of 27; and with the recession, the sales might be 65% of the original \$769 million, or about \$500 million. At a 25% gross margin, cost of sales would be about \$375 million. With a three-time turn, inventory would be \$125 million. At 19 stores, inventory would be about \$6.5 million per store. Opening three new stores would take about \$20 million in inventory.

On this \$20 million, Lechmere is asking an extra 60 days' free interest. If Lechmere were to borrow the money, the interest would probably cost 1% a month. Free loans from vendors would save it \$400,000 in interest.

Next, Lechmere is asking for just a little favor: 10% off the \$20 million, or \$2 million, *as a gift*. It mentions it is for a "strong multi-media advertising campaign."

This total "gift," worth approximately \$2.4 million, is about 10% of what Berkshire Partners and the other "investor partners" have invested in the company. If everything works and the company goes public for \$250 million, the investors will increase the value of their investment by tenfold. What might the "Dear Vendor Partners" get? With luck, they will:

1. ...be paid according to agreed upon terms.
2. ...be asked to give 10% off on every new store.
3. ...get some orders as long as their prices are lower than those of competitors.

RThought: Can this be made a *fair* deal, one where Lechmere management is not exhibiting cynicism in calling its vendors "partners"? I believe so.

Let us assume that the investors paid \$1 a share, totaling 25 million shares. Give the new "partners" the following:

1. A 10-year option to buy one share at \$1 per share of Lechmere for each \$100 of payables deferred for two months, or half of the \$2 interest Lechmere will save.
2. A 10-year option to buy one share of Lechmere at \$1 for each \$2 of advertising allowance.

If my estimated figures are correct, Lechmere would issue:

1. One percent multiplied by \$20 million equals 200,000 options at \$1 for extra dating.

SEARS BUNGLED IT

Most people in the United States read about the California Consumer Affairs Department's investigation into the work performed by Sears, Roebuck and Co.'s Auto Service Centers. Undercover investigators drove 38 cars to 27 Sears centers (of 72 in California) and were overcharged 34 times for work not done or for unnecessary part replacement. [Edward Brennan, Chairman and CEO of Sears, continues to refer to an 89% occurrence as "mistakes."] The maximum overcharge was \$550, with the average being over \$200.

The Bureau of Automotive Repair is moving to close all 72 centers. The California Attorney General is contemplating a suit charging fraud, and several class action suits are being organized.

New Jersey reported a similar situation when its undercover investigators drove cars in for "repair" by Sears Automotive Centers in that state.

Sears' initial reaction was through a San Francisco-based attorney. He claimed that the department attacked Sears for political purposes, alleging it was facing partisan efforts to eliminate the department because of the state's budget crunch. The attorney apparently was unaware that California's Department of Consumer Affairs is supported by license fees from auto service centers and that it had started the investigation in December 1990, long before the current budget crunch.

Sears often puts up a belligerent front when charged with wrongdoing. Some years ago Sears was accused of "nailing samples to the floor" in the sewing machine and vacuum cleaner department (a department in which Sears salesmen — women were not used in these highly paid positions — were paid commissions). Sears spoke with bravado until confronted with the evidence, and then quickly submitted to a consent order.

Some years ago Sears had a home improvement concessionaire operating in California under the Sears name. When the concessionaire shut down suddenly, leaving partially completed jobs, including some reroofing jobs where roofs were off in rainy weather, Sears forgot its "Since 1886, Satisfaction Guaranteed or Your Money Back" policy, while the regional attorney in Los Angeles argued with the insurance company. When the attorney flew to Oakland to talk to me about this situation, *his explanation was that if Sears did anything for its customers it would reduce its chances of recovering against the bonding company.*

Now, let's look at the present situation.

California has laws covering auto service procedures whether they are to be performed by Sears, a local service station, an auto service center, or a factory dealer.

Every work order itemizes the following:

Original estimate cost \$
 Revised estimate \$
 Authorized by
 Date
 Time
 In person or by phone

Upon reading such a form for one of my cars, I found that I signed a release acknowledging the original estimate, authorizing limited operation of the car, acknowledging a mechanic's lien for work done, etc.

The original estimate was \$300. I was given one copy of the

form. The estimate was revised to \$375, and the final form I received showed that I had approved it by phone. By law, all of this is on the form used by Sears. (Note: My final charge was \$318.96.)

Across the bottom of the form is a section which reads in sequence:

All parts are new unless otherwise specified
 Save _____ Discard _____

It has been some time since a mechanic has asked me to check this section, but I do have the right to "save" the old parts. (Someone operating dishonestly could easily return to me a defective part from another car.)

With this background, let's look at Sears' second approach: a full-page ad over Brennan's signature in the 20 largest newspapers in California. Here are some quotes.

With over 2 million automotive customers serviced last year in California alone, mistakes [emphasis added] may have occurred. [Thirty-four out of 38 test shoppings! 89%! Is Brennan saying that perhaps 1,780,000 mistakes were made?]

You rely on us to recommend preventive maintenance measures to help insure your safety and to avoid more costly future repairs. [Does that include replacing new parts installed within the prior 100 miles as was reported? Do customers need that much protection?]

This includes recommending replacement of worn parts, when appropriate, before they fail. This accepted industry practice is being challenged by the bureau. [I emphasize this statement because I do not believe Sears can defend it.]

When Sears is confronted by the case-by-case documentation, I am certain it will fold, as it did in the case of "nailing samples to the floor."

Sears then proceeded to state its policy:

1. Consult with you before the report.
2. Prepare a written estimate.*
3. Perform only repairs you authorize.*
4. Guarantee all work performed.

*Required by California law.

Think of your own experience with Sears, any other auto service center, local gas station, or factory dealer when your car has had a mechanical failure. For example, try to remember when the engine died as you started or stopped the car, or when the brakes squealed, or when there was a "clunk" as you went over a rut, or when the steering wheel seemed loose. Brennan says, "Our technicians have over 14,000 Automotive Service Excellence (ASE) certifications." An ASE technician probably drove your car and came back to you with a work order all written up, saying, "This is what you need," sort of a take-it-or-leave-it proposition. If my spouse or yours or even you or I said, "Gee, that's more than I expected," the technician was more than likely to have said, "We can only do work which makes the car completely safe." You or I or our spouse would then have accepted the estimate.

RThought: Sears has a long history of creating crises which should never arise and then of handling them in the wrong way. History has repeated itself in California and in New Jersey. Florida is starting a check. Will each state investigate and discover the same situation?

The problem in proving old cases is that virtually no ordinary customer saves an old part; and even if a part were saved, how

FEATURE REPORT *continued:*

does one prove it came from the car in question?

RThought: Brennan apparently doesn't remember what James E. Burke, former chairman and CEO of Johnson & Johnson, makers of Tylenol, did when a few Tylenol packages were discovered to have been tampered with. There was one, and only one, right answer: he recalled **every single package of Tylenol.**

Brennan's full-page ad should have said:

TO THE 2 MILLION CALIFORNIA AUTOMOTIVE CUSTOMERS WE HAVE SERVED SINCE JANUARY 1, 1991

If you believe you were overcharged, come immediately to one of our stores.

WHAT MOST CUSTOMERS KNOW BUT MOST RETAILERS DON'T

My friend, Mona Doyle, publishes *The Shopper Report* (3624 Science Center, Philadelphia, PA 19104; 215-386-5890). She speaks of her "panel of 5,000 smart shoppers" and asks them important, current questions.

Ninety-nine percent of Doyle's May 1992 panel responded to the statement: "Some stores are more shopper friendly than others."

- 48% agreed strongly
- 43% agreed
- 7% had mixed feelings
- 1% disagreed
- 1% disagreed strongly
- 1% gave no answer

This is as close to a unanimous position as I can recall from the years I have been reading her reports.

Almost as many (94%) responded to: "At shopper friendly stores, I feel a near friendship with one or more employees who are reasons why I visit this store in preference to other stores." Sixty percent agreed.

Preferred employees may have knowledge of the merchandise in addition to, or in lieu of, a smile. Panel members want both. One, the other, or both qualities make shopping easier and faster (to say nothing of more pleasant) and eliminate the feeling of being taken advantage of.

Only a few national or major regional chains showed up on Doyle's screen. I quote her: "Not surprisingly, the citation of shopper friendly stores reads like a Who's Who of successful retailing and restaurants." Nordstrom is way up there, along with Giant, Publix, Wegman's (each a regional supermarket chain), and Wal☆Mart, among retailers, and a great many local stores and restaurants, including Olive Garden restaurants.

Among some frank comments were: "Most shopper friendly stores are privately owned"; "I want professional and smart, not sweet and syrupy"; and "When I don't feel good, I don't go to [X food chain] for that reason... they drive me crazy."

RThought: I could probably go through my files and identify two dozen or more publicly held retailers with sales of \$1 billion or more who have recently announced that they now have or will have the friendliest and most helpful employees in

Hopefully, you will have evidence of the transaction; but even if you don't, tell us which store performed the work and the approximate date.

And tell us how much you believe you were overcharged. We will give you a refund **ON THE SPOT.**

I will not let anyone at Sears abuse your confidence in us.

Ed Brennan
Chairman and Chief Executive Officer
Sears, Roebuck and Co.

Sears would be surprised at the honesty of its customers. However, even if there is abuse, isn't Sears' reputation worth \$100 million? I believe so.

Late Note: Sears reported that since the story broke auto service business is off 20% in California and off 15% nationwide.

the world. I'll refrain from labeling the announcements inaccurate, but the "friendly and helpful" message is not getting through to their customers.

RThought: Retailers should insert in outgoing packages a postage-paid card, addressed to the chairman, president, and/or CEO, on which there is a simple message:

THANK YOU FOR SHOPPING WITH US TODAY.
Were our employees friendly and helpful?
If not, please tell me about it.

After reading the replies, I believe the responsible chairman, president, and/or CEO would close his or her fancy office for a few months and spend that time in the field illustrating to employees what "friendly" and "helpful" mean.

Late Note: At the Sears, Roebuck and Co. annual meeting, Chairman, President, and Chief Executive Officer Edward Brennan promised an improved Merchandise Group and "better customer service." Several Sears stockholder-employees and stockholder-ex-employees spoke. Anne Eaton, a former Sears employee, said, "The retail stores are lousy," and pinpointed customer service, according to *Women's Wear Daily*. Brennan announced a strategy to turn Sears into a "powerful, integrated specialty merchant," focusing on seven areas. Of course, Stephen Pisner introduced this format at Montgomery Ward & Company years ago when he was its CEO. Bernard Brennan, brother of Edward, developed this to the point where 1991 saw Montgomery Ward with record sales and profits.

Edward Brennan spent most of his time talking about the new "power format"; the introduction of national brands (such as Levi Strauss and Bugle Boy); restoring lower price lines (which were removed in the years of "trading up") so as to be more competitive with Wal☆Mart and Kmart; and how good children's business had been in the first quarter.

Brennan spent little time explaining how he will get 250,000 to 300,000 employees to be "friendly." Apparently, he has issued the order, but it is now the responsibility of many "someones" down the line to make it happen. His statement that he did not know whether or not it would be necessary to lay off more people certainly will not encourage employee friendliness, especially among those who have spent a lifetime with Sears.

2. Two million dollars divided by 2 equals 1 million options at \$1 for 10% discount.

Now the "Dear Vendor Partners" would be true partners with the right to acquire 1.2 million shares at \$1 each; and they would, upon exercising their options, hold a 5% interest in the business.

Have I made any mistakes in my thinking about a fair deal if the vendors truly are to be "Dear Vendor Partners"?

'DE-MYTH-ING' INFORMATION ON EMPLOYEE THEFT

While reading the 1992 *National Shoplifting Trends Report*, sponsored by Sensormatic Electronics Corporation, I realized a lot of thinking has gone haywire. The report covers only 98 companies. The sample was not scientifically selected. Here is the average number of detections per store by type of retailer.

Type of Company	Number of Chains	Number of Detections Per Store Per Year
Department stores	12	28
Grocery stores	22	16
Discount stores	9	11
Drug chains	13	7
Software specialty	21	8
Specialty hardgoods	13	3
Household	7	5
Convenience	1	4
Total	98	82

My first impression was that too many conclusions on shoplifting are being drawn from a very small number of apprehensions. It took me back to the table on the method of detection:

Type of Company	Nonsecurity Personnel		Security Personnel	
	%	(No.)	%	(No.)
Department stores	12.5%	(3.5)	87.5%	(24.5)
Grocery stores	62.5%	(10.0)	37.5%	(6.0)
Discount stores	14.3%	(1.6)	85.7%	(9.4)
Drug chains	60.0%	(4.2)	40.0%	(2.8)
Software specialty	40.0%	(3.2)	60.0%	(4.8)
Specialty hardgoods	16.7%	(0.5)	83.3%	(2.5)
Household	NA		NA	
Convenience	NA		NA	
*Not available		(23.0)		(50.0)

Considering the very small number of security people in each store, it is impossible for them to be covering all of the departments on all of the floors. Yet, they catch most of the shoplifters. Does that make sense to you? It doesn't to me.

With so few shoplifters caught and inventory shortage so high, so-called "experts" conclude that the balance is employee theft. "Elementary, my dear Watson." But wrong, as usual.

If we assume that trained security people know how to watch for shoplifters and that they do their jobs very well, but represent only 1% of the people on the sales floor, then we might conclude that a better figure for shoplifters would be 99 times the number detected by security personnel. If we deduct the number actually caught by nonsecurity personnel, we have the number of shoplifters which were not caught.

Let's apply this formula to drug chains and convert the percentages to people. Forty people were caught each year by one security person and a total of 60 each year by the 99 nonsecurity personnel. If each of the 99 nonsecurity people caught as many as each security person, they would catch 3,960

shoplifters. Deducting the 60 who were caught, we can conclude that 3,900 shoplifters escaped!

If that is a reasonable assumption, then 100 shoplifters were detected (40 by security and 60 by nonsecurity) and 3,900 were not caught. Thus, there were total shopliftings of 4,000, of which 100, or roughly 2.5%, were caught!

RThought: It is apparent that we have much more undetected shoplifting than is assumed by both "experts" and academics who submit estimates to firms like Ernst & Young. If so, then the remaining shortage attributed to *employee theft* should be very much smaller. Thus, our employees are much more honest than some academics and peddlers of equipment would have retailers believe.

Finally, we have discovered that *our employees are pretty good people*. Their only fault may be spending time taking care of customers rather than tracking shoplifters. But isn't that why they were hired and what they were trained to do?

SHORT SHORTS

A unique record for Men's Wearhouse (MW). The release of MW's first-quarter results contained this statement: "George Zimmer, Chairman and Chief Executive Officer, said that due to unique circumstances a year ago, the company had anticipated a decrease in comparable store sales for the first quarter of this year." In reporting a 4.9% decline, MW made me go back to the prospectus. There, on page 13, the prospectus read: "...it also expects that comparable store sales in the first two quarters of 1992 will be lower than in 1991." **RThought:** I have read many of these "as expected" statements made *after* the event; this is the first time I have read one published *in advance*. This makes you unique, George, I GUARANTEE IT.

DO YOU WONDER ABOUT ADVERTISING CLAIMS?

We sometimes forget that the Better Business Bureau (BBB) was founded by the advertising industry to help eliminate questionable practices. Included in the Council of Better Business Bureaus (CBBB) is the National Advertising Division (NAD), which investigates challenged advertising claims. Usually, the end result of the NAD work is confirmation of the advertised claim to the satisfaction of the challenger, rejection, or agreement to a modification of the claim. If the decision of the NAD is not satisfactory to both parties, the question is submitted to a specially organized panel of the National Advertising Review Board (NARB).

Here are a few recent examples of claims and challenges.

A Liquid Drano Professional Strength ad by the Drackett Company said: "New Drano Plus has a unique, thick formula with more power than the leading competition. That's the plus! So much power, it churns and bursts through clogs in half the time." This claim was challenged by the Clorox Company, maker of Liquid-plumr and Professional Strength Liquid-plumr drain openers. Drackett disagreed with the recommendations of the NAD and, thus, the matter is being referred to the NARB.

Celestial Seasonings, Inc., maker of herbal teas, said in a TV commercial, "Makes sense. You put more herbs and spices in the tea bag, you get more flavor out of the tea." This claim was challenged by R. C. Bigelow, Inc., manufacturer of Bigelow teas. The NAD recommended some changes in the phrasing which were accepted by Celestial Seasonings.

Montgomery Ward & Company advertised its Signature 2000

washing machine as "This washer cleans better than Kenmore or Whirlpool! An independent laboratory tested Signature 2000 by Norge and other washers to determine the amount of soil removed using standard AHAM [Association of Home Appliance Manufacturers] test loads and washability standards. These cumulative tests showed that the Signature 2000 removed more soil overall than other brands tested." Sears, Roebuck & Co. brought the ad to the attention of the NAD. In the end, Montgomery Ward wrote that it was "disappointed that the NAD had not found the advertising to be completely substantiated" but agreed to modify the advertising as suggested by the NAD.

The advertising to professionals for the Crest Complete toothbrush (Procter & Gamble) made such claims as "The ripple bristle design of the new Crest Complete reaches where traditional flat bristles often can't. That's because its short bristles clean flat tooth surfaces, while its long bristles reach between teeth... up to 39% farther than leading flat brushes." Oral-B Laboratories brought the ad to the attention of the NAD, which then addressed four principal issues. The American Dental Association completed a review of three of the claims, again, based on an Oral-B filing. NAD concluded the claims were substantiated and the file was closed.

A recent NARB panel reviewed the claims of Johnson & Johnson for Micatin Athlete's Foot Care which were challenged by Schering-Plough Health Care Products. This claim involved an 18-person panel of five experts, three represen-

tatives from the NAD, two staff members from NARB, and four from each of the two manufacturers. The NARB recommended that two changes be made in the ad, both of which were accepted by Johnson & Johnson.

RThought: Even in the largest free-enterprise system in the world, individual participants are not allowed to operate without controls. The controls go beyond those set forth in laws. They include such voluntary review as is provided by the CBBB's NAD. The BBB has, of course, great power to denounce products which are determined to be making improper claims. No company, such as those nationally known firms named in this small extract of the CBBB's system, wants to be subjected to that treatment.

WORDS — FROM BITS & PIECES

Bits & Pieces, published by The Economic Press, Inc. (12 Daniel Rd., Fairfield, NJ 07006; \$18.22/yr.), brings thoughts and laughs to me, my bride, and my three wonderful assistants, plus friends to whom I send torn-out pages. For example:

There are three kinds of business people: successful, unsuccessful, and those who give seminars telling the second group how the first group did it.

RThought: See what I mean? I wonder which one I am???

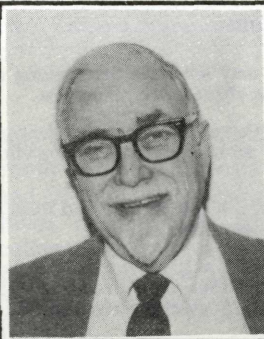
Retail Monthly/Year-To-Date Sales Comparison (\$ million; unadjusted)

SIC Code	Category	March 1992		Percentage Change	Year to Date Three Months		Percentage Change
		1992	1991		1992	1991	
52	*Bldg Matl Group	\$ 8,177	\$ 7,115	+14.9%	\$ 21,608	\$ 18,836	+14.7%
57	*Furniture Group	7,373	7,133	+ 3.4	21,307	20,163	+ 5.7
571	Furniture Stores	4,005	3,878	+ 3.3	11,448	10,945	+ 4.6
572	Appl, TV, Radio Stores	2,572	2,521	+ 2.0	7,525	7,159	+ 5.1
5941	*Sporting Goods Stores	1,239	1,078	+14.9	3,388	2,889	+17.3
5942	*Book Stores	581	528	+10.0	2,046	1,785	+14.6
5944	*Jewelry Stores	‡ 907	924	- 1.8	2,732	2,662	+ 2.6
531 Pt	Conventional Dept Stores	3,846	4,112	- 6.5	10,035	9,862	+ 1.8
531 Pt	Natl Chain Dept Stores	2,957	2,916	+ 1.4	7,838	7,322	+ 7.1
	Subtotal	6,803	7,028	- 3.2			
531 Pt	Discount Stores	7,147	6,806	+ 5.0	19,365	17,284	+12.0
531	*Department Stores	‡13,950	13,834	+ 0.8	37,238	34,468	+ 8.0
541	*Grocery Stores	‡29,333	30,178	- 2.8	86,801	85,175	+ 1.9
56	*Apparel Stores	‡ 7,361	7,887	- 6.7	19,707	19,279	+ 2.2
561	Men's & Boys' Stores	628	655	- 5.6	1,256	1,741	+ 0.9
562,3,8	Women's Stores	2,600	2,714	- 4.2	6,892	6,715	+ 2.6
565	Family Clothing Stores	2,180	2,248	- 3.0	5,761	5,393	+ 6.8
566	Shoe Stores	1,391	1,622	-14.2	3,719	3,874	- 4.0
591	*Drug Stores	‡ 6,493	6,368	+ 2.0	19,043	12,952	+ 6.1
596	*Nonstore Retail	3,755	3,907	- 3.9	11,170	11,570	- 3.5
5961 Pt	Mail Order (Dept Stores)	369	363	+ 1.6	962	952	+ 1.1
5961 Pt	Mail Order (Other)	1,873	NA	NA	5,777	NA	NA
	*Retailing Today Total Store Retailing†	79,169	78,952	+ 0.3	225,040	214,779	+ 4.8
	**GAF TOTAL	36,374	36,478	- 0.3	100,756	94,869	+ 6.2

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

NOTE: ‡Affected by change of Easter date from 3/30/91 to 4/19/92.



RETAILING TODAY

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ROUTE TO

AUGUST 1992

WHEN YOU WATCHED LOS ANGELES BURN, WHAT WERE YOU THINKING?

Did you ask yourself, as I did, how the jury could acquit the four policemen?

And then I asked myself many more questions.

Why an all-white jury? Simi Valley is 1.5% black, Ventura County is 2.3% black, and the City of Los Angeles is 14.0% black. More than 225 jurors were rejected before 12 were impaneled.

Was the case transferred to an appropriate location?

Did the defense attorneys, who allowed so many challenges, select a biased jury? But the jury received its instructions from the judge. He explained the legal definition of "excessive force." No newspaper has quoted from the instructions. Did the judge, in fact, *direct* a decision of "not guilty" through his instructions?

How would I feel about this decision if I were black or Hispanic or had ever been denied my right of free speech by the para-military Los Angeles Police Department while participating in a peaceful protest?

And then the riot reports came in. The all-encompassing TV cameras hovered over the key intersection. The camera captured LAPD cars going through the intersection but doing nothing to stop the damaging of cars and the setting of fires. I thought: Is this what a police department is supposed to do?

A tragically large portion of the city was torched. Governor Wilson of California called out the National Guard; but from my years in the Air Force Reserve, I knew members of the National Guard to be at work or out of town or on vacation. You don't call up 4,000 members and have them available immediately. President Bush appeared to have been too busy, but fully equipped Army and Marine regulars could have been activated far faster than could the National Guard.

The next day I thought about the Thrifty Drug stores, the Vons, and the other major stores which were looted and burned. Many of the same companies had had their stores looted and burned in the Watts riot years before — yet, they went back into the community. Would they do so again? Should they? Would I? I would, but then I am not in a position of responsibility to stockholders, debt holders, and banks. Vons doesn't have the balance sheet it would like to have and Thrifty has been operating at a loss. These events make all stores difficult to operate profitably. But, courageously, each said that it *would go back as soon as it could*. Would people show support at their other stores 10, 20, or even 50 miles away? I don't know. I hope that they would. But I don't know. And I am not sure a market survey can give an answer to such an hypothetical question, nor am I sure that people will really do what they say they will do.

VOL. 27, NO. 8

WHY WE DON'T/CAN'T CURE OUR URBAN ILLS

Following the 1967 riots in Detroit, major corporations banded together to do "something" about the city's problems. Twenty-five years later, the accomplishments have disappeared and, today, there is no impetus for betterment. The tragedy of Detroit is reflected in its statistics, then and now:

THEN		NOW
1.67 million	Population of city	1.03 million
2.09 million	Population of suburbs	3.35 million
28.9%	Blacks as percentage of city population	75.6%
3.7%	Blacks as percentage of suburb population	4.8%
83.1%	Percentage of cars sold in U.S. made by Big 3	64.2%
180,400	Manufacturing jobs in city	102,200
14.9%	City residents below poverty level	32.4%
553,199	Total housing units in city	410,027
220	Number of homicides in city	557
69	Drug overdose deaths	208

Source: *The Chronicle of Philanthropy*, June 2, 1992.

RThought: Instead of helping Detroit with its recovery, 40% of its people have moved away. This pattern has been repeated in many metropolitan areas. The movement is often hidden behind statements such as "We want better schools for our children."

I feel some guilt because we moved to a suburb in 1947. On many a day, which I had thought to be a "wonderful day," I would come home to Berkeley to find my Texas-born wife standing over the single heater in our two-bedroom rental home, letting the heat billow her skirt. We moved to a warmer suburb of the San Francisco Bay Area. We didn't foresee that we were moving away from Berkeley's future problems.

The May Company ran an ad: "YOU CAN HELP HEAL OUR COMMUNITY. Bring canned and packaged foods to May Company to help those in need."

Who is going to help the independents whose stores were burned? Their only security has been stolen or destroyed. Their accounts payable will have to be paid. The government will make an announcement that small business emergency loans will be available and everyone will breathe a sigh of relief. This will make us feel good for now — but six months from now, the *Los Angeles Times* will report that fewer than 2% of the businesses have been helped. The federal government will then admit that it had no funds available when the announcement was made. We may conclude that the announcement was made to make President Bush look better. You just watch. That is what happened in San Francisco after the earthquake in 1989.

RThought: Will anything good come of this rioting in Los Angeles and elsewhere? I don't know. I hope so. Our future depends upon finding an end to mankind's continual self-destruction. Only time will tell if we have learned to live without self-destructing.

HOW ACCURATE ARE YOUR PRESS RELEASES?

On July 2, I received two press releases.

One release was from the Security Administration Centre, Inc., plugging its "Civil Recovery Software Now in Use at J. Byrons Department Stores," except that "Civil" was spelled "Civl" (phonetic spelling, I guess!).

The second release was from WSL Marketing, entitled "Beware Retail Myopia," and was issued by Visibility Public Relations (Contact: Len Stein). I am of the impression that someone picked up the next-to-the-last draft. Here are two partial sentences from the release:

Celebrity-endorsed products from the likes of Victoria Jackson, the Hollywood makeup artist, Susan Lucie (Pat: please check spelling) of....

The same is true of Susan Lucie's (Check spelling)....

Pat apparently muffed the assignment to check the spelling of "Susan Lucie."

However, the author has to take responsibility for the following:

Shopping via catalog is not a new concept to Americans. Sears Roebuck and Co. and J. C. Penney [sic] pioneered catalog shopping in the early days of this country.

Aaron Montgomery Ward is so quickly forgotten. J. C. Penney did not arrive until 1902. Montgomery Ward, and then Sears, came along when the U.S. was about 100 years old.

RThought: Is this what comes of using the public relations agency which submits the lowest bid?

CONTROLLING FALSE COMPARATIVE PRICES

We have both federal and state laws against dishonest price comparisons. Enforcement should be prompt, simple, and profitable at both federal and state levels. The money from penalties/fines should be available to finance further enforcement of consumer protection laws.

In the March *RTI* I applauded the work of the Oregon Attorney General in challenging dishonest comparative prices used by certain retail jewelers. The Jewelers Vigilance Committee, Inc., has incorporated my article in a letter to the attorneys general in all other states urging them to make similar challenges. (Some retailers truly do want honest advertising.)

This is a trade association urging action against dishonest members of its own trade.

I don't see enforcement being encouraged by the National Retail Federation, which should be advocating action against many department stores and apparel specialty stores. I do not see this being done by the National Retail Furniture Association, the National Association of Retail Drug Chains, the Food Marketing Institute, or other retail trade associations which look the other way rather than confront dishonest members of their trade.

Just as long as the major trade associations fail to take a position against dishonest firms in their own industry, those who are honest and remain in the trade association foul themselves by association.

RThought: I thought of this point when reading the April 4, 1992, *The Notes* of the Retail and Wholesale Merchants Association of New Zealand. It reported that the Commerce Commission, prompted by consumer complaints, was investigating the claimed "bargains" offered by paint stores.

Here is the report by the association:

The Commission believes the stores may not have been telling consumers the whole truth about the size of the price reductions.

Retailers often use price tags or advertising which compare their price with a "recommended retail price," an old price, or a competitor's price.

While this may be helpful to consumers, it can also mislead them into thinking they are getting a bargain when they are not.

One hardware store recently advertised a 10 litre pail of paint at "\$109.00. Elsewhere \$179.95." This offer may breach the Fair Trading Act if the pail was not normally available elsewhere at the higher price. [Emphasis added]

Another store advertised a 10 litre pail at "\$99.00. Normally \$206.45." This may also be misleading if the store has not sold paint at the higher price for some time nor was it available elsewhere at the higher price.

The Commission considers generally that if an article is sold at a price for more than 30 days then that price becomes the normal price. [Emphasis added]

RThought: I know that a proper base for comparative prices can be maintained, especially when the comparison is "formerly" or "elsewhere." For 20 years, from 1957 to 1977, I was a consultant to, and for much of the time an officer and director of, Mervyn's. Early in that period I wrote the guidelines for comparative price advertising. I based them on the Federal Trade Commission rules. Some years after Mervyn's was acquired by Dayton Hudson, I attended a hearing before a California administrative judge after allegations had been made that false comparisons were used. I was pleased to see that Mervyn's guidelines were essentially the same as those I had written. As a result, for each ad the administrative judge selected for authentication, Mervyn's was able to document either its "former" price or the price at a specific, competitive store to support the "elsewhere." Even though I was no longer working for Mervyn's, I enjoyed a warm glow of pride.

FTC VERSUS CIRCUIT CITY AND THE GOOD GUYS

The Federal Trade Commission (FTC) has established what is called the Pre-Sale Availability Rule under which the retailer must make available to a prospective buyer the texts of manufacturers' warranties on consumer products. It seems strange that a special FTC ruling was needed. Apparently, it was.

Under a proposed consent agreement with Circuit City and The Good Guys, each retailer is required to deliver the FTC's cease-and-desist order to all current retail store managers and assistant managers involved in consumer sales, instructing them of their responsibilities under the Magnuson-Moss Warranty Act. In addition, each retailer must develop and implement a program to instruct its sales personnel about the availability and location of warranty information.

RThought: What brought on this cease-and-desist order? Some sales personnel and/or managers must have been telling customers that they were not allowed to see the warranties before they bought the products. This is absolutely inconceivable to me — but, apparently, it happened at both of these stores.

Circuit City is the country's largest electronic and appliance chain, while The Good Guys is a San Francisco-based consumer electronics chain now expanding in Southern California. The latter has prospered in the face of Circuit City's continued growth in California. [Note: The most recent quarter did not show prosperity, but neither did the total consumer electronics industry.]

CITIZENS' SCHOLARSHIP FOUNDATION OF AMERICA

The future of the United States is being thrown away as the result of the rising costs of operating colleges and universities and the unwillingness/inability of governments to provide the funds. In some cases, particularly in California, state-operated colleges and universities are, for the first time, denying admission to students whose grades meet a level which in the past mandated admission. These rejections are due to limited funds.

Perhaps many of you have been thinking about how private effort could increase the probability of students with good or better academic records having a better chance of achieving their goal of higher education.

In 1958, Dr. Irving A. Fradkin, living in Fall River, Massachusetts (population 97,000 and declining), was concerned about this situation. He had an idea which he called "Dollars for Scholars," and he and his friends raised money locally to provide local scholarships.

The idea caught on and spread. The organization was incorporated in 1961 as the Citizens' Scholarship Foundation of America (CSFA). It gained tax-exempt status in 1963 and was classified as a publicly supported foundation in 1971.

Today, over 600 chapters in 36 states raised nearly \$6 million in 1991 to provide nearly 18,000 scholarships for local students.

All that is needed to form a new chapter is an interested person(s) who writes or calls:

Citizens' Scholarship Foundation of America
P.O. Box 297
St. Peter, MN 56082
1-800-248-8080

If you have a group of interested local businessmen, CSFA will send a "How-To Organize Kit"; if the feeling is strong enough, a representative will meet with your group.

The next step is a meeting to form a steering committee, or even an ad hoc committee, to see if there is broader interest. It would be good to obtain early support from the print and electronic media.

Once the decision is made to go ahead, the group signs an agreement with CSFA, pays a one-time startup fee of \$100, applies for a charter, and begins to fill in the necessary committees.

When admitted to CSFA, the local group will receive a charter and guides for operating, fund raising, publicity, and recognition and awards, plus all necessary operating and IRS information.

How does a chapter raise money? I believe Elizabeth Barrett Browning put it best when she wrote: "How do I love thee? Let me count the ways." Love is really the basis of providing scholarships for the deserving young people in your community. The rest will follow.

There is another side of CSFA.

Many readers of *RT* have played with the idea of providing scholarships for their own employees. Then someone asks, how do we do it with 500 or 1,000 or 1,500 stores? Let's take Burger King for an example. It has a lot of locations, a lot of young employees, and a high turnover. Yet, it is easy for Burger King to administer the Burger King Crew Educational Assistance Program. CSFA does it for Burger King.

Here are a few other things that CSFA takes care of for corporate scholarship programs:

- participant enrollment form
- participant enrollment letter
- acceptance letter
- waiting list notice
- quarterly statements of accrued educational funds to the participants
- payment request forms
- payment checks
- postcards requesting missing documents
- distributing and receiving enrollment forms
- verifying school enrollment and academic eligibility
- providing quarterly reports
- and more and more and more

Why try to reinvent the wheel when CSFA can provide perfection?

RThought: This brings us back to the problem of assuring higher education to our best and our brightest (which includes many children of our employees). CSFA is an expert (don't forget, 1-800-248-8080). It can provide multiple references from leading companies with which you are familiar. If tomorrow's children are not educated to the maximum they can absorb, who will be to blame? I hate to say it, but it is OURSELVES.

SHORT SHORTS

The new economy wave. A longtime *RT* reader sent me a "Dear Stockholder" letter from O.J. Romary, Vice President, Public Affairs, Union Carbide. The letter began, "As part of the corporation's efforts to reduce costs, Union Carbide has decided to cease publishing the quarterly reports to stockholders," which will save the company \$225,000. Interested stockholders may still obtain quarterly financial information by writing for a copy of the company's 10-Q or for its quarterly earnings press announcement. **RThought:** Union Carbide also mentions that other major companies have taken the same step. It relieves management of explaining.

Professor Anita Hill is winning. The Justice Department reported that 59% more rapes were reported in 1991 than in

1990. This does not necessarily mean that there was a 59% increase in rape; it may mean that more women feel they now can get a fair investigation of one of the most extreme forms of sexual harassment. Since most rape occurs between people who know each other ("date rape"), some "nice" people are going to be charged. Conviction of Mike Tyson, despite his personal fortune and status, is reassuring to women and will further encourage the reporting of rape. **RThought:** I expect that reported rape will increase by more than 50% a year for many years. This is going to catch a large number of "nice" people. Any convictions will show up on job applications or as a result of pre-hiring investigation. What will your position be as a prospective employer of a person convicted of a misdemeanor or felony rape charge?

A LOOK AT THE ENERGY PICTURE

The following information has been taken from *The Washington Spectator* of December 1, 1991 (Box 20065, London Terrace Station, New York, NY 10011; \$10/yr.).

In 1950 the world's proven reserves of oil — the amount recoverable under the then current economic and operating conditions — stood at 100 billion barrels; by 1970 they had risen to 550 billion barrels, and by 1990 to over 1 trillion. Proven reserves of coal and natural gas have also increased strikingly. "Ultimate recoverable reserves" may be six times as big — some 650 times current annual consumption. [*The Economist*]

Decades from now renewable energy resources could be supplying more than half the world's energy. [*Worldwatch Institute*]

With a 40 percent share of total energy demand, oil is vital to the U.S. In the transportation sector, where a quarter of the nation's energy is consumed, reliance on oil is a critical 97%. [*Christian Science Monitor*]

The oil industry is relying on fear of further interruption of supplies [in the Middle East] to bolster its efforts to persuade Congress to permit it to begin to drill in the Arctic National Wildlife Refuge and the nation's Outer Continental Shelf, which includes sensitive areas off California, Florida's gulf, and the Atlantic Barrier Islands. [*Amicus Journal*]

According to the U.S. Geological Survey, even if all such protected lands were to be opened, drilled, and exploited to full capacity, they would supply only about a year's worth of oil, based on the current rate of consumption. [*Amicus Journal*]

Air pollution is another byproduct of offshore drilling. Offshore platforms and onshore support facilities belch large amounts of pollutants into the air, including oxides of nitrogen and reactive hydrocarbons, which react chemically to create ozone, the principal component of photochemical smog. Additional pollutants from offshore drilling include carbon monoxide and oxides of sulfur — a precursor of acid rain. [*Amicus Journal*]

Efforts are being made to improve the efficiency of automobile engines, whether or not required by law.

[Honda and Mitsubishi] are manufacturing "lean-burn" engines using sophisticated new computer controls and other hardware systems to maintain power while reducing the amount of fuel used. [*Christian Science Monitor*]

[The Big Three American car makers] have a variety of advanced fuel programs under way... Chrysler is investing prodigious amounts of time and energy, and presumable money, in perfecting two-stroke engines that have fewer moving parts and less weight than the conventional four-stroke variety. [*Washington Post*]

[Coal power is used in electric generation] almost three times more than nuclear, over five times more than natural gas or hydroelectric, and 16 times more than oil. [*Christian Science Monitor*]

In the U.S. alone, the renewable energy available to be tapped — from sunlight, wind, falling water, green plants, and the earth's subsurface heat — adds up to more than 200 times as much energy as the nation now uses. New technology has made these resources increasingly economical. The cost of wind power has fallen 75% in the past decade, and solar photovoltaic electric power costs have declined 90%. [*Worldwatch Institute*]

Hydrogen can be obtained by using electricity (from photovoltaic cells) to break up water molecules through electrolysis, a process familiar to every high school chemistry student. Two electrodes — one positive and the other negative — are placed in a solution of water that has been made conductive by the addition of an electrolyte such as sulfuric acid or potassium hydroxide. When current is applied, the water molecules separate, liberating hydrogen and oxygen gases. [*Phoenix Gazette*]

SHORT SHORTS

Word about Brooks Brothers from Paris via Australia. *Inside Retailing* (Box 582, Crows Nest, NSW 2065, Australia; A\$365/yr.) carried a quote from Marks & Spencer's chairman, Richard Greenbury, via the Paris-based International Association of Department Stores' newsletter: "I don't see

Luz International of Los Angeles, which designed, built, and now operates the world's nine largest solar electric systems, in the past five years has brought the cost per kilowatt hour down from 24 cents to 8 cents — less than the cost from nuclear power plants and within a few cents of the average nationwide cost per kilowatt hour from coal-fired plants. [*Christian Science Monitor*]

According to a study by the Pacific Northwest Laboratories, the states of North Dakota and Texas have enough [wind] potential to satisfy 40% of U.S. electric needs, representing a virtual "Saudi Arabia" of wind electricity. [*War & Peace Digest*]

RTthought: Here are a few thoughts to consider when evaluating the previous quotations:

1. The federal government depends upon the oil companies for the estimate of proven oil reserves. A similar situation exists in foreign countries. Most oil companies submit what they consider to be a "conservative" estimate; that is, the lowest plausible one, to confuse their competitors and alarm the public.

2. The California Legislature deserves credit for forcing California's electric utilities to buy all power generated by alternative means. One public utility, Pacific Gas and Electric Company, uses more power from alternative sources (wind, photovoltaic and earth's subsurface heat) than does any other utility. It has always been a major user of hydroelectric power.

3. The article does not deal with electricity developed through cogeneration plants in situations such as shopping malls which recycle the heat generated in/by the mall to provide power for use in the mall. In California any surplus is sold to the local public utility.

4. Projections of energy use do not consider any significant reduction in use resulting from conservation. Bay Area residents are so pleased with the chain of lights installed on more than two miles of the San Francisco-Oakland Bay Bridge that they are oblivious to the energy consumed. Now there appears to be a competition between major buildings as to which can use the most electricity at night. Janitors may be working on just one floor, but 10 or 15 floors are fully lighted.

5. The U.S. increasingly relies on Mexico for oil and on Canada for natural gas. Both countries have "proven reserves" that are substantially understated. At one time, Mexico was claiming a larger "proven reserve" of oil than that of Saudi Arabia.

6. When reading doomsday energy projections, do not forget the projections made in New York City early in the 20th century when the number of horse-drawn vehicles was increasing rapidly. Experts said that in not too many decades Manhattan streets would be covered to great depths with horse manure! We know we did not project the current depression/recession (?); what makes us think that we can forecast the energy situation for decades ahead? The "foreseeable future" is not so readily "fore-seeable."

any future there [Brooks Brothers in the U.S.]. It's just a very, very difficult environment in which to make money."
RTthought: However, what is not reported is that Marks & Spencer is making money from Brooks Brothers' designs sold in its British stores.

MAIL ORDER IS NOT JUST FOR WOMEN'S APPAREL

The major growth area in mail order appears to be in PCs, with Apple now joining the mail-order computer crowd.

The *NSM Report* (233 East Wacker Drive, Suite 4413, Chicago, IL 60601; biweekly, \$225/yr.), published by Maxwell Strobe, reminded us of the computer manufacturers now in direct mail: Dell (which in 1992 will do almost as much as Spiegel) and Everex. DEC and IBM are moving into mail order. However, *NSM* pointed out that there still is a place for computer stores (although ComputerLand is *not* leaping ahead). It further pointed out that the chain with the most locations, Radio Shack (Tandy Corporation), is a possible acquisition for IBM, DEC, or Apple.

RThought: The sale of a low-price (\$1,000) computer equals 10 to 20 sales by a traditional mail-order retailer.

THE WONDERS OF A POCKET CALCULATOR

Loss Prevention Specialists (LPS) has completed a National Retail Security Survey (available for \$6.95 by writing to 5471 Lake Howell Road, Suite 236, Winter Park, FL 32792, or calling 800-366-5774). It gives the "source of shrinkage estimates (*mean percents*) by store type." LPS showed restraint by publishing figures to the closest one-tenth of 1 percent. With a \$4.95 10-place pocket calculator, it could have given figures carried out to the eighth decimal place in an attempt to imply accuracy.

LPS reports much less employee theft in "specialty, other stores" than in "specialty, apparel stores" (38.7% versus 19.8% of total shrinkage).

The term "*mean percent*" makes it seem that the determination was very scientific. That term goes all the way back to 1767 — older than our country! "Arithmetic mean" is described as "a value that is computed by dividing the sum of a set of terms by the number of terms." Here is an example which might occur: Suppose seven people from seven department stores estimated "bookkeeping errors" at 11%, 15%, 17%, 19%, 23%, 23%, and 43%. The seven figures are added for a total of 151. The average on my 10-place calculator is 21.57142857%, a number which LPS could easily have used and which would have made these seven guesses look very precise. They also could have progressively dropped a place and, thus, *rounded* the number. The following shows the progressive "rounding":

21.5714186%
21.571419
21.57142
21.5714
21.571
21.57
21.6
22.

Someone must have decided that numbers to one decimal place — 21.6% — would look impressive; thus, all of the "arithmetic means" of the guesses were carried to the first decimal place. A more accurate representation would have centered the guesses on 20-25% or indicated that the "median" or middle guess of 19% was a better representation. But who would pay \$6.95 for a report with figures like those?

RThought: I sometimes wonder how smart our security specialists really are.

Here is a question to LPS' "Q&Ask the Experts."

Q: My shrinkage level seems to hover around 1.49% of retail year after year. The problem is that my year-end profit doesn't seem to grow. How can this occur?

RThought: I guess this means shrinkage is 1.493 one year, 1.487 the second year, 1.486 the third year, and then perhaps jumps to 1.494 the fourth year. The use of such a figure as 1.49 means that the other numbers vary between 1.485 and 1.495. Otherwise, the writer would have described the figure as hovering around 1.50, which implies a range from 1.45 to 1.55. I doubt that any store's shrinkage rate stays consistent enough to warrant several years' representation by a decimal figure carried to two places.

THOSE CHEATING MONEY RAISERS

Every once in a while a new "technique" develops which deserves strong criticism. High-low pricing, especially when dishonest comparative prices are used, is one such practice. Some of the practices of Sears, Roebuck and Co. in the operation of its auto service centers also deserve criticism.

Recently, a reprehensible practice has developed among tax-exempt organizations of almost every kind. Currently, when you send a contribution to an organization, it may send a "thank you" note which contains a request for an additional contribution. Even if the organization does not send a "thank you" note, it may immediately send another request for money.

I learned from Sherwood Swan, for whom I worked as vice president and treasurer 40 years ago, to set up a 3 by 5 card for each of the 100-plus organizations to which I contribute. I also set up a 3 by 5 card for each publication — more than 125 — to which I subscribe. Many publishers are not above renewal billing twice in one year.

I have been a subscriber to *Consumers Report*, published by Consumers Union of the United States, Inc., for 46 years, with interruption only for military service. My association with *Consumers Report* goes back even further, as my family subscribed to this publication in the mid-1930s, when it was founded as a cooperative owned by the subscribers. Subscribers, for example, vote for the directors who select the officers and supervise the operation.

Consumers Report believes that it has a license to criticize many situations taking place in business today. But what about the standards of conduct governing the Consumers Union? Its money-grubbing conduct is contemptible.

Consumers Union has just moved into new and more adequate quarters, including one of the best equipped, if not **THE** best equipped, consumer-product testing lab in the U.S.

Twice this year I sent contributions in response to special requests. On June 30 I received a "thank you" for the most recent gift, together with another request for money; and on the same day, I received a second request for a contribution!

Under the leadership of Executive Director Rhoda H. Karpatkin, Consumers Union is indulging in practices grossly offensive to the very people who own it: the subscribers.

The next time you read of some criticism by Consumers Union of a product or business practice, just remember this story.

RThought: A copy of this article is being sent to Karpatkin

and to James A. Guest, president of Consumers Union. I will also inquire as to Guest's salary (perhaps all of this money is going to the officers). Certainly all of us were surprised to learn how Bill Aramony was abusing his position as head of the United Way of America. Years ago a similar abuse by the executive director was discovered at the Sister Elizabeth Kenny Foundation in Minneapolis.

SHORT SHORTS

Is this our future? I saw the following sign in Lafayette, California, a community where the median educational level is a bit above four years of college:

Four Years Experience
College Student
WEED CUTTING
Free Estiment
256-8643 — Bill

RThought: I am happy to have three quarters of a century behind me rather than before me! That's my sentiment about "estiment."

Is this disproof of the power of Office Depot, Staples, Biz-Mart, OfficeMax, et al? Viking Office Products, a mail-order retailer, for its first nine months, showed sales of \$237 million, up 42%, and profit of \$10.7 million, up 86%!

RThought: I believe the people selling office supplies who complain about the unfair advantage of Office Depot, etc., are the same retailers who make a career out of complaining that the world is unfair rather than finding their own niche and pleasing their customers. Try Viking sometime. I did. You will be amazed at the service. I ordered an item by fax, charged the purchase to a credit card, and had next-day delivery. The alternative for me would have been to drive 20 miles, roundtrip, and stand in line at a checkout which doesn't move as fast as it should.

WORDS — WRITTEN BY ANON Y. MOUSE JUST FOR THIS RECESSION

I love reading the works of Anon Y. Mouse. He wrote on such a wide range of subjects. I believe this one was written just for our present recession.

The codfish lays ten thousand eggs,
The homely hen lays one.
The codfish never cackles
To tell you what she's done.
And so we scorn the codfish,
While the humble hen we prize,
Which only goes to show you
That it pays to advertise.

RThought: Another hundred inches coming up!

Retail Monthly/Year-To-Date Sales Comparison (\$ million; unadjusted)

SIC Code	Category	April		Percentage Change	Year to Date Four Months		Percentage Change
		1992	1991		1992	1991	
52	*Bldg Matl Group	\$ 9,278	\$ 8,850	+ 4.9%	\$ 30,778	\$ 27,686	+11.2%
57	*Furniture Group	7,207	7,040	+ 2.4	28,466	27,203	+ 4.6
571	Furniture Stores	3,993	3,899	+ 2.4	15,404	14,844	+ 3.8
572	Appl, TV, Radio Stores	2,467	2,448	+ 0.8	9,987	9,607	+ 4.0
5941	*Sporting Goods Stores	1,305	1,120	+16.5	4,708	4,009	+17.4
5942	*Book Stores	575	506	+13.6	2,632	2,291	+14.9
5944	*Jewelry Stores	956	966	- 1.0	3,693	3,628	+ 1.8
531 Pt	Conventional Dept Stores	4,015	3,874	+ 3.6	14,058	13,736	+ 2.3
531 Pt	Natl Chain Dept Stores	2,983	2,881	+ 3.5	10,826	10,203	+ 6.1
	Subtotal	6,998	6,755	+ 3.6	24,884	23,939	+ 3.9
531 Pt	Discount Stores	7,570	6,719	+12.7	26,935	24,003	+12.2
531	*Department Stores	14,568	13,474	+ 8.1	51,819	47,942	+ 8.1
541	*Grocery Stores	29,607	28,485	+ 3.9	116,308	113,660	+ 2.3
56	*Apparel Stores	8,199	7,527	+ 8.9	27,942	26,806	+ 4.2
561	Men's & Boys' Stores	683	686	- 0.4	2,440	2,427	+ 0.5
562,3,8	Women's Stores	2,889	2,691	+ 7.4	9,812	9,406	+ 4.3
565	Family Clothing Stores	2,446	2,115	+15.7	8,208	7,508	+ 9.3
566	Shoe Stores	1,591	1,466	+ 8.5	5,302	5,340	- 0.7
591	*Drug Stores	6,548	6,116	+ 7.1	25,482	24,068	+ 5.9
596	*Nonstore Retail	3,748	3,884	- 3.5	14,940	15,454	- 3.3
5961 Pt	Mail Order (Dept Stores)	385	355	+ 8.5	1,361	1,307	+ 4.1
5961 Pt	Mail Order (Other)	1,882	N/A	N/A	2,652	N/A	N/A
	*Retailing Today Total Store Retailing†	81,991	77,968	+ 5.2	306,768	292,747	+ 4.8
	**GAF TOTAL	38,099	35,387	+ 7.7	138,925	130,256	+ 6.7

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures, contact Irving True, Business Division, Bureau of Census, Washington, D.C. 20233, or call (301) 763-7128/7129. Irving has been very helpful to me over the years.

JB Release put 8/22/92

ACTION OF THE MONTH

Jewelers Vigilance Committee, Inc.

September 1992 (5)

JVC appears to stand alone in its efforts to control False Comparative Prices according to the attached segment taken from the August 1992 Vol. 27 #8 of Robert Kahn's, **Retailing Today**.

It is hoped this will be read by all State Attorneys General receiving this **Action** notification, so that they too may notice Mr. Kahn's statement referencing the Jewelers Vigilance Committee as an organization; "urging action against dishonest members of its own trade."

Retailing Today commenting thereon, claims not seeing "enforcement being encouraged by" others [associations], naming the National Retail Federation, National Retail Furniture Association, the National Association of Retail Drug Chains, the Food Marketing Institute and, the JVC asks, if not, **WHY NOT**.

All Attorneys General should take further notice of Mr. Kahn's comments heading said column entitled **Controlling False Comparative Prices** stating;

"We have both federal and state laws against dishonest price comparisons. Enforcement should be prompt, simple, and profitable at both federal and state levels. The money from penalties/fines should be available to finance further enforcement of consumer protection laws."

AMEN

Jewelers Vigilance Committee, Inc.
1185 Avenue of the Americas/Suite 2020
New York, NY 10036

JAW/hb
attachment
cc: Retailing Today
All Attorneys General
TIP
FTC

see back

[OVER]



RETAILING TODAY

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ROUTE TO

AUGUST 1992

VOL. 27, NO. 8

CONTROLLING FALSE COMPARATIVE PRICES

We have both federal and state laws against dishonest price comparisons. Enforcement should be prompt, simple, and profitable at both federal and state levels. The money from penalties/fines should be available to finance further enforcement of consumer protection laws.

In the March *RTI* I applauded the work of the Oregon Attorney General in challenging dishonest comparative prices used by certain retail jewelers. The Jewelers Vigilance Committee, Inc., has incorporated my article in a letter to the attorneys general in all other states urging them to make similar challenges. (Some retailers truly do want honest advertising.)

This is a trade association urging action against dishonest members of its own trade.

I don't see enforcement being encouraged by the National Retail Federation, which should be advocating action against many department stores and apparel specialty stores. I do not see this being done by the National Retail Furniture Association, the National Association of Retail Drug Chains, the Food Marketing Institute, or other retail trade associations which look the other way rather than confront dishonest members of their trade.

Just as long as the major trade associations fail to take a position against dishonest firms in their own industry, those who are honest and remain in the trade association foul themselves by association.

RThought: I thought of this point when reading the April 4, 1992, *The Notes* of the Retail and Wholesale Merchants Association of New Zealand. It reported that the Commerce Commission, prompted by consumer complaints, was investigating the claimed "bargains" offered by paint stores.

2 — RETAILING TODAY — AUGUST 1992

Here is the report by the association:

The Commission believes the stores may not have been telling consumers the whole truth about the size of the price reductions.

Retailers often use price tags or advertising which compare their price with a "recommended retail price," an old price, or a competitor's price.

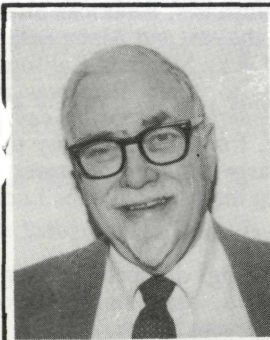
While this may be helpful to consumers, it can also mislead them thinking they are getting a bargain when they are not.

One hardware store recently advertised a 10 litre pail of paint for "\$109.00. Elsewhere \$179.95." This offer may breach the Unfair Trading Act if the pail was not normally available elsewhere at the higher price. [Emphasis added]

Another store advertised a 10 litre pail at "\$99.00. Normally \$206.45." This may also be misleading if the store has not sold paint at the higher price for some time nor was it available elsewhere at the higher price.

The Commission considers generally that if an article is sold at a price for more than 30 days then that price becomes the normal price. [Emphasis added]

RThought: I know that a proper base for comparative prices can be maintained, especially when the comparison is "formerly" or "elsewhere." For 20 years, from 1957 to 1977, I was a consultant to, and for much of the time an officer and director of, Mervyn's. Early in that period I wrote the guidelines for comparative price advertising. I based them on the Federal Trade Commission rules. Some years after Mervyn's was acquired by Dayton Hudson, I attended a hearing before a California administrative judge after allegations had been made that false comparisons were used. I was pleased to see that Mervyn's guidelines were essentially the same as those I had written. As a result, for each ad the administrative judge selected for authentication, Mervyn's was able to document either its "former" price or the price at a specific, competitive store to support the "elsewhere." Even though I was no longer working for Mervyn's, I enjoyed a warm glow of pride.



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ROUTE TO

SEPTEMBER 1992

VOL. 27, NO. 9

FROM THE STATE OF FLORIDA: COLLECTING SALES TAX ON MAIL ORDERS

The July 1992 issue of *Fax On Tax* (Florida Department of Revenue, Carlton Building, Room 137, Tallahassee, FL 32399), reported the reaction of the Florida Department of Revenue (DOR) to the Supreme Court decision in the North Dakota suit against Quill, Inc.

The DOR continues to work with two national organizations (Federation of Tax Administrators and the Multi-State Tax Commission) to collect either use tax or sales tax on mail-order sales. It also continues to work on establishing broader definitions of "nexus," or connection, so that the collection of sales tax can be enforced.

The day after the Supreme Court decision, the two national organizations mentioned above met with the Direct Mail Association to develop a program of simplified sales tax on out-of-state mail orders. The DOR was pleased that progress had been made.

Even before the meeting, some 34 mail-order companies had voluntarily agreed to collect and remit Florida's sales tax. The DOR said it expects these agreements will remain in effect despite the Supreme Court decision upholding its earlier National Bellas Hess decision which prohibited requiring collection unless there was a "nexus" between the retailer and the state. The decision reported Congress had the power to order collection across state borders.

States which audit mail-order firms are exchanging information about the destination of sales from mail-order firms. Florida claims the right to inspect bills of lading for goods shipped into the state and, from that, to track down buyers who did not report payment of the use tax. In addition, auditors of state sales tax (not all firms collect sales tax) can lawfully investigate paid invoices from out-of-state sources.

Florida's statutes specify that mail-order sales are taxable and that "dealers" include out-of-state mail-order firms which mail into the state. Its statutes also establish a nexus if the mail-order firm has representatives, warehouses, offices, etc., within the state. Consumers are reminded of the liability for use tax when Florida sales tax is not collected by out-of-state vendors.

RThought: States are not going to give up on this matter. The Supreme Court has said that Congress, by legislation, can mandate mail-order firms to collect sales tax for other states into which shipments are made. Given the condition of most state budgets, state administrations, whether Democratic or Republican, are likely to pressure their senators and representatives to take up the offer made by the Supreme Court, just as soon as the presidential election is out of the way.

Because collection of sales taxes for states without a nexus to retailers now seems inevitable, the Direct Mail Association is

GENERAL ELECTRIC: THE CROOK

The July 23, 1992, *New York Times* headline read: "G.E. Guilty Plea in U.S. Aid to Israel," with the subheading, "A \$69 million settlement closes a case brought by a whistle-blower."

The \$69 million consisted of \$9.5 million in fines and \$59.5 million to settle a related civil case.

General Electric pled guilty to defrauding the United States government by falsely billing \$26.5 million, supposedly for aircraft engines and parts to be purchased by Israel. However, most of the \$26.5 million went to Israeli Air Force General Rami Dotan.

General Dotan received a 13-year sentence in Israel and G.E. received considerably less than "a slap on the wrist." The stock market forecast is that G.E. will make approximately \$5 billion this year; a penalty of \$69 million dollars is less than 1.4% of that profit. Even worse, our government continues to award contracts to G.E.!

G.E. is reported to have been embarrassed by the case, although it is fully cooperating with investigations by both the Department of Justice and the Pentagon. There is a question as to just how hard the whistle-blower pressed the matter with G.E. (the whistle-blower claimed that G.E. stopped its investigation in the face of General Dotan's objections).

RThought: Somewhere, there was an internal breakdown. Controls must have been lacking. The whistle-blower apparently was not involved. What bothered me about the story was that G.E. did not suffer a meaningful penalty. How long would you keep an executive who steals from you?

A good portion of G.E.'s \$5 billion profit expected this year will be generated by its consumer products which we sell to the public. What degree of guilt is required before retailers are inspired to impose their own punishment on a company that fraudulently collected millions from our own government, adding to our stifling deficit?

Where is the retailer whose ethical standards require that he or she not deal with vendors convicted of defrauding our government? Please let me know if there is one. The refusal of retailers to deal with a corrupt G.E. would impose a more appropriate penalty than \$69 million.

cooperating with the Federation of Tax Administrators and the Multi-State Tax Commission in order to come up with a simplified administration procedure. If the drafting is left to the many lawyers in Congress, the legislation is likely to impose a burden more costly than the amount of sales tax collected.

HAS 'GULLIVER' VISITED YOUR BALANCE SHEET?

Among the letters to the editor in the July 23, 1992, *Financial World* was one from Jeffrey Petertil, a consulting actuary. He addressed the liability for postretirement benefits placed or to be placed on your balance sheet as a result of the Financial Accounting Standards Board (FASB) Statement No. 106.

Petertil reminded readers that Walter Schuetze described the numbers for postretirement benefits as "Brobdingnagian" in nature, a term to which I shall return later.

Petertil described the calculations as "A complex rule fully comprehended by only a handful of the accountants (and none of the securities analysts)...."

It is relatively easy for an actuary to project the life expectancy of former employees using either standard tables or, in special cases like coal mining employees, expectancy tables based upon the people employed in a particular occupation. Life insurance has survived and prospered by using actuarially sound life expectancy calculations. (Most policyholders wish the companies had as sound a basis for investing money as they have in projecting life expectancies.)

Starting with the employee's life expectancy, one must then consider how long the spouse may survive the death of the retired employee. It was only a few years ago that the last surviving widow of a Civil War veteran died, about 120 years after the end of the war. (A very young woman married a very elderly veteran.)

Next, how accurately can anyone forecast the cost of medical care over the next 30 to 40 years? Having made the best possible projection on the cost of medical care, conjure up the problem of forecasting the percentage, if any, of the cost which will be paid by Medicare. Consider that most projections made in January 1992 about the outcome of the November presidential election have long since been discarded.

FASB Statement No. 106 states: Take an actuarial projection of longevity, add in life expectancy of unidentified survivors, multiply that times the expected increased cost of medical care, and reduce the total by an estimate of Medicare coverage. Put that figure on your balance sheet as a liability and deduct a like amount from your company's equity. Then, adjust this figure each year.

RThought: Back to "Brobdingnagian." Petertil commented: "The retiree health numbers are described by Mr. Schuetze as 'Brobdingnagian,' which can remind us not only that the numbers are large but that, like *Gulliver's Travels*, they are also a fable. The moral of the fable is that there is an obligation for future costs but that the accounting fabrications *exaggerate* retirees' health costs." [Emphasis added]

AN ADVANTAGE IN ACQUIRING ANOTHER NAME

Skaggs Drug became the fifth largest U.S. retailer through a series of acquisitions. Once too many stores were acquired, according to the California Attorney General.

Founded as a drug chain, it entered the food business through a joint venture with Albertson's in Albertson's-Skaggs combination stores. Eventually, the joint venture became so large that the partners split it, each taking half of the operation.

Skaggs went on to acquire Jewel Companies, American Stores (which consisted of Acme Stores in the east and Alpha Beta in Southern California) and, finally, Lucky Stores in California and Nevada. Adding Lucky Stores to Alpha Beta was too much for the California Attorney General. He took his case to the U.S. Supreme Court and won, forcing Skaggs (by the American Stores) to give up a large number of stores in Southern California in order to keep the balance of the Lucky Stores.

After acquiring American Stores, Skaggs dropped the Skaggs name (the most famous name in U.S. chain-store development) and adopted the name of American Stores.

RThought: Considering that Skaggs began as a partnership 53 years ago, it is most interesting that, as American Stores (sans the Alpha Beta half), it proudly states, "This year is the start of the company's second 100 years in business!"

Just think how much older American Stores could have been had its acquisitions been a little more selective.

HAVE RETAILERS BEEN SHORTSIGHTED ON MEDICAL CARE?

Despite the fact that 52% of all retail employees are women and that for many years medical care costs have been growing faster than the cost of living, I do not recall a single retailer protesting the fact that virtually no attention has been given to research on ailments more common to women than to men.

Example 1: It is estimated that by the end of 1992 one million women will have been diagnosed as having systemic lupus erythematosus. Many more won't know they have it. Doctors don't even know its causes. The reason? Ninety percent of those afflicted are women. By tradition, no research is done on diseases afflicting mainly women.

Example 2: From research doctors know a great deal about those heart diseases which afflict men. However, doctors assume that what they know from studying men is applicable to women.

It was not until 1990 that the National Institutes of Health created the Office of Research on Women's Health. In our present situation, facing a \$400 billion deficit, how much money will our government make available for research on women's diseases? Perhaps retailers should consider which candidate for president is most likely to be supportive of research into women's diseases. As the industry which employs the most women, we certainly should want to see a parity between the sexes when it comes to medical research, even if for no other reason than that of eventually reducing our own medical costs.

RThought: Migraine headaches, urinary tract infections, osteoporosis, and lung cancer are occurring more in women than in men. More than 99% of breast cancer and all gynecological infections are unique to women.

I don't recall any time when the National Retail Federation, Food Marketing Institute, International Mass Retail Association, or any other retail trade association took a position regarding health research into women's diseases. Yet, retailers become "excited" about the Americans with Disabilities Act because some checkout lanes will have to be 36 inches wide.

FEATURE REPORT *continued*:

Were this to happen, Giant Food might not be so concerned about club stores; about low price grocery stores; deep discount drug stores; and about Wal-Mart, which sells about 100 food items at heavy discounts.

In the vernacular, "Go for it, Israel!"

Late Information: J. C. Penney Company's sales and profits

EVEN THE CONFERENCE BOARD IS ASKING . . .

The Conference Board describes itself as "Serving Business and Society Since 1916."

In its July/August 1992 *Briefing* there was a quote from a presentation made by Lawrence Perlman, president and CEO of Control Data Corporation, at a recent Work-Family Conference conducted by the board. Here are his opening lines and some excerpts.

I must tell you I'm somewhat angry. I'm angry because in 1992 we still have to speculate as to when we will have a pregnant CEO. I'm angry because my daughter graduates from college this year and looks forward to a career and, I'm sure, to children of her own. Yet, since she is a woman and has the potential to become a mother, some of the men who will make the decisions relating to hiring and promoting her will — let's say the word — discriminate against her because she is a woman.

This is really not a feminist, liberal, or fairness issue. It is an issue of American business organizations.

* * *

Nowhere is American business' failure to grasp its problems more obvious than in its unwillingness to tap the potential of the thousands of talented women who are ready and eminently qualified to step into leadership positions.

* * *

The reasons cited by both men and women as to why there are so few women in management include lack of career planning, exclusion from key line management jobs, and exclusion from informal networks of communication. About 80% of the CEOs interviewed in the 1990 Catalyst study on women in corporate management acknowledged being aware of these barriers to women's advancement.

RThought: I suspect that I have a few years on Perlman and so my memory goes back even further!

Prior to 1942 it was the unofficial position of Douglas Aircraft Company that only men were qualified to be *draftsmen* on such complicated, masculine products as the DC-3 (C47), DC-4 (C54), DB-7 (A-20), B-23 (competed with the B-25 and B-26), A-26, and on and on. While the world learned of "Rosie, the Riveter," few heard of "Dottie, the Draftsman"

were lagging but are now increasing. For the six months ending July 1992 Penney reported a sales increase of 10% and a profit increase of 95%. *The Wall Street Journal* on August 6, 1992, commented: "... Penney did better than expected, continuing a surge that dates back to last year, when the company accelerated a move to emphasize value and lower prices." [Emphasis added] Its management may have reread "The Penney Principles" set forth by Mr. Penney in 1914.

(draftswoman? draftsperson?). I spent three years overseas, and I recall films intended to boost our morale and to show us that everyone was behind us. I recall shots of the drafting room at Douglas: hundreds of drawing tables, almost all "manned" by women.

At the birth of the computer age, consisting of a million IBM punch cards, various forms of punches, and faster and faster tabulators, who were the people who installed the systems? Women. Almost exclusively women. The higher IBM salary attracted the best educated, best trained, and smartest women graduating from college and gave them an opportunity in a new and growing field.

The salary was still *less than that paid to men with similar qualifications* — of course.

In retailing there is a strange pattern among buyers. One might believe that "a buyer is a buyer," but that is not true. Virtually all buyers in department and specialty apparel stores (except for men's departments and stores) are women. Yet, in the national chains (Sears, Montgomery Ward, and J. C. Penney), almost all of those positions are filled by men. In addition, most of the buying positions in the larger variety chains (W. T. Grant, S. H. Kress, S. S. Kresge, and McCrory), were filled by men.

RThought: We have come a long way since the time when the only major retailer who had women in his top positions was Milton Petrie. Since then, women have reached higher positions, primarily in women's stores. In the supermarket field, women have reached top positions only through inheritance.

In retailing there have been and continue to be pregnant senior executives. They thoroughly train those below them. Women tend to do this better than men. As a result, many women are able to return and resume their positions because their area of responsibility was handled well during their pregnancy leave.

SHORT SHORTS

About that California depression . . . A number of retailers (Dayton Hudson, Carter Hawley Hale, and others) are explaining poor retail sales by blaming the "California recession." I thought of that comment while reading the May 1992 issue of *Entrepreneur* (Box 40268, Boulder, CA 80321; \$79.97/yr.). It ran a list of the 30 fastest growing cities [1980 to 1990] with a 1990 population over 100,000. Seventeen were in California! **RThought:** Perhaps the retailers who will benefit most will be those who find such cities their "cup of

The following states were represented in addition to California: Texas (four); Arizona (three); and Colorado, Florida, Kansas, North Carolina, Nevada and Virginia (one each).

Business Week (May 15, 1992) gave this example of **Equifax credit reporting**. Robert J. Corbey applied for a \$2,000 credit but was turned down because of unpaid mortgages on two Virginia homes and an IRS lien against him and his wife, Ann. The facts: He had never lived in Virginia; his mortgage was paid off; and he had never been married to anyone named Ann! Many in Congress are trying to overhaul the Fair Credit Reporting Act of 1970, but those efforts are being blocked by the Senate Banking Committee; a member, Senator Phil Gramm (R-Tx), received \$114,000 in contributions in 1991 from the banking, finance, and credit industries. If Gramm has an account with you, you might wonder if he is being as fair to you as you are to him.

FREE ENTERPRISE, AS GIANT FOOD SEES IT

Over 50 years ago Giant Food, Inc., was organized in the District of Columbia (D.C.) and has proceeded to capture by far the largest share of the local food business. By February 1991 it had 152 stores in D.C. and adjacent areas of Maryland and Virginia, producing \$3.4 billion in sales.

Giant Food's 1991 annual report showed some interesting trends. The table below shows: percentage increase in sales; gross profit percentage; general, selling, and administrative expense percentage; and the spread between margin and expenses.

Year End February	Sales Increase Percentage	Gross Profit Percentage	GS&A Percentage	Spread
1982	NA	23.46%	21.79%	1.67%
1983	+ 8.21%	26.24	22.40	3.84
1984	+ 5.69	27.48	23.53	3.95
1985	+ 9.26	27.97	24.02	3.95
1986	+ 5.07	28.87	24.13	4.74
1987	+ 10.38	28.33	24.27	4.06
1988	+ 9.09	28.92	23.68	5.24
1989	+ 9.73	29.45	23.75	5.70
1990	+ 8.76	29.98	24.23	5.75
1991	+ 3.10	31.26	25.19	6.07

The rate of sales increase was erratic for the first five years but generally declined during the second five years. There can be many possible explanations: food prices may not have increased fast enough when inflation leveled off; growth may have slowed in its trade area; and/or it was harder to increase market share when the share was already large (or when Safeway was particularly aggressive).

However, I see something else. Expenses increased every year except one (1987 to 1988), for a total of only 3.4 percentage points, a relatively good performance.

During the past 10 years we have seen the growth of low-cost operators, all trying to reduce their expense rate so that they could cut their prices and increase their sales. Wal☆Mart Stores is an outstanding example of this type of operation, but there are others, such as Toys "R" Us.

Giant Food increased its gross margin by 7.8 percentage points against an increase in expenses of 3.4 percentage points.

One of the principles of James Cash Penney, set down in 1914, was "Charge only a fair price and not what the traffic will bear." Mr. Penney once criticized a store manager (who later became chairman and CEO) because his store reported *too high* a profit. According to Mr. Penney, he must have been charging too much.

From 1987 to 1991 the expense rate increased by .92 of a percentage point while the gross margin increased by 2.93 percentage points, or more than three times as much.

When major stores are charging high gross margins, formats with low expenses and low gross margins are attracted. In many types of merchandise, especially where everyone carries exactly the same products (i.e., milk, Kellogg's cereals, Coca-Cola, or Tums), the low-cost operator has an advantage.

This trend in the D.C. market brought forth a letter from Israel Cohen, chairman and CEO of Giant Food, addressed to "Dear Member of the Giant Family."

Here are pertinent sections from Cohen's letter:

We are in a fight.

All of us at Giant... are faced with the threat of others trying to take from us what we have built together.

There have always been competitors that have looked with envy on what we call "Giant Country," but never have there been so many at one time with the financial strength, operational excellence, merchandising, and service skills to provide such a serious challenge....

Perhaps the easiest way to understand how our Giant Country is being invaded is to see the locations of our stores and those of our competitors on a map....

[Note: As I read this, I thought what a wonderful way this was to get people to work hard to bring expenses down and to provide better service!]

We can put our competitors into four distinct categories: club stores, such as Price Club, Pace, B.J.'s, and Sam's; low price grocery stores, such as Food Lion and Shoppers Food; deep discount drug stores, such as Drug Emporium, F&M, and Phar-Mor; and Wal☆Mart, which today sells about 500 food items at heavy discounts, but which is rapidly developing a combination general merchandise and food operation.

[Note: I agree that Giant Food is facing heavy competition. These are the stores which frightened the supermarkets at the recent Food Marketing Institute Convention. However, D.C. was not the only place where this was going on.]

Each of these stores is going to take business from someplace, and even if we hold every penny of today's Giant business, the existence of these new competitors increases the difficulty of increasing our business.

[Note: As I read this, I wondered if increasing the gross margin so much faster than the expense rate might not cause significant damage to Giant Food.]

We have said that these stores are good operations. The Wal☆Mart organization is particularly efficient in distributing and merchandising its stores and in providing friendly, courteous service. And all of these competitors pay a much lower hourly wage rate, as well as much lower fringe benefits. [Emphasis added]

The letter continued, urging the Giant Food people on and asking for even better service for customers. It urged a team response and stressed that its people should be guided by the Golden Rule. It asked that suggestions be passed on to their store manager or even directly to Cohen.

In the "good old days" of 1983, Giant Food had a 25% return on average stockholders' equity, with an operating profit of 3.84%. With the same operating profit in 1991, Giant Food would have required a gross profit of only 29.03%, instead of the actual 31.26% gross profit. Cutting prices back to 29.03% might well have resulted in a greater increase in sales than the 3.10% reported for the year.

Wal☆Mart executives have publicly noted that when they reduce prices there usually is a corresponding increase in sales followed by a lower operating expense rate.

RThought: Were I Cohen, I would urge management to worry less about competitors who "pay a much lower hourly wage rate, as well as much lower fringe benefits," which Giant Food cannot change, and to think more about what would happen if Giant Food cut its gross profit to 29% in order to bring the benefit of lower prices to its customers. At a 29% gross profit, even with no volume increase, Giant Food would not be operating at a loss. If lowering prices *did* increase sales and if the expense rate *did* drop, perhaps Giant Food might further reduce its prices, etc., etc.

UNBURDEN YOUR MAILBOX — DO NOT SHOP BY MAIL

DM News is always fascinating to read: the articles are interesting, but most interesting are the ads.

Using the July 20, 1992, center double truck, the Millard Group offered for sale customer lists from J. Jill, Ltd., Nicole Summers, Appleseed's, and The Very Thing! — all companies which darken our mailboxes and overload our garbage can.

As an example, here is what is available from Nicole Summers:

41,153 Last 3 Months' Buyers	Add \$21/M
61,189 Last 6 Months' Buyers	Add \$16/M
92,051 Last 12 Months' Buyers	Add \$11/M \$90/M
Publishers \$60/M	Fundraisers \$50/M

I deciphered this listing as follows:

If you want to buy the 41,153 "Last 3 Months' Buyers," the cost is \$111/thousand (\$90 plus \$21).

If you publish a magazine rather than sell merchandise, the cost is a flat \$60/thousand. However, big-hearted Nicole Summers has a bargain price of \$50/thousand for "Fundraisers," which accounts for the increased number of requests for money I receive from organizations which I didn't know existed.

RThought: If my assistant doesn't pick up the mail for me, I go to the post office and open my mail there so I can use its large wastebasket. If I have never heard of the organization, the piece goes directly into the wastebasket. Where a request for funds shows only the name of the executive director and lists no directors or advisers, I conclude the real beneficiary to be the executive director. (If any excess money comes in, the executive director probably raises his or her own pay.)

If there is a list of supporters, directors, and advisers, I read it carefully, together with any information enclosed. If it is an organization such as the Center for National Independence in Politics (which calls itself "CNIP") and I see that it was founded by Bill Proxmire (my classmate at Harvard Business School) and Barry Goldwater (my classmate at Army Air Corps Supply School), I read the material and immediately join. (As the years have gone by, I have found former presidents Ford and Carter, along with many other outstanding people, among the supporters.)

Most of the junk mail we receive because Nicole Summers sold my wife's name at a discount price ends up in a landfill.

The reason I don't ask the Direct Marketing Association (which controls only its members) to have my name deleted from mailing lists is that I might miss what Bill and Barry are up to — along with other good people — in these days when we, as individuals, must take care of more needs of our society since our government is taking care of fewer.

HOW DO YOU FEEL ABOUT PASSING COUNTERFEIT CURRENCY?

If you receive a counterfeit \$20, \$50, or \$100 bill and pass it on to a customer, have you lost any money? Have you done anything illegal? What if the counterfeit is so good that the Federal Reserve Bank's equipment for counting currency cannot detect it? Should you have detected it?

You may recall that during the 1960s and 1970s the Shah of

Iran, Mohammad Reza Pahlevi, was considered one of our great Middle Eastern friends. During that period our government sold to Iran the kind of equipment needed to print our money — and we trained Iranians how to use it!

It is believed that today the Iranians are spreading billions of counterfeit bills around the world. Printing U.S. money is a better deal than pumping oil — and the bills are easier than oil to get out of the country!

Counterfeit bills are certainly more convenient for buying arms and munitions than is oil. A billion dollars in \$100 bills can fit into several suitcases — and the Chinese, along with other countries, will gladly accept U.S. dollars for weapons!

It was only recently that the United States Treasury Department added a security thread to the paper on which it prints our paper money. The department believes that Iran cannot copy this process. However, there is no proof that Iran is not capable of doing so, as counterfeiters are already copying the paper and the special inks used to make our paper money.

RThought: Suppose you do find a few dozen phony \$100 bills among your currency. What would you do? What is right?

Some of this information is contained in a U.S. House of Representatives' report on "Terrorism" and was summarized in the August 1992 issue of *Payments Monthly*, P.O. Box 720, Glen Echo, MD 20812; \$345/yr. (Note: I am not sure if this organization accepts cash payment!)

HOME STUDY COURSES FROM CORNELL

For many years, Cornell University has developed Home Study Courses, mainly for food stores. However, many of the general courses are applicable to other types of retailers. The table below shows how many courses were taken by employees of the top ten retail users of the program:

Retailer	Number of Courses Taken
Publix	3,030
Food Lion	1,391
Wegmans	725
Big Y	683
Albertson's	558
Kroger	529
H. E. Butt	452
Discount Auto	422
Pathmark	379
Marsh Supermarkets	371
Also:	
U.S. Armed Forces	293

Two people completed 20 or more courses; 10 completed 15 to 19 courses; and 11 completed 10 to 14 courses.

RThought: For information on courses, contact:

Cornell University Home Study Program
Department of Agricultural Economics
247 Warren Hall
Ithaca, NY 14853-7801

Telephone: 607-255-3028 Fax: 607-255-9984

Attention: George S. Hayward, Program Director

Say "Bob Kahn sent me."

EDI PROCESS

An organization by the name of EDI, spread the word! recently announced its sixth semiannual award winners in 13 industry groups. The award in each group represents companies which have made progress in expanding the use of EDI during the past year.

The following retailers made one or more of the lists.

Of the four companies elected to its Hall of Fame, two are retailers: SuperValu and Wal-Mart.

Under World EDI Leadership Awards, Sears Merchandise Group was recognized for the "Greatest Number of Suppliers as Electronic Trading Partners."

Industry Awards for retailers included: Kroger (grocery industry), Lowe's (hardware industry), and Sears Merchandise Group (retail other than grocery).

RThought: As I listen to cassette tapes from retail conventions and read publications covering many segments of retailing, it appears that retailers move slowly on reporting their number of EDI partners. No new retailers were listed as having added their "hundredth partner" in the past six months.

SHORT SHORTS

Unfortunate timing. The day I read the announcement of Sears' \$8 million settlement, with the action by the State of

California against Sears for charging customers for unnecessary work, I received a mail solicitation selling Sears' home sidings. The first thing I noticed was the statement: **"SEARS — The most trusted name around the house."** **RThought:** In California, as well as Michigan, Pennsylvania and other states, where similar settlements were made, Sears could have used a better choice of words.

WORDS — FROM CICERO — 2000 YEARS AGO

The Six Mistakes of Man

1. The delusion that personal gain is made by crushing others.
2. The tendency to worry about things that cannot be changed or corrected.
3. Insisting that a thing is impossible because we cannot accomplish it.
4. Refusing to set aside trivial preference.
5. Neglecting development and refinement of the mind and not acquiring the habit of reading and studying.
6. Attempting to compel others to believe and live as we do.

RThought: You may want to read each point carefully and ask how many times you have found yourself making that particular error. My total was embarrassingly high. However, I am committed to improving myself.

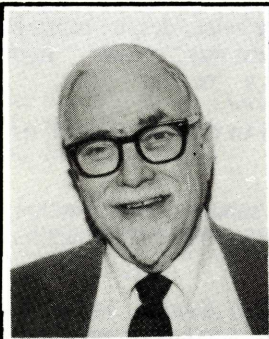
Retail Monthly/Year-To-Date Sales Comparison (Unadjusted \$ millions)

SIC Code	Category	May 1992		Percentage Change	Year to Date Five Months		Percentage Change
		1992	1991		1992	1991	
52	*Bldg Matl Group	\$ 9,997	\$ 9,599	+ 4.1%	\$ 40,694	\$ 37,285	+ 9.1%
57	*Furniture Group	7,340	7,242	+ 1.4	35,805	34,605	+ 3.5
571	Furniture Stores	4,123	4,100	+ 0.6	19,534	18,944	+ 3.1
572	Appl, TV, Radio Stores	2,514	2,575	- 2.4	12,502	12,182	+ 2.6
5941	*Sporting Goods Stores	1,394	1,214	+14.8	6,167	5,223	+18.1
5942	*Book Stores	625	534	+17.0	3,275	2,825	+15.9
5944	*Jewelry Stores	1,147	1,255	- 8.6	4,841	4,883	- 0.9
531 Pt	Conventional Dept Stores	4,218	4,251	- 0.8	18,271	17,987	+ 1.6
531 Pt	Natl Chain Dept Stores	2,992	2,913	+ 2.7	13,810	13,116	+ 5.3
	Subtotal	7,200	7,164	+ 0.5	32,081	31,103	+ 3.1
531 Pt	Discount Stores	8,208	7,458	+10.1	35,145	31,461	+11.7
531	*Department Stores	15,418	14,622	+ 5.4	67,226	62,564	+ 7.5
541	*Grocery Stores	30,970	31,462	- 1.6	147,299	145,122	+ 1.5
56	*Apparel Stores	8,277	7,990	+ 3.6	36,269	34,796	+ 4.2
561	Men's & Boys' Stores	733	717	+ 2.2	3,188	3,144	+ 1.4
562,3,8	Women's Stores	3,062	2,894	+ 5.8	12,895	12,300	+ 4.8
565	Family Clothing Stores	2,442	2,317	+ 5.4	10,661	9,825	+ 8.5
566	Shoe Stores	1,496	1,497	- 0.1	6,805	6,835	- 0.4
591	*Drug Stores	6,477	6,366	+ 1.7	31,941	30,434	+ 5.0
596	*Nonstore Retail	3,529	3,915	- 9.9	18,322	19,369	- 5.4
5961 Pt	Mail Order (Dept Stores)	378	364	+ 3.8	1,692	1,671	+ 1.3
5961 Pt	Mail Order (Other)	1,734	1,990	+12.9	9,341	10,244	- 8.8
	*Retailing Today Total Store Retailing†	85,174	84,199	+ 1.2	391,839	377,106	+ 3.9
	**GAF TOTAL	39,956	38,601	+ 3.5	179,026	168,857	+ 6.0

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.



RETAILING TODAY

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IS OFFENSE THE BEST DEFENSE?

Walnut Creek, California, like many communities, has ordinances governing "going out of business" or "lost our lease" sales. Since December 1991 Medallion Rug Gallery has been advertising that it is "closing its doors," while all the time claiming to have the "largest inventory of Persian antique and semi-antique (rugs) at unbelievable prices," as part of a "\$10,000,000 inventory."

I was particularly interested in another statement in Medallion's ads: "Your last chance to own a handmade rug!" Are there no more handmade rugs? Have Iran, India, and China automated their rug industry?

In any case, the City of Walnut Creek finally sued Medallion for false advertising and violating city permit requirements.

Now the owners, who are reported to be of Iranian descent, have sued the city, claiming their property rights and freedom of speech rights have been denied because of their ethnic heritage.

RThought: *RT's* position is that local ordinances and state laws governing "going out of business sales" and "honesty in ads" must be enforced. Unfortunately, the public sees too many ads that appear to be violations but which are not cited. The money collected in such cases should be used to finance further enforcement.

However, I cannot avoid smiling about the counter claims. Medallion's arguments are novel, indeed!

I will try to keep you posted on the progress of both legal actions.

A BAD NUMBER ACCEPTED BY EVERYONE

First, let me explain how pleased I am that the Americans with Disabilities Act (ADA) became law. For too long, businesses have closed their eyes to prospective employees whose disabilities do not impair their abilities to reasonably perform many jobs.

For several years the San Francisco Marathon has included a 20-mile race for people in wheelchairs. I am fairly certain that many *RT* readers cannot walk, let alone run, 20 miles; yet we do not consider ourselves disabled.

In response to people with disabilities, I see proof of their capabilities when I visit many firms. I see people permanently on crutches, in wheelchairs, missing a limb, partially paralyzed, or with other disabilities.

Unfortunately, most of the writing about the ADA law includes a statement such as the one which appeared again in *The Wall Street Journal* on July 6, 1992: "America's 43 million disabled...."

YOU AUTHORIZED VOICE MAIL NOW USE IT YOURSELF

How much do you pay each month to antagonize most of the people who call you? Many of these callers are your customers; and if a customer has a problem, the problem may become even greater as a computer puts him or her through the steps of voice mail.

I recently called a friend, the head of a \$300 million-a-year retail firm. While I patiently waited, I was thanked for calling and told a few facts about the company. This recorded message sounded great, but I really didn't care.

Then it went through "the cycle." I was told that if using a touch-tone phone I could press 1 for accounts payable, 2 for purchasing, etc. Finally I was told, "If you know the extension you are calling, press 1 followed by the extension number." I faithfully followed the instructions. Then a voice said, "If you do not press a number within 5 seconds, this phone will disconnect." Not knowing which number to press, I hesitated, and IT DISCONNECTED!

I called again and went through the same cycle, with the same result. On the third try, instead of following instructions, I arbitrarily pressed 0 and a live operator came on. At last, my call was completed.

RThought: If you "carry the pen" which authorizes such abuse, I suggest that at least once a week you call your own number. You needn't even leave your desk. After understanding how you may have abused an annoyed or potential customer or anyone else trying to reach you, contemplate then whom you can blame for approving voice mail.

Is the claimed savings really worth it?

Our population between the ages of 18 and 65 is about 156 million. Forty-three million disabled would be 28% of that group!

RThought: I don't believe 28% of the potential work force are disabled. This statement was once attributed to the California Department of Health. When I called the department to inquire about this figure, the people with whom I spoke recognized that number but none knew where it came from. I sent the department a photocopy of much lower figures from the U.S. Statistical Abstract, and they called to ask me where I found it!!!

[Late Note: Since writing this article, one of my assistants, who has a damaged spine, has been selected as the 1992 Lafayette Citizen of the Year. Several speakers at the award dinner noted that she often accomplishes more at city council meetings while lying on a pad than do others who are able to sit comfortably in a chair!]

A WORD ON SEXUAL HARASSMENT FROM THE EEOC

Although this information may be ignored in practice by the Equal Employment Opportunities Commission (EEOC) (as attested by Professor Anita Hill), the commission points out that sexual harassment is a form of sexual discrimination which violates Title VII of the Civil Rights Act of 1964.

The following is quoted from the EEOC Form FS/E-4:

Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when submission to or rejection of this conduct explicitly or implicitly affects an individual's employment, unreasonably interferes with an individual's work performance or creates an intimidating, hostile, or offensive work environment.

Sexual harassment can occur in a variety of circumstances, including but not limited to the following:

- The victim as well as the harasser may be a woman or a man. The victim does not have to be of the opposite sex.
- The harasser can be the victim's supervisor, an agent of the employer, a supervisor in another area, a co-worker, or a non-employee.
- The victim does not have to be the person harassed but could be anyone affected by the offensive conduct.
- Unlawful sexual harassment may occur without economic injury to or discharge of the victim.
- The harasser's conduct must be unwelcome. [Note: In my opinion, the least the person harassed should be required to say is "Stop." Otherwise, one who believes his or her action to be harmless "flirting" may not recognize the behavior as unwelcome.]

It is helpful for the victim to directly inform the harasser that the conduct is unwelcome and must stop. The victim should use any employer complaint mechanism or grievance system available.

When investigating allegations of sexual harassment, EEOC looks at the entire record: the circumstances, such as the nature of the sexual advances, and the context in which the alleged incidents occurred. A determination on the allegations is made from the facts on a case-by-case basis.

Prevention is the best tool for the elimination of sexual harassment in the workplace. Employers are encouraged to take steps necessary to prevent sexual harassment from occurring. They should clearly communicate to employees that sexual harassment will not be tolerated. They can do so by establishing an effective complaint or grievance process and taking immediate and appropriate action when an employee complains.

RThought: Check your written policy on sexual harassment against EEOC's statement reproduced above. It can be utilized as your *minimum* policy statement.

NEW YORK STATE v. PERGAMENT HOME CENTERS

On June 3, 1992, Pergament Home Centers, Inc., entered into an "Assurance of Discontinuance" (AD) with the New York Attorney General (AG), saying that it would discontinue certain marketing practices.

From July to October 1991 a survey was made at six Pergament stores to determine the availability of merchandise advertised in its weekly circulars. Result: "Approximately 40% of a representative number of items...were not available for sale." In other cases items were not in sufficient quantities to meet reasonably expected consumer demand.

Each circular advertised 1,000 to 1,200 items. The AD documented that sales were almost continuous.

A "\$10,000,000 Summer Clearance" (July 14-20, 1991) led into a "\$50,000,000 Inventory Clearance" (July 21-27, 1991), which led into a "Dollar Days Spectacular" (August 4-10, 1991), which led into "The Great Summer Savings Event!" (August 11-17, 1991), followed by a "Dollar Days Summer Clearance" (August 18-24, 1991), and on and on.

Although all merchandise seemed to be "on sale," many items were at regular prices during these sales, despite representations and implications that every item was "on sale." In other cases, items were never offered at a "regular" price.

Extensive examples were set forth in the AD, as well as the following legal points:

1. Executive Law Section 63, subdivision 12, authorizes the AG to commence action to enjoin repeated fraudulent or illegal acts.
2. General Business Law (GBL) Section 349 prohibits deceptive acts or practices in the conduct of any business.
3. GBL Section 350 prohibits false advertising in the conduct of any business, trade, or commerce.
4. GBL Section 396 prohibits the advertising and offering for sale of merchandise with the intent, design, or purpose not to sell the merchandise so advertised.

After reciting the law, the AG noted that Pergament was willing to enter into the AD and will:

1. refrain from any deceptive practices or false advertising or misrepresentation;
2. not advertise items when it lacks sufficient stock or inventory to meet reasonable anticipated consumer demand;
3. refrain from representing, directly or by implication, that all items listed are being offered at "sale" or "reduced" prices, unless each and every such item is being offered at a "sale" or "reduced" price; and
4. not imply a limited time on prices when it knows that time will not be limited.

In addition to a number of other restrictions, Pergament agreed to pay a civil penalty of \$25,000, plus \$5,000 for the cost of investigation. **This penalty seems inadequate for the offenses described.**

The binding provision states: "...evidence of a violation of this AD shall constitute *prima facie* evidence of a violation of the applicable law."

RThought: At some point retail advertising has to be brought within the limits of honesty. **The time is now.** If not corrected, consumers will soon categorize retailers as they do politicians: dishonest.

A survey of major metropolitan areas would confirm the majority of newspaper readers do not believe most of the price comparisons made in retail ads. Under such circumstances, are not major advertisers, who complain loudly that people only shop when there is a sale, getting exactly what they deserve? Unfortunately, even honest advertisers are tarred by the same brush.

A few advertisers are respected by consumers. Those few advertise prices for a period of a week or less, back their ads with sufficient merchandise, and use only honest price comparisons. Then there are all of the others, some of which are among those most admired by retail financial analysts.

Retail analysts could be of great help were they to have the integrity to discontinue recommending any retailer found in violation of advertising laws — if not forever, at least for a year. Certainly, a retailer indulging in such practices should be downgraded at least one step ("strong buy" to "buy," "four" to "three," or by whatever grading method that particular analyst uses).

THE MOST FRIGHTENING ARTICLE I'VE EVER READ!

The headline in the *Oakland Tribune* (August 19, 1992) read "Lucky Stores Guilty of Widespread Sex Discrimination," and the article began:

A federal judge yesterday found Lucky Stores guilty of widespread discrimination against as many as 10,800 women employed in its Northern California Division (NCD) supermarkets over the past eight years. [Emphasis added]

An expert witness for Lucky estimated back-pay liability at between \$3 million and \$6 million.

* * *

Sex discrimination was the standard operating procedure at Lucky with respect to placement, promotion, movement to full-time positions, and the allocation of additional hours," the judge said. [Emphasis added]

* * *

Throughout the 10-week trial, Lucky contended that imbalance between men and women in the food chain's work force "was the result of differences in job interests."

* * *

"An employer cannot justify the disparate treatment of its male and female employees simply by claiming that the employees wish to be treated differently," the judge said.

* * *

The attorney for the plaintiffs said, "This is the first time that the retail grocery industry has been taken to trial in California for sex discrimination. This decision will send a powerful message to the entire industry that business as usual must stop."

My Reaction: I purchased the judge's 193-page opinion for approximately \$95 and started to read it. Like a mystery novel, I could not put it down. The documents produced by the discovery procedure could have come from the files of any one of 25 to 50 large retail companies. They painted an unpleasant picture.

Here are selected extracts. [Page numbers refer to the typed decision.]

Lucky created the position of Equal Employment Opportunity (EEO) Manager but did not let the person do his job. [Page 11]

Virginia Javier [Vice President of Human Resources] had the primary responsibility for administering EEO and affirmative action policies in the NCD. [Page 13]

Russell Specter was hired in 1988 "to design and present a series of training programs regarding nondiscriminatory promotions of females into management and sexual harassment." [Page 14]

Each store has its own policy for keeping completed [job] applications. [Page 17]

Neither Store Managers nor Assistant Store Managers are given instructions on how to interpret job applications. [Page 18]

Store Managers have absolute discretion in making decisions about hiring. [Page 18]

The decisions of Store Managers regarding placement of new hires are not reviewed by upper-level management. [Page 19]

No written, oral, or hands-on tests are required for assignment or promotion to any retail store position. [Page 22]

[Under] UFCW [United Food and Commercial Workers] Locals 588 and 1288 contracts, "All permanent job vacancies above the Journeyman Food Clerk classification shall be posted at each store of the employer within the seniority area specified herein for a period of five days. [Page 23] [Note: The response procedure and evaluation procedure were not followed.]

Defendant does not present sufficient evidence to convince the court that job posting is proscribed by the UFCW contract. [Page 24]

Lucky has no official or uniform definition of merit, qualifications, or ability... Store Managers are not systematically trained about how to define merit, qualifications, or ability. [Page 25]

President Richard Goodspeed [of the NCD] believes that written promotion criteria is not necessary because "(t)his is not a big sophisticated business. This is a store that has 50 to 100 employees." [Page 26]

Store Managers do not look at what employees wrote on their initial applications when deciding whom they should promote to what position. [Page 26]

In 1988, Specter told Lucky's District Managers that without job descriptions they would have no basis on which to justify their promotion standards. [Page 27]

In late 1983, Jane't Noriega-Ailor [Training and Development Manager] organized a performance appraisal system for Lucky. All of the Store Managers were trained in the system which required that performance appraisal forms be completed and sent to the personnel office. However, in late 1984 Noriega-Ailor found that the appraisal forms were not being completed; 81 out of 126 stores had not filled out any forms. [Page 28]

Store Managers have complete discretion in deciding which department each Apprentice Clerk should be placed in. Store Managers also decide who is to be assigned to night and day work. [Page 30]

Most Front-End Clerks are women. [Robert] Grant [Vice-President of Operations] could not remember whether any Front-End Clerks have ever been promoted into management. [Page 31]

There is no written list of criteria for promotion to Fourth Person [the Store Manager being the First Person]. [Page 32]

Lucky does not have a written or unwritten policy which prevents Department Heads in the Deli/Bakery or General Merchandise departments from being considered for Fourth Person. However, employees from these departments are rarely promoted to Fourth Person. [Page 34]

It is unlikely that a part-time employee would be promoted to an entry-level management position. [Page 34]

There are no job descriptions or selective criteria for Receiving Clerks. [Page 35]

[Alvin] Hoffman [District Manager of District 5] testified that there is a written job description for Assistant Store Managers. However, [Robert] Gill [Manager of Labor Relations] testified that there is no job description for Assistant Store Managers. [Page 37; emphasis added]

Goodspeed believes that a job posting program is not necessary because employees find out about openings by word-of-mouth. [Page 40]

Store Managers rely on their personal experience to decide who should receive training. [Page 41]

Only those employees who are recommended by the District Managers may apply for the [Entry-Level Management Training (ELMT)] program. [Page 43]

Lucky does not post notices of openings in the ELMT or RMDP [Retail Management Development Program]. [Page 44]

Neither the ELMT nor the RMDP is open to General Merchandise or Deli/Bakery Department Heads. [Page 45] [Note: These departments have a higher percentage of female employees and are lower paying jobs.]

Employees lose their seniority when they transfer between departments. [Page 45]

Thus, employees who are hired into the Deli/Bakery and General Merchandise departments are generally locked into those departments and face substantial barriers in promotion to management positions. [Page 47]

Opportunities for full-time work are not posted. [Page 49]

The selection of employees to move from part-time to full-time status is up to the discretion of Store Managers. The Store Managers receive no training or instruction about how to make these decisions. However, Store Managers must follow seniority in moving employees to full time. [Page 51]

There is no bid policy for the allocation of additional hours. [Page 53]

Gill also does not inform Store Managers about the results of race and sex discrimination grievances. [Page 58]

Gill did not remember counseling any employee about race or sex discrimination. [Page 59]

FEATURE REPORT *continued*:

Since September 1989 there have been between 80 and 100 internal discrimination complaints, most of which involved allegations of sexual harassment. [Page 60]

An affirmative action equal opportunity policy was first adopted by the Lucky Corporate in 1975. [Page 62]

Noriega-Ailor's December 6, 1983, memorandum...reported that women were 4.2% of management in NCD. [Page 63]

Noriega-Ailor's April 16, 1984, memorandum...stated that women were 4% of management in NCD. [Page 63]

The memorandum from Ray Sweeny dated August 24, 1984...shows that the NCD had the lowest percentage of women in management in the nine Lucky divisions. [Page 63]

Grant was aware that there were more women than men in the Deli/Bakery, General Merchandise, and Floral departments; more men than women in positions above Fourth Person; more women than men were Checkers; and more men than women were Stockers. [Page 64]

Following the settlement of the Bockman case in 1985-86...[Walter] Herkel [Vice President of Industrial Relations] informed Grant that Lucky must try to improve the number of women who were promoted. [Page 65]

Under the Bockman consent decree, Javier was required to develop an applicant tracing program for all of the class positions under the decree and to ensure that the job posting requirements were followed. [Page 65]

In fact, both Gill and Hoffman had received complaints from the Union about discriminatory promotion decisions and failure to move women into full-time positions. [Pages 66-67]

The 1986 affirmative action plan for the NCD acknowledged that equal employment opportunity is legally required, but also recognized that it is "sound for moral, social, and economic reasons." The plan discussed the underutilization of women in management, stated that promotion and training was necessary to better the distribution of women in Lucky's work force, and set short, intermediate and long-term goals to accomplish this objective. [Page 67]

However, one reason Noriega-Ailor left Lucky was that she did not feel that senior management was ready to have "women in certain positions." [Page 68]

Javier testified that she, Herkel, Noriega-Ailor, and Tim Martin [Senior Vice President of Administration] *discontinued* Lucky's 1986 affirmative action plan in 1989, shortly after this suit was filed, on the advice of...Lucky's house counsel. *They did not announce their decision to Lucky's senior management.* [Pages 69-70; emphasis added]

Javier put together a report, entitled "Women in Management"...the report showed that there were no women District Managers, 24 male and four female Merchandisers, 150 male and 10 female Store Managers, and 152 male and 12 female Assistant Store Managers. [Page 71]

Lucky has never conducted a survey to see if women were interested in moving from the Deli/Bakery and General Merchandise departments to the Grocery and Produce departments. [Page 71]

Specter said that the purpose of the meeting [with District Managers in 1988] was "to scare the pants off of them" and to get Lucky to support affirmative action. [Page 72]

After August 1988, on the advice of Lucky's counsel, there were no more meetings between Specter and Lucky. [Page 76]

However, [Herkel] admitted that prior to the Bockman litigation, he had

believed that the absence of women in warehouse jobs reflected their lack of interest in those jobs and that he was surprised to discover that women were interested in and had applied for those jobs. [Page 77]

Goodspeed does not believe that the small number of women in management at Lucky is the result of purposeful discrimination; but due to a "lack of communication, lack of understanding." [Page 78]

RThought: As I read of the shameful manner in which Lucky dealt with an obligation under the law, I was overwhelmed with the sense that the same type of evidence could be uncovered in dozens of large companies.

Some of the quotations came from former Lucky executives who testified for the plaintiffs; but, by far, more statements came from current Lucky senior executives. The opinion does not indicate whether those executives were testifying (yet subject to cross-examination by the plaintiff's attorney) in support of Lucky's theory that the lower level of executive positions held by women reflected the desire of women, as a group, not to seek advancement to management level, just as the executives believed before the Bockman decision that women did not want to work in Lucky's warehouses.

RThought: I doubt Lucky's conduct is unique among retailers, particularly supermarket operators. If Lucky were to begin anew, I believe it would conduct itself differently. However, the calendar cannot be turned back. All of us must go forward from here. Those women who were hurt by the conduct of Lucky are entitled to compensation.

RThought: Here are the conclusions of the judge:

1. Plaintiffs have met their burden of proving that sex discrimination was the standard operating procedure at Lucky with respect to placement, promotion, movement to full-time positions, and the allocation of additional hours. The court finds that defendant's explanation that the statistical disparities between men and women at Lucky are caused by differences in the work interests of men and women to be unpersuasive. Accordingly, the court finds that plaintiffs have made a sufficient showing to prevail on their claim for disparate treatment. [Page 187]
2. Plaintiffs have made a sufficient showing to support their claim for disparate impact with respect to defendant's decision making policies and defendant's failure to follow bid procedures. [Page 188]
3. If plaintiffs wish to bolster their disparate treatment case with additional anecdotal evidence, the court will entertain their presentation. This matter will be taken up at the trial on damages which is scheduled for September 14, 1992. [Page 188]
4. Plaintiffs have made a sufficient showing for the court to consider further evidence on their motion for punitive damages under Title VII [of the 1964 Civil Rights Act]. [Page 188]
5. Plaintiffs have satisfied their burden of proof under FEHA [California's Fair Employment and Housing Act.] [Page 188]

RThought: HAVE COMPETENT OUTSIDE HELP REVIEW ALL OF YOUR EMPLOYMENT AND PROMOTION POLICIES AND PROCEDURES IN ORDER TO BE CERTAIN THAT YOU ARE IN COMPLIANCE WITH BOTH FEDERAL AND STATE LAWS.

SHORT SHORTS

Better service starts with your choice of people. *Communication Briefings* (P.O. Box 587, Glassboro, NJ 08028; \$79/yr.) reported the following from the Long Island newspaper, *Newsday*:

A Holiday Inn, when looking for 500 people to fill positions for a new facility, interviewed 5,000 candidates. Hotel managers, when interviewing these people, excluded all candidates who smiled fewer than four times during the interview. This applied to people competing for jobs in all categories.

RThought: If applicants for retail jobs won't smile at the interviewer, when a future job hangs in the balance, what makes us believe they will smile at our customers after the applicants are on our payroll?

PR doublespeak: Wegmans Food Markets of Rochester, New York, advertised in 1985 for "part-time career associate scanning professionals." In plain English, the company was hiring checkout clerks!

Check the label. Lowe's Companies put this comforting statement on the boxes for its Environtemp ceiling fans: "Designed for quick 'Do-It-Yourself' installation with ordinary tools (detailed instructions inside)." The instructions inside were so detailed that the manufacturer recommended installation by a qualified electrician!

LEAVING THE WORK FORCE EARLY

The most accurate way to determine if a person has left the work force early is to know the age at which he or she applies for Social Security. [Note: Social Security payments are automatically mailed to a person, even if still working, when he or she reaches age 70.]

The table below shows, since 1950, the *mean age* of people who have applied for Social Security. The *mean age* is determined by adding up all of the ages of the applicants and dividing that number by the number of applicants.

Year	Men's Mean Age	Women's Mean Age
1950	68.7	68.0
1955	68.4	67.8
1960	66.8	65.2
1965	65.8	66.2
1970	64.4	63.9
1975	64.0	63.7
1980	63.9	63.5
1985	63.7	63.4
1989	63.7	63.4

The *mean age* of Social Security applicants has dropped 5.0 years for men and 4.6 years for women. Had this not happened, many more people would still be in the work force and our unemployment rate would be much higher.

It is anticipated that in the period 2000-2005 the median age of men will drop to 61.7 and of women will drop to 61.2.

The table below shows the percentage of each age cohort by sex for 1950 and for 1990 of those who were still working or seeking work:

Percentage of Each Men's Age Cohort							
Year	45-49	50-54	55-59	60-64	65-69	70-74	75+
1950	96.5%	95.0%	89.9%	83.4%	63.9%	43.2%	21.3%
1990	92.3	88.8	79.8	55.5	26.0	15.4	7.1
% points change	-4.2	-6.2	-10.1	-27.9	-37.9	-27.8	-14.2

Percentage of Each Women's Age Cohort							
Year	45-49	50-54	55-59	60-64	65-69	70-74	75+
1950	39.9%	35.7%	29.7%	23.8%	15.5%	7.9%	3.2%
1990	74.8	60.9	55.3	35.5	17.0	8.2	2.7
% points change	+34.9	+25.2	+25.6	+11.7	+1.5	+0.3	-0.5

In cohorts 45-49 through 60-64 for women the percentage in the work force in 1990 is 18 to 28 percentage points below that of men in the same age cohort.

RThought: The information above was extracted from an article, "Trends in Retirement Age by Sex, 1950-2005," by Murray Gendell and Jacob S. Seigel, professors of demography at Georgetown University, and was published in the July 1992 *Monthly Labor Review*.

The authors project a relatively small drop in retirement age over the next 25 years.

A MISSED OPPORTUNITY TO MAKE MANY NEW CUSTOMERS

One of my assistants received the following letter from Gump's in San Francisco, dated August 6, 1992:

We are in the process of researching packages left in our will-call department. We have located a package belonging to you.

Our records indicate a purchase of gold mugs on November 22, 1991, at our San Francisco store.

Please contact Lyndi Ma at 1-800-766-7628, extension 506, if you are interested in picking up your purchase.

If we do not receive a response from you within 10 days, we will credit your account.

My assistant purchased two sets of mugs to use as gifts at some indefinite time in the future for one or two as yet unidentified persons. She asked that the purchase be placed in will call so her husband could pick up the mugs. Neither she nor her husband knew that there were two packages. When her husband asked for the merchandise, he was given a single package and assumed that it contained the full purchase. Gump's had failed to mark both packages as "Of 2" so that anyone delivering the merchandise would know that there were two packages. This was a mistake by Gump's and led to its letter of August 6. The writer was apparently unaware that the remaining package was one of two making up the original purchase.

RThought: My assistant called the telephone number as the letter directed and was told that she could pick up the remaining package or she could have it delivered for \$5 (it would have cost much more than \$5, without allowing a value for time, to travel 25 miles into San Francisco). Gump's had two choices: charge \$5 for its own mistake or deliver it without charge. Gump's made the wrong decision.

My assistant has shown Gump's letter to many friends and has related Gump's poor choice. To make \$5, Gump's "bought" many tellings of its poor service; sending the package at no charge would probably have been advertised by the customer to just as many people, lauding Gump's for compensating her fairly for its mistake.

IT IS NEVER TOO LATE TO TAKE THE GED TEST

Retailers should know which of their employees have not graduated from high school. Retailers should then urge those employees to study, if necessary, in order to pass the test and earn a General Equivalency Diploma (GED). When an employee passes the test, the results can be sent to the employee's most recently attended high school and that school will issue a diploma. If the employee is in the shrinking group which never attended a high school, a diploma will be issued by the state superintendent of education.

Once an employee acquires a high school diploma, another half of the world is opened and the employee's self-image is greatly enhanced.

Here is a case which recently came to my attention.

Doris Eaton Travis has just received her Bachelor of Arts from the University of Oklahoma. She also received the Outstanding Undergraduate Award in the Department of History and was elected to Phi Beta Kappa. So far, a good, but not an exceptional, story.

However, what makes Travis' story unusual is that she earned her GED in 1981 — 11 years ago. There is something else you should know about her. She dropped out of school at the age of 14. Why? She became a dancer in the Ziegfeld Follies!

This story is exceptional because Travis is the oldest student — at 88! — to receive a Bachelor of Arts at the University of Oklahoma. I doubt there are any other schools which can boast of a student who became an alumna or alumnus at the age of 88!

RThought: We all know dozens, even hundreds, of workers in their 40s, 50s, or 60s who have never completed high school. To talk with, or work with them, one would never

know they had not graduated. Many are well spoken and well mannered; they treat customers wonderfully; and they seldom make a mathematical error. All of these traits reflect what they have learned on their own. Many could sit down today, pass the GED exam, receive their diplomas, and go on to college.

What holds them back? WE DO.

We are failing by not helping them to gain the confidence and encouragement that they need. Many communities have pretest programs to help people "round off" what they have learned in the course of everyday living.

We can give to a person no greater gift than the knowledge that he or she may make amends for steps taken when a youth; thus, we help them begin a new life.

It makes me feel good that Travis is a fellow member of Phi Beta Kappa. She got there the long way. I just plodded along from grammar school, to junior high school, to high school, and then to college. There is nothing exceptional about following that path. You may have followed the same one. However, if you or I had dropped out 63 years ago, would we have returned for our high school diplomas at 77? If the answer is no, then we might admire Travis that much more.

Please pass this article on to your People/Personnel/Human Resource Department.

SHORT SHORTS

Logic: Senate-Lawyer Style. The Senate passed the Comprehensive National Energy Act (HR776). One of the provisions barred any income tax deduction for club dues as of the effective date of the act, which would apply to business, social, athletic, luncheon, and sport clubs. **RThought:** A free one-year extension of any reader's subscription to RT goes for the best explanation of how this provision applies to the Comprehensive National Energy Act! Some executives, it may be true, exhibit their maximum energy at such clubs, but it is not in a marketable form.

WORDS — WE CAN BRING BACK AGAIN

It is a shame that so many writers, and their writings, are forgotten soon after their death. Once many people knew "A Creed" by Edgar Albert Guest (1881-1959). Let's think about it again:

*Let me be a little kinder,
Let me be a little blinder
To the faults of those around me,
Let me praise a little more.*

RThought: These words sum up what so many people take an hour to say in a class on leadership.

Retail Monthly/Year-To-Date Sales Comparison (Unadjusted \$ millions)

SIC Code	Category	June 1992		Percentage Change	Year to Date Six Months		Percentage Change
		1992	1991		1992	1991	
52	*Bldg Matl Group	\$ 9,983	\$ 9,021	+ 10.7%	\$ 50,712	\$ 46,306	+ 9.5%
57	*Furniture Group	7,654	7,242	+ 5.7	43,438	41,847	+ 3.8
571	Furniture Stores	4,261	3,868	+ 10.2	23,781	22,812	+ 4.2
572	Appl, TV, Radio Stores	2,666	2,615	+ 2.0	15,156	14,797	+ 2.4
5941	*Sporting Goods Stores	1,404	1,261	+ 11.3	7,564	6,484	+ 18.0
5942	*Book Stores	644	544	+ 18.4	3,910	3,369	+ 16.1
5944	*Jewelry Stores	1,109	1,050	+ 5.6	5,978	5,933	+ 0.8
531 Pt	Conventional Dept Stores	3,825	3,797	+ 0.7	22,101	21,784	+ 1.5
531 Pt	Natl Chain Dept Stores	2,876	2,865	+ 0.4	16,686	15,981	+ 4.4
	Subtotal	6,701	6,662	+ 0.6	38,787	37,765	+ 2.7
531 Pt	Discount Stores	7,724	7,091	+ 8.9	42,869	38,552	+ 11.2
531	*Department Stores	14,425	13,753	+ 4.9	81,656	76,317	+ 7.0
541	*Grocery Stores	30,159	30,443	- 0.9	177,555	175,565	+ 1.1
56	*Apparel Stores	7,899	7,489	+ 5.5	44,175	42,285	+ 4.5
561	Men's & Boys' Stores	728	694	+ 4.9	3,914	3,838	+ 2.0
562,3,8	Women's Stores	2,733	2,590	+ 5.5	15,648	14,890	+ 5.1
565	Family Clothing Stores	2,424	2,247	+ 7.9	13,063	12,072	+ 8.2
566	Shoe Stores	1,465	1,398	+ 4.8	8,284	8,235	+ 0.6
591	*Drug Stores	6,289	6,056	+ 3.8	38,192	36,490	+ 4.7
596	*Nonstore Retail	3,718	3,497	+ 6.3	22,102	22,866	- 3.3
5961 Pt	Mail Order (Dept Stores)	360	345	+ 4.3	2,047	2,016	+ 1.5
5961 Pt	Mail Order (Other)	1,916	1,774	+ 8.0	11,320	12,018	- 5.8
	*Retailing Today Total Store Retailing†	83,284	80,356	+ 3.6	475,282	457,462	+ 3.9
	**GAF TOTAL	38,656	36,614	+ 5.6	217,667	205,471	+ 5.9

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.



LUCKY STORES, INC.

6300 CLARK AVENUE, P.O. BOX BB, DUBLIN, CALIFORNIA 94568, (510) 833-6203

RICHARD E. GOODSPEED
PRESIDENT
CHIEF OPERATING OFFICER

December 1, 1992

Mr. Robert Kahn
Publisher and Editor
Retailing Today
Box 249
Lafayette, California 94549

Dear Mr. Kahn:

I am writing in response to the feature report in your October, 1992, edition headlined, "The Most Frightening Article I've Ever Read!" in which you discussed the "Stender" employment discrimination lawsuit currently being defended by the Northern California Division of Lucky Stores, Inc.

I was very disappointed by your completely unbalanced treatment of this important topic. Simply paying \$95 for a copy of a court opinion and then selectively quoting from it is a poor substitute for the honest research and thorough reporting demanded by this complex topic.

The "Stender" case has been proceeding for nearly six years. It is enormously complex and full of subtleties. An uninitiated reader of your account would come away with a very simplistic notion of what happened. That's too bad.

Because this case is still pending, it would be inappropriate for me to comment on the numerous specific inadequacies contained in your report. But I can say this: As is true with many industries today, supermarkets are trying hard to find solutions to work force diversity imbalances. Lucky is no exception. It was never our intention to discriminate against our female employees, and we do not believe we ever did.

Nevertheless, with the court case still continuing, on October 1, we voluntarily implemented the most progressive personnel practices in the supermarket industry, designed to help our female employees take advantage of job opportunities in our stores. Among the programs we now have in place is an entry-level management training program, a bidding procedure for promotions to management level positions, and goals for increasing the representation of women in store management positions. I know of no other supermarket chain with personnel policies that are this aggressive in assisting women to take advantage of all job opportunities in a store. Sadly, you offer none of this perspective for your readers.

Your report has hurt many former and current employees and managers at Lucky Stores who have worked hard to ensure that Lucky is not only a great place to shop, but also a great place to work. Even more tragically, you have done nothing to advance the knowledge of your readers in an area of the law that is critical to their business success.

Sincerely,

R. E. Goodspeed

TRY 12/19
called 12/19
2 attempts to reach

Put w/ Oct 92 RT

BONUS ITEM

Does Voice Mail Help Or Hurt Your Bottom Line?

By Don Bagin, publisher, & Elias Hull, staff writer

Question: Has voice mail helped or hurt businesses that use it?

Answer: Most businesses misuse the system and frustrate their callers.

Who says so? None other than Gordon Matthews, the inventor of voice mail.

In an interview with the Dallas Morning News, Matthews said, "There's not anybody who really cares about using voice messaging the way I envisioned it...."

"The biggest mistake," he said, "is using voice mail as a company's receptionist, forcing callers to work their way through a maze of menus instead of having a human direct the initial calls."

Many experts agree with him. Robert Kahn, publisher of *Retailing Today*, recently wrote:

"How much do you pay each month to antagonize most of the people who call you? Many of these callers are your customers; and if a customer has a problem, the problem may become even greater as a computer puts him or her through the steps of voice mail."

Consider These Two Functions

One of the problems has to do with how we perceive voice mail. Most consider the following as its main functions:

- **Taking** messages. Some feel that true "voice mail" handles this job only.
- **Connecting** callers to the right person—even though callers may have dialed the main office number. "Automated attendants" do this work.

What's the Best Term?

There's a debate over the names for the technology. While many people like to use the term "voice mail" for both functions, some experts say "voice processing" is a better umbrella term.

But "call processing" may be best, because in some cases, callers don't have to use their voices at all.

Touching the number pad can get you a missing newspaper, your bank balance or another company's call processor.

Why Some Dislike It

Here are some of the reasons people say they don't like call processing:

■ **It's electronic** hide-and-seek, and customers don't want to play. The systems put customers in the back seat—a risky message for a company to send.

■ **The systems** are stacked with barriers: long hold-times, complicated menus, no easy way to back-track to earlier prompts.

■ **It can** cost callers more. When a voice-mail box is full, the system tells callers to try later. In contrast, reaching an old-fashioned busy signal costs nothing.

■ **It can waste** time as well as money. A recent survey shows that calls to 800 numbers with call processing take an average of one minute and 13 seconds to reach the right person. A good operator can help a caller hit the target in 47 seconds or less.

■ **Many people** are still uneasy about "talking to a machine."

Why Others Like It

People who like call processing cite reasons, such as:

■ **It costs** less than using people to do the same tasks. And the systems need to learn your business only once; so training costs practically vanish.

■ **Call processing** is the first step to "power communication." Callers will retrieve faxes left in their mailboxes, either on paper or from a digitized voice. Paper or voice copies of faxes—with added notes—can then be routed to several other people.

■ **The systems** help stop phone tag. Callers can leave a message worded exactly to their liking—and in their own voice. Also, voice messages don't become lost in the paper chase the way "While You Were Out"

sheets can.

■ **Time-zone** barriers become history. The systems take calls any time of the day or night. And employees with voice-mail boxes can retrieve messages easily—even when they're out of the office.

Let's Be Smart About Using CP

Whether we like it or not, call processing is here to stay. So let's be smart about using it—from both ends of the phone line. *Some suggestions:*

- **Keep the greeting** short—but pleasant.
- **List menu** options in order of popular usage.
- **Give callers** an easy way out. If people want to talk with a human, offer a way to reach one—early in the menu. But there are many people who are comfortable with call processing. They should have their options too.
- **Make it** easy for callers to repeat a menu or directory. List this option at the end of the menu.
- **Try calling** and using your system the way a customer would have to. If you leave a message, how long does the person take to call back? How long did it take to get the information you needed? Then call a competitor. Which company might a potential customer or client want to do business with?
- **Consider how** your image will be affected before you install a call processor. Your callers have probably encountered call processing before. Use focus groups or other approaches to find out how they feel about it.
- **Make sure** your staff knows how the system works—and how some callers feel about it.
- **Change greetings** occasionally on voice-mail boxes. Try to give the caller specific information on when you will be able to call back—or when the caller might try later. Speak clearly, and if you offer another phone number, say it slowly so the caller can write it down comfortably.
- **Consider** identifying your office number as voice mail on your stationery, business cards, invoices, etc. At least people who see these will know what to expect.
- **Program your** system to answer promptly. (Fax machines should also respond in just one or two rings.)
- **Avoid letting** a computer handle a complaint. Research by the editors of *The Service Edge* shows that complaint lines and 800 service numbers should not be tied to call processors.
- **Keep in mind** that the same etiquette from the pre-answering-machine days still applies. Check for messages frequently. Try to return calls within 24 hours.
- **Take advantage** of the system's ability to let you check in after hours—times when your callers can now get through.
- **When leaving** a message, identify yourself and your organization. Be ready to leave details about your request and when you can be reached. Consider leaving your own voice-mail or fax number. Speak

slowly; listeners can't write as fast as you can talk.

■ **Use plain** English. *Example:* "Hit the button with the number sign," not "the pound key."

■ **Consider** using call processing for existing customers only. Anyone calling your company for the first time with an inquiry should be able to reach a live voice.

■ **Sales people** who use call processing to promote their products or services should highlight benefits. Also, they might try leaving a message about another benefit a few days later. They'll increase their chances of getting a prospect's attention.

Other Functions of CP

Matthews says the system has many uses other than taking messages and connecting callers. He cites these things a user can do:

- **Record an** answer to a message and automatically return it.
- **Send the** original message and an answer to other people.
- **Send messages** to groups of up to 200 people.
- **Set up** messages to be sent later.
- **Check to see** who listened to the mail that was sent.

If you use or plan to purchase a call processing system, don't make the mistake that many companies make: They forget that the system was meant for callers.

Don't force callers into what an article in *The Wall Street Journal* called "voice-mail jail." If this happens, companies may sacrifice the system's positive image and lose customers—a situation that will hit home with the number-crunching culprits.

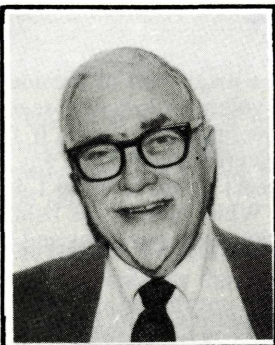


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ROUTE TO

NOVEMBER 1992

VOL. 27, NO. 11

HOW TO MAKE A CUSTOMER FOR LIFE

Building #19 Sales Co., an unusual close-out operation with nine other Building #19s, builds customers by giving service, as well as providing a lot of niceties that many department stores have long forgotten.

Recently, Jerry Ellis, the principal owner and CEO of Building #19, sent me copies of four letters — any one of which would have brightened the day of many a merchant — all received in one day! Here is my choice:

Dear Mr. Ellis:

Saturday morning, the 8th of August, after breakfast at McDonald's, we loaded our van full with our little boys and headed down the Lynnway to return home. As we made the U-turn, my husband suggested a quick stop at "The Building." We are looking for an oversized Oriental rug and frequently stop in to have a look. We have yet to find the rug but always come home with an assortment of "stuff" we create uses for. Our children, ages 6, 4, 3, and 1 love "The Store" because they feel free to be "A KID." It is one of the few department stores I will consider taking them to.

On this particular Saturday we had entered the store and were busy getting a shopping cart and setting the baby into it. The other three scavengers headed directly to the gum ball machines of which there are at least a dozen to entice them. Our boys know better than to ask us for money for such junk; they instead lifted the cover of each dispenser to see if by chance a stray gum ball was left behind. Thomas, our 6 year old, has been at this game longer than his brothers, thus his methods are somewhat more sophisticated. He actually maneuvered his hand and arm up to his elbow into one of the machines to fish out a prize. BUT his hand got caught... *REALLY STUCK!* This long story, of course, took all of two minutes or less to occur, and we were still very close by... close enough for me to recognize the anguished cries of my child. Upon hearing him we went to him immediately. In trying to calm him (an impossibility by now) I assessed the situation and he was really in TROUBLE. Thomas was stricken, screaming at the top of his lungs, sweating, hyperventillating! The store silenced, cashiers stopped, everyone stared at us. It was very scary. I faced the horror stricken cashiers and yelled out "Can we please have some help here, a manager, anyone!"

I don't know from where they came, but suddenly a man and a woman came running to our assistance. *They took over.* At this point there were loads of spectators, and people had stopped shopping to come and see the commotion. Thomas continued to scream and could not move his hand.

People had converged on us with all kinds of helpful ideas like "Turn the dial," "Try some Vaseline." Someone handed us a bottle of Coppertone suntan oil, and yet another, big hulk of a man elbowed his way through the crowd with a coat hanger in hand. Through this entire calamity we were assured that the Fire Department was on its way and Thomas was assured all would be fine. He was not convinced however, and it took lots of reassurance to calm him down. About 15 minutes into this ordeal, Bill and Pat had him calm enough to turn and twist his hand. Finally his hand emerged — unharmed.

The Fire Department was cancelled, the crowd dispersed, and we continued our shopping with a very embarrassed youngster.

Thomas was soon paged to come to the front of the store where he was presented with a bag full of candy, bubble gum, and a great bowling set. It almost made the whole incident worth it.

In any case I relate the story first, because it is amusing and you may not have been aware of it, but second, because I wish to have the manager, Pat Dufresne, and assistant manager, Bill Lieman, com-

A BIT OF PRAISE FOR MR. WEXNER

In the second quarter The Limited, Inc., had an 8% increase in sales but a flat profit. Because profits were less than Wall Street expected, the price of the stock dropped.

The Limited's second-quarter report to shareholders began with these two paragraphs:

During the second quarter, net sales grew to \$1.489 billion, an increase of 8.3% from \$1.375 billion one year ago. Net income of \$80.1 million increased only slightly from \$79.2 million last year, while earnings per share were flat as to last year at \$.22 per share.

Slower than normal mall traffic, consumer uncertainty, and the difficult economic environment provide no excuse for our disappointing second quarter. The results were a consequence of below standard merchandising decisions. As seen in three of our businesses, when we offer right fashion and value, sales and profit increases are produced. [Emphasis added.]

RThought: With a far worse performance at Sears, Roebuck and Co., has Ed Brennan ever made as frank a statement as Leslie Wexner's? Many quarterly reports for Dayton Hudson have begun with an explanation of underperformance by stating that it has so many of its stores (both Mervyn's and Target) in Southern California. But, who put them there? (For a long time Southern California was growing so fast that even inept merchants showed relatively good performance.)

mended for their fine management of a potentially disastrous situation. Funny as the story is to tell now, it was not one bit funny at the time.

The management staff at Building #19 7/8 in Lynn [Massachusetts] did a wonderful job and we thank them wholeheartedly. [Building #19 7/8 indicates the store in Lynn is the seventh branch opened after Building #19 6/7.]

RThought: Would this be the response to a "catastrophe" in your store? Would a warmhearted someone have thought of this frightened 6-year-old child and called him to the front for gifts which made him and his family feel better? Do you believe that this mother is keeping the story a secret from all of her friends? For how many years do you believe Thomas will remember this event — 40, 50, 60 years, or everytime he passes a Building #19 branch?

And what about the customers who witnessed the problem and then had seen the gift-giving at the front of the store? Did they learn that there are great people at Building #19 7/8?

It is amazing what good things happen without policy or instructions when we assemble a caring staff to serve our customers.

Final RThought: Is a gum ball machine an attractive nuisance? [Note: One of my assistants, an experienced mother, added her comment at this point: "You bet!"]

WHAT WAS MACY CONCENTRATING ON BEFORE?

When R. H. Macy & Company announced the outline of its new five-year business plan, it listed the following "key initiatives":

1. Strengthening replenishment of basic items so that customers will find what they want.
2. Reducing costs based on an analysis of all expense categories, while maintaining customer service.
3. Evaluating merchandise category profitability so as to focus on growth opportunities.
4. Improving effectiveness of advertising and promotions by communicating more directly and consistently with core customers.
5. Refining a pricing approach to balance everyday competitiveness with appropriate sales promotions.
6. Improving companywide communication.

RThought: It seems to me that points 1 through 5 are "initiatives" upon which all retailers should be concentrating. In fact, they apply to all kinds of businesses. If these points are new to Macy's, perhaps we have an explanation for the troubles which have led it into bankruptcy.

Point 5 should be an alternative to Macy's "Hi-Lo" pricing policy, a policy to which it was dedicated.

One wonders how a retailer reaches \$7 billion in annual sales without having been dedicated to the first five of the "key initiatives." What were Macy's previous goals?

THE STORY OF A TEST STORE

I have read many articles about how to advertise; but until I read the July 15, 1992, issue of *The Furniture Forum* (Cosec International, 8177 East 44th Street, Tulsa, OK 74145; \$180/24 issues/yr.), I had never read about a method that was actually tested.

Bob Keiningham is a consultant to furniture retailers, publishes *The Furniture Forum* newsletter, and operates furniture stores.

Here is a report of tests Keiningham conducted, which I bring to you in his own words.

Our test store stocks \$399 sofas, but the vast majority of our upholstered selection is in the \$599 to \$2,500 range. I ran low-price leader sofas for two weeks and did X amount of business; then I started adding the "big stuff" to those ads, with everything else remaining eggs-to-eggs [a Midwestern expression?]; sales doubled overnight. You guessed it; we started selling higher priced living, bedroom, and dining room pieces the minute we started telling the customer that we had them.

Just to be sure it wasn't a fluke, I switched back to only our lowest prices for a week, and sales dropped dramatically in better goods. Then back to the big stuff, and our sales went back to bigger tickets. I think we are on to something. I'll keep you posted; but in the meantime, try it for yourself... stick some big-ticket stuff into those ads and measure results.

RThought: The next time someone says, "This is how we ought to advertise," devise a test, alternate between the recommended ad and your regular ad, and find out whether or not the "great idea" is truly a "great idea."

A THOUSAND POINTS OF LIGHT

"A Thousand Points of Light" was a major part of President Bush's 1988 platform. In retrospect volunteer initiative seems to have become a substitute for governmental action. If the Bush Administration were able to identify one point a day, a four-year term (including one leap year) would result in 1,461 "Points of Light." As of July, the White House was behind schedule, but the staff estimates it can reach one thousand by Inauguration Day, January 20, 1993.

Much has been said about "A Thousand Points of Light" but little has been mentioned in the general press about individual "Points of Light."

The July 27, 1992, *Journal of Philanthropy* (1255 23rd Street, N.W., Washington, D.C. 20037; \$60/yr.) listed points 822 through 835. To give you a sample of a "Point of Light," here are the even numbered ones in the report.

822. Darien Emergency Medical Services, Darien, Connecticut, high-school students who, with adult supervisors, provide the only emergency medical treatment in the town by serving as voluntary emergency medical technicians, dispatchers, and ambulance drivers.

824. Sudan Dee Sims, Evansville, Indiana, who helps victims of domestic violence and sexual abuse by working on a hot line and accompanying victims to the hospital and to police interviews, and who also established a support group for people with multiple sclerosis.

826. ACCESS (Arab Communication Center for Economic and Social Services), Dearborn, Michigan, whose volunteers assist immigrants from the Middle East through literacy and employment training, emergency food relief, and translation of legal documents.

828. Community Based Training Program, Dubuque, Iowa, mentally disabled students from the Dubuque Community School District who volunteer at a local nursing facility, gaining employment experience and participation in recreational activities with the residents.

830. Phyllis Chunn-Duncan, Statesville, North Carolina, founder of Communi-Care, whose volunteers tutor, teach employment skills to, and organize recreational activities for at-risk students at eight housing projects.

832. Derrick Thomas, Independence, Missouri, a linebacker for the Kansas City Chiefs, who founded the Third and Long Foundation, whose volunteers read to at-risk children and discuss difficulties they experience at school.

834. Thomas Floyd, Spartanburg, South Carolina, a police officer who gives presentations on traffic safety to students and senior citizens, and who established a local chapter of Mothers Against Drunk Driving.

RThought: I usually read the semimonthly report of individual "Points of Light." Those you have just read are typical. Selection depends upon having someone make a recommendation to the White House. Perhaps knowing someone in the White House/Bush Administration/Congress enhances the chance of being selected. However, I am certain that many states and communities could select as many examples each year from within their own boundaries — *and they should*. Any retailer doing \$1 billion or more should be able to identify at least five "Points of Light" each week from within his or her trading area. Recognizing each "Point of Light" in the retailer's advertising would mean broader recognition than is gained from selection by the White House.

RThought: The benefit of the White House recognition to 250 million residents of the United States suggested by Candidate Bush in 1988 never materialized. Five selections a week on a national basis had about as much impact on the problems in our society as a rudder made of feathers would have on changing the course of a 100,000-barrel tanker! Furthermore, most of the people did what they were recognized for without any expectation of recognition.

RETAILING: THE NEGLECTED PROFESSION

Retailing is the most primitive form of combat within our world of free enterprise. There isn't a single product (or equivalent) sold by one retailer that another retailer cannot get and sell.

The retailer is much like the master chef — anyone can buy ingredients but only the master chef combines them in a way that sets his or her dishes apart from those of all other chefs. The world beats a path to the master chef and to the master retailer.

One who yearns to be a retailer has to deal with many variables:

1. What kind(s) of product to carry.
2. Where to locate a store.
3. What the store should look like.
4. What price level to carry.
5. What level of service to provide.
6. How to, or whether to, train the people who will work in the store.
7. How to compensate the employees (commission, incentives, profit sharing, stock options, etc.)
8. How to keep good employees (health and welfare plans, pensions, employee discounts, vacation, sick leave, etc.)
9. What conveniences to provide customers (parking, restrooms, store hours, delivery, alterations, etc.)

If you consider that there are a thousand or more combinations of products, a thousand or more possible locations, and ten levels of the other seven variables, there are 10 trillion possible retailing formats [$1,000 \times 1,000 \times 10 \times 10 \times 10 \times 10 \times 10 \times 10$]. Only a few will be successful.

In recent months I have been engaged in a three-way correspondence with two academic friends (Roger Dickinson, professor and former dean at the University of Texas at Arlington School of Business, and Stanley Hollander, professor emeritus at Michigan State University) about the failure of schools to prepare students for a retailing career. Both have taught retailing as it once was taught. There once were professors of retailing who attained national prominence. Among them were Malcolm McNair at Harvard Business School and J. W. Wingate at New York University.

For the April 1964 issue of *New York Retailer*, Wingate wrote an article entitled "The End of an Era in Collegiate Education for Retailing," in which he outlined some of the reasons for the elimination of the separate School of Retailing at NYU.

Many things came together at one time in the 1960s to negatively influence the image of retailing. First, retailers continued to hire more women than men and to promote more women than men through the lower to middle levels of retailing (clerk to head of stock, to assistant department manager, to department manager, to assistant store manager, or to buyer). Second, retailing acquired a bad reputation among college students because most stores were open five nights and seven days a week. Third, most major graduate business schools did not admit, or admitted only a few, women.

At the same time, a change was taking place in the makeup of the business schools' faculties. More and more faculty members reached tenure without having served any time in business. This is how it happened: although business schools were admitting fewer students directly from college, more of

the instructors (the lowest level of the faculty) came directly from graduate school.

It is hard to teach retailing without having worked in retailing.

Business Week (November 25, 1991) ran a list of the chief executives of the 1,000 most valuable publicly held U.S. companies. The article listed the CEO by name, date and place of birth, college education, career path, tenure with the company, and the CEO's most recently disclosed pay.

Sixty-eight retailers made the list. Retailing is a bit short on MBAs from major schools (Harvard, Stanford, Wharton, and Chicago) with only four from Harvard and one from Chicago. Based on 13 percent of the full list of 1,000 holding MBAs, retailing should have claimed nine MBAs instead of five.

However, the career path compiled by *Business Week* certainly doesn't ring true with someone who knows retailing. The following were the *only* CEOs who were listed as having a "retailing" background:

William T. Dillard of Dillard's
Tom Smith of Food Lion
Peter Magowan of Safeway
Jeff Smith of Smith's Food & Drug Centers

Can you imagine that only two CEOs were listed as entrepreneurs?

Milton Petrie of Petrie Stores
Charles Lazarus of Toys "R" Us

There is more that Petrie and Lazarus have in common:

Petrie Stores is the largest stockholder in Toys "R" Us — and the two men play bridge regularly!

Here are the names and career paths of some CEOs who would be considered by most retailers to be entrepreneurs:

Joe Hyde of AutoZone, described as "distribution," because, as head of Malone & Hyde (a food wholesaler), he saw the future in a chain of auto part stores, bought some stores, restructured them, got venture capital backing, and took them public after selling Malone & Hyde.

James Sinegal of Costco Wholesale, described as "marketing," not as having copied Sol Price.

Walter Forbes of CUC International, who created a new concept, was described as "marketing/investment."

Don Fisher of The Gap, who did something no one ever did before — opened a store selling only Levi products — *but his career path was described as "real estate."*

Bernard Marcus of Home Depot, who applied Wal-Mart principles to home centers, was described as "marketing/finance."

Roy Speer of Home Shopping Network, who created a new form of retailing, was described as "operations."

Leslie Wexner of The Limited, who reduced specialty apparel stores to just sportswear, was described as "marketing/finance."

David Fuente of Office Depot, who, with the help of venture capitalists, coined a new industry, but was described as "marketing."

Ray Zimmerman of Service Merchandise, who took a family variety store chain to what may be the sole survivor of the catalog showroom industry, was described as "marketing."

Thirty-nine of the 68 CEOs are supposed to have come up through "marketing"!

FEATURE REPORT *continued*:

And so it is consistent for both undergraduate and graduate business schools to offer "retailing" as an elective course in the marketing department. Ultimately, even that course will be eliminated because those who teach the course (a) don't know much about retailing and (b) tell their students that they are foolish to look for a job in an industry that is open five nights and seven days a week and, in more and more cases, open 24 hours. The thrust is that retailing isn't a respectable place for a nice business school graduate.

A word from the other side.

The head of personnel who supervises the hiring each year of many college graduates for a large retailer has a different view. The college students hired by that person are put on a fast track of company-organized training so that at a relatively young age they may run a store, with 200 to 300 employees, doing \$30 million to \$50 million a year. The skill of the store manager shows up when one manager replaces another; the volume might rise to \$70 million or drop to \$25 million. It is not, as one academic wrote, a situation where everything is run from a central place and the store manager has no authority. Prospective store managers would benefit greatly from more education directly related to retailing.

The store manager has to understand complex systems tied electronically, while using the massive data base available through his or her computer terminal.

What is it that makes the following companies so different from all of the retailers with which they compete, so different that they usually are both larger and more profitable?

Albertson's	Food Lion	Office Depot
AutoZone	The Gap	Rite Aid
Circuit City	Home Depot	Service Merchandise
Dillard's	The Limited	Toys "R" Us
Family Dollar Stores	Nordstrom	Wal☆Mart

It is the quality of, and the support systems provided to, the store managers.

What is happening in the retail world?

I regularly read the monthly publication of *Shop Talk*, written by my friend Bob Buchanan, who covers retail stocks for Alex. Brown & Sons. In his January 1992 issue, Bob dealt with the nature of retailing. He began his comments: "These days when starting one's analysis of a retailer, there's perhaps no better thing to focus on than the expense ratio. More often than not, it's been our experience that the fellow with the lowest expense ratio is likely to win."

Bob continued: "Different retailers take different paths to lean expense structures. In the case of Wal☆Mart — not a bad case when you come to think of it! — its leanest of expense structures among large American discounters results from a host of tangible considerations, ranging from state-of-the-art merchandise controls systems (which enables the company to control inventories and stay in stock at the same time) and sky-high productivity (at around \$280 in sales per gross square foot — nearly twice that of some of its competitors)."

RThought: Are there any schools, graduate or undergraduate, which teach a potential retailer how this is accomplished? There could be, and should be.

Buchanan: "Perhaps most important, Wal☆Mart's management culture remains to a man and a woman one that delights in attacking costs and, relatedly, things like executive privilege."

RThought: Could business schools imbue potential retailers with this spirit? Harvard Business School says it can teach anything using the case method. Why not this?

Buchanan: "Over time, you see, we expect Wal☆Mart to drive down its expense ratio even further... as expense ratios come down further, prices will follow — resulting in further market share gains."

RThought: Can't this be taught? Of course, it can.

Buchanan: "Can't a large retailer with, say, a 23% expense ratio cut his ratio even faster and come closer to, although perhaps not even with, Wal☆Mart? ... to the extent that a higher-cost competitor could somehow develop a new, budget-minded corporate culture and actively cut costs — and to the extent that sales productivity could somehow improve appreciably in a hurry — the next-to-impossible could happen. But, in reality, a corporate culture is not likely to change overnight, or even... over many months."

RThought: Since retailers get no assistance from schools in this area, I think it is only fair to blame the increasing number of bankruptcies among retailers on the schools that have failed to educate future retailers in the ways by which this can be done. One might say that the retailing departments of most business schools are, themselves, bankrupt.

Buchanan: "In closing this section of *Shop Talk*, we note that the emergence of a few retail juggernauts like Wal☆Mart have made life ever so much tougher for the marginal competitors."

RThought: I think Bob also has in mind what is happening among toy retailers because of Toys "R" Us; and, in the home center industry, because of Home Depot; and, in the office supply store field, because of Office Depot and Staples; and in the furniture industry, because of Levitz and Ikea; and, in the drug store field, because of Drug Emporium and F & M.

CONCLUSION

Retailing will continue to suffer because the academic world has defaulted. The academic world will not admit its incompetence. Instead, it will argue that retailers will not buy the product of academia when, in truth, much of academia, for many years, has not been and is not now qualified to turn out graduates who can assist retailers in developing efficiently.

Retailing is not helped by academics who do research on subjects not directly applicable to running retail businesses.

Those academics might as well get back to arguing about how many angels can fit on the head of a pin.

Successful retailers will be efficiency oriented (low cost, high sales per square foot) as a result of the example set by great entrepreneurs such as William T. Dillard, Charles Lazarus, Bernard Marcus, and Sam Walton. By hit or miss, they will acquire key executives committed to the entrepreneur's goal. That core group will indoctrinate others. Unsuccessful retailers will hire away trained executives, hoping for a magical transfer, but will not be able to provide the right environment in which the efficiency-directed executive can flourish. ("Hey! You can't sell our Citation Jet," the boss will scream.) The efficiency-directed executive will leave and the retailer will fail.

Eventually, the inefficient retailers will disappear. Thousands of employees will lose their jobs. The efficient will grow faster and make more money. And most observers won't understand why.

CEO, THE MISUNDERSTOOD INITIALS

"CEO," the goal of many people climbing the corporate ladder, is believed to stand for "Chief Executive Officer."

A CEO, many believe, has great power. He or she can hire, fire, or promote anyone. He or she can make the final decision on anything in the business. He or she can cut the selling payroll, expecting that the cuts will improve profits; cut advertising expenditures, expecting the cuts to improve profits; or block capital expenditures for systems needed to provide information for ordering, moving goods from distribution orders, and electronically making payments — all with the expectation that these decisions will improve profits.

RThought: In retailing the true meaning of CEO is "Cheer Everyone On." No single person is wise enough to make all of the decisions in a business where there are 100, 500, 1,000 or 4,000 stores, each one different from the other. No single person has the collective knowledge of 1,000, 10,000, or 100,000 employees.

Each of us is provided with two eyes so that we can read and two ears so that we can listen. With just one mouth, we should not be talking more than 20% of the time. The other 80% should be spent using our other senses.

To "Cheer Everyone On," the CEO must start near the bottom of the business, listening to the salespeople who meet the customers. It is our salespeople who know far better what should be done to improve the business than do managers three, four, or five echelons higher.

The best "operating committee" in any multiple store retail company is the ad hoc committee drafted by the CEO as he or she visits hundreds of stores each year. Such a committee consists of people drawn at random from the salespeople, the checkers, the receivers, and the assistant department heads, all sitting around a table in the lunchroom or nearby coffee shop.

The agenda consists of just one item and is posed by the CEO:

How can we do a better job for our customers?

At that point, he or she should settle back, listen, and take notes or record the ideas. During the 80% of the time devoted to listening, he or she will learn about hundreds of little actions that need to be and can be accomplished in order to do a better job so that shoppers will become customers. If you do a better job for the customers, they will visit you more often.

I usually carry an Olympus Stylus 35mm camera in my shirt pocket. It is my photo-note-taker. With 1600-speed film and the automatic flash turned off, I can get usable pictures inside any store without being detected. Recently, I visited the local branch of a multibillion dollar retailer. A father with a small child was sitting on the walk out in front, leaning against the front wall. I couldn't help but take their picture. I then toured inside the store and noted, except for the shoe department, that there was not a single place for someone to sit down. I sent that picture and a note to the CEO.

If that CEO had had the suggested ad hoc operating committee, one of the first ideas to have been brought up would have been the need for benches or seats inside the store.

I reminded the CEO that in approximately 515 BC Confucius said, "Woman can shop longer than man can stand on feet!"

RThought: We are amazed to read all of the stories about Sam Walton visiting so many of his stores. Sam got his training in a

J. C. Penney Company store under Duncan Majors, who was "proud of having trained more Penney managers than anybody else in the company." (*Sam Walton: Made in America*; page 18.) However, we should not overlook another statement of Sam's on the same page: "Then, of course, the icing on the cake was when James Cash Penney himself visited the store one day. He didn't get around to his stores as often as I would later on, but he did get around [perhaps because airplanes were not in use as much in Mr. Penney's days]. *I still remember* [50 years later] him showing me how to tie and package merchandise with very little twine and very little paper but still make it look nice."

RThought: Most outsiders can tell a CEO/Chief Executive Officer from a CEO/Cheer Everyone On. Usually the latter is the head of a very profitable company. Being a CEO/Cheer-Everyone-On person does not guarantee success, but the CEO/Chief-Executive-Officer person usually restricts the success of his or her company.

OBSCENE NUMBERS AND CRAZY ADVICE

In 1980 one of every 362 adults was in prison or in jail.

In 1991 one of every 156 adults was in prison or in jail.

It is estimated that in 2000 one in every 99 adults will be in prison or in jail.

United States Attorney General William Barr has renewed the call of the Bush Administration for stiffer penalties and more prisons.

Thousands of Americans cry for stiffer penalties and more prisons.

More and more young people place little value on their own lives and do not hesitate to take the life of another person.

Illiterates graduate from high school.

A high percentage of high school graduates are not prepared to enter the job market.

RThought: We retailers have a problem which we are not solving. Would you advise a fellow retailer suffering large losses to "just raise your prices and that will cure everything"? Such advice would be as likely to solve the retailer's problem as the current advice of our United States Attorney General to build more prisons is likely to solve the problem of an increasingly lawless society.

RThought: There is no single, quick cure for our problem. Too many of our young people have no hope. Hundreds of thousands of people and businesses, including retailers, in thousands upon thousands of communities are going to have to do something. The problem will be solved one person at a time. Let us each begin with ourselves. Work with a school. Offer to train an untrained person. Let him or her know that you care. Start a young person thinking about working, earning regular pay, and being able to buy, instead of stealing, his or her needs.

If every business committed to undertake this project for a number of young people equal to just 1% of its work force, we would begin to solve the problem.

We have nearly 120 million people in our work force. Assume that about half are employed in companies too small to undertake this effort. Still, 1% of the remaining 60 million people is 600,000. Assume the process takes a year and that 25% of the

cases result in failure. Still, we will have a success rate with 450,000 people; then another 450,000 the second year; and still another 450,000 the third year. In five years we could divert 2,250,000 from an unproductive and, perhaps, a criminal life to a productive life. In 10 years we can divert 4,500,000!

In 10 years we may be closing prisons instead of building them! We may even develop a government which will help us invest in our young people instead of destroying them through incarceration.

RThought: Many readers of *RT* are CEOs of companies which employ more than 10,000 people. Who of us will try it with 100 young people? or 10? or just one?

Many readers of *RT* are CEOs of companies which employ 20,000 or more people. Is there one who will try it with 500 young people?

Your costs will not be great. Consider the cost to be part of your charitable budget. You will know exactly what good your money accomplishes. Perhaps some of these people will be among your better employees, your best investments.

Please write to let me know how your effort is going. And tell me about retailers who are emulating you.

WORDS — MY MOTHER LIKED

Fran died about four years ago. Just recently I have been going through her papers, throwing out things like bills for her last seven years in a convalescent hospital. However, there were other things I did not throw out. One was the following which she had marked "a bit of ancient wisdom that is worth a moment's reflection":

*If there is righteousness in the heart,
there will be beauty in the character.
If there is beauty in the character,
there will be harmony in the home.
If there is harmony in the home,
there will be order in the nation.
When there is order in the nation,
there will be peace in the world.*

RThought: I know why Fran saved this. It has been a long while since there has been "order in the nation."

[**Note:** My sister, brother, and I all called our mother Fran (short for Francesca) before we were in our teens. It is the name that comes to mind when I think or write about her.]

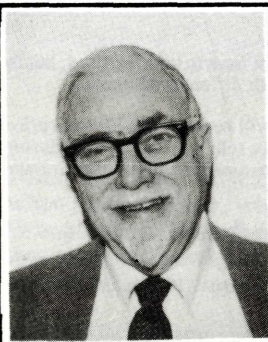
Retail Monthly/Year-To-Date Sales Comparison (Unadjusted \$ millions)

SIC Code	Category	July 1992		Percentage Change	Year to Date Seven Months		Percentage Change
		1992	1991		1992	1991	
52	*Bldg Matl Group	\$ 9,635	\$ 9,126	+ 5.6%	\$ 60,343	\$ 55,432	+ 8.9%
57	*Furniture Group	7,844	7,454	+ 5.2	51,225	49,301	+ 3.9
571	Furniture Stores	4,284	3,975	+ 7.8	28,022	26,787	+ 4.6
572	Appl, TV, Radio Stores	2,817	2,739	+ 2.8	17,959	17,536	+ 2.4
5941	*Sporting Goods Stores	1,365	1,235	+10.5	8,923	7,719	+15.6
5942	*Book Stores	643	557	+15.4	4,554	3,926	+16.0
5944	*Jewelry Stores	1,050	977	+ 7.5	7,015	6,910	+ 1.5
531 Pt	Conventional Dept Stores	3,735	3,655	+ 2.2	25,836	25,439	+ 1.6
531 Pt	Natl Chain Dept Stores	2,810	2,773	+ 1.3	19,486	18,754	+ 3.9
	Subtotal	6,545	6,428	+ 1.8	45,322	44,193	+ 2.6
531 Pt	Discount Stores	7,630	6,704	+13.8	50,499	45,256	+11.6
531	*Department Stores	14,175	13,132	+ 7.9	95,821	89,449	+ 7.1
541	*Grocery Stores	31,912	30,820	+ 3.5	209,624	206,385	+ 1.6
56	*Apparel Stores	7,885	7,332	+ 7.5	52,101	49,617	+ 5.0
561	Men's & Boys' Stores	598	577	+ 3.6	4,498	4,415	+ 1.9
562,3,8	Women's Stores	2,709	2,611	+ 3.8	18,354	17,501	+ 4.9
565	Family Clothing Stores	2,573	2,278	+12.9	15,727	14,350	+ 9.6
566	Shoe Stores	1,386	1,342	+ 3.3	9,648	9,577	+ 0.7
591	*Drug Stores	6,361	6,133	+ 3.7	44,555	42,623	+ 4.5
596	*Nonstore Retail	3,819	3,786	+ 0.9	25,860	26,652	- 3.0
5961 Pt	Mail Order (Dept Stores)	327	335	- 2.4	2,370	2,351	+ 0.8
5961 Pt	Mail Order (Other)	2,009	2,013	- 0.2	13,288	14,031	- 5.3
	*Retailing Today Total Store Retailing†	38,605	35,773	+ 7.9	256,256	241,244	+ 6.2
	**GAF TOTAL						

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.



RETAILING TODAY

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ROUTE TO

DECEMBER 1992

DISABILITY 2000 - CEO COUNCIL

The Disability 2000 - CEO Council, formed by the National Organization on Disability (NOD), now includes over 300 chief executive officers and corporate members. The CEOs are proudly committed to the goal of expanded employment by the year 2000 of people with disabilities. NOD has extended its sincerest appreciation to council members whose support has made another successful year possible.

The November 30, 1992, *Business Week* listed the council members, which included the following retailers:

Company

ABCO Markets, Inc.
 Amway Corporation
 Avon Products, Inc.
 Dayton Hudson Corporation
 Jack Eckerd Corporation
 Hook-SupeRx, Inc.
 The May Department Stores Co.

McLane Company, Inc.
 Oshman's Sporting Goods, Inc.
 J. C. Penney Company, Inc.
 QVC Network, Inc.
 Safeway, Inc.
 Wal-Mart Stores, Inc.
 Woolworth Corporation

Chief Executive Officer

Edward G. Hill, Jr.
 Richard M. DeVos
 James E. Preston
 Kenneth A. Macke
 Stewart Turley
 Philip E. Beekman
 David C. Farrell

Drayton McLane, Jr.
 Alvin N. Lubetkin
 William R. Howell
 Joseph M. Segel
 Peter Magowan
 David D. Glass
 Harold E. Sells

RThought: First, I am pleased that six of the 14 CEOs listed are readers of *RT*.

Second, and most important, many more CEOs reading *RT* should be part of this effort. At some time we must show that good deeds can be accomplished *without* being mandated by detailed law.

To join, write to:

Lisa A. Kelley, Executive Director
 Disability 2000 - CEO Council
 c/o National Organization on Disability
 916 16th Street, N.W., Suite 600
 Washington, D.C. 20006

A STUDY IN NUMBERS

Please study the following figures and without looking at the **RThought** on the following page, try to determine what they represent. The figures are from a 10-year comparison of key figures for department store operations.

Year	Median	Year	Median
1981	2.65	1986	2.38
1982	2.41	1987	2.45
1983	2.53	1988	2.50
1984	2.50	1989	2.09
1985	2.35	1990	2.00

DO YOU EVER WONDER WHY THE PUBLIC DISTRUSTS US?

The following statements have been taken from ads collected in November:

Foley's (Dallas): "Regular and original prices are offering prices only and may or may not have resulted in sales."

Macy's (Dallas): "Regular, original, and former prices reflect offering prices which may not have resulted in actual sales."

J. C. Penney (Dallas): "Regular prices are offering prices only. Sales may or may not have been at regular price."

[Note: These three stores compete with Dillard's, which uses virtually no comparative pricing because of their "Everyday Fair Pricing" policy.]

Macy's (*New York Times*): "Original prices reflect offering prices which may not have resulted in actual sales."

Emporium: "'Entire stock' EXCLUDES our everyday low price items ending in .95."

Home Express: Uses the old catalog showroom technique of manufacturing "compare at" prices by "determination of the full retail price based on customary retail markups of similar merchandise. We believe that our 'compare at' prices reflect THE HIGHEST RETAIL PRICE AT WHICH SALES ARE MADE IN THIS ECONOMIC AREA." [Emphasis added.]

RThought: A consumer is entitled to draw the conclusion that "regular" and "original" prices are just what many newspaper articles say they are: false prices established for the purpose of misleading readers as to the amount of savings (documented by litigation against a well-known and successful retailer: The May Company).

Many retailers then wonder (1) why people do not believe us and (2) why "everyday low price" stores are suddenly so successful.

* * *

Guarantees of the lowest price are equally tricky. Most advertisers require a comparison shopper to bring in a competitor's ad offering the exact same model number, when the guaranteeing store knows full well that the competition often is a big enough buyer to have its own model number on items it buys.

Here are examples of "will not be undersold" ads with loopholes:

Montgomery Ward: Matches "only current advertised prices." However, the Montgomery Ward ad does say that "this ad is not limited to identical items or model numbers, like some of our competitors. We'll match the price of the same brand name item even if the model numbers are different, if shown on our comparable model charts." [APPLAUD, PLEASE.]

Circuit City: "We'll beat any legitimate price from a local store stock-

continued on page 2

RThought: This study was taken from the National Retail Federation 1991 Edition of Financial and Operating Results for 1990.

If you guessed that the median figures are for inventory shortage, you're wrong. If you guessed that the median figures are for markdowns, advertising expense, or even CEOs' salaries, you're wrong.

These figures represent the median Gross Margin Return on Inventory (GMROI). GMROI is touted as the path to future profit, with the intention that the median figure would go up each year, not down. It is apparent that management of conventional department stores is unable to improve the GMROI and that it might do better if it did not compute the figure. Continuing to teach this concept to new and small store managers at the National Retail Federation annual convention, as well as at other conventions, is a disservice. If the entire department store industry cannot show an increase in GMROI, how is one to expect the independent retailer to do so?

We must remember that GMROI is a certified public accountant's suggested path to profitability; it was not conceived by any successful entrepreneur such as Don Fisher (The Gap), Bernie Marcus (Home Depot), Les Wexner (The Limited), the late Sam Walton (Wal-Mart), or any other successful entrepreneur. These entrepreneurs might prefer that the letters "GMROI" stand for "Get Me Right Out of Inventory."

WILL RETAILERS CATCH UP WITH THEIR CUSTOMERS AND EMPLOY GAYS AND LESBIANS?

The June 1992 issue of *The Gallup Poll Monthly* (P.O. Box 628, Princeton, NJ 08542; \$90/yr.) reported an extensive survey of attitudes about homosexuals. In surveys dating back 10 years, 51% of the respondents in 1982, 58% in 1983, and 57% in 1992 answered no to the question: "Do you feel that homosexuality should be considered an acceptable alternative life-style?"

However, when asked if homosexuality should be illegal as an acceptable alternative life-style, 48% said it should be legal, 44% said it should not, and 8% had no opinion. Based on a sample of more than 1,000, there is a 95% probability that the correct figure is within $\pm 2\%$ of the percentages quoted above.

There were only a few groups in which support for legality was less than 50%:

Female	47%
50-64 years old	41
65 and older	30
Eastern region	49
Southern region	43
No college	38
Republicans	41
Democrats	48
Conservative (versus moderate or liberal)	33
Income below \$50,000	43 to 49
Protestant	42

When asked if the respondents thought homosexuals should be hired for certain occupations, the yes vote was as follows:

Salespersons	82%
Armed forces	57
President's cabinet	54
Doctors	53
High school teachers	47
Clergy	43
Elementary school teachers	41

continued from page 1

ing the same item." [The item does not have to be advertised, but there is no mention of identical models with different numbers.]

McDuff (a division of Tandy): "We will beat any local store's price on any identical [emphasis added] item we sell, any day... even during its sale days." [There is no mention of comparable items and no requirement of advertising.]

Advertising of jewelry leaves much to be desired.

Mervyn's: "Sale at 60% off on jewelry." [Off what? And which jewelry?]

Montgomery Ward: Offering "65%-68% off jewelry." It even says that "YOU MAY SPEND MORE if you shop Mervyn's Super Sale," accompanied by a table comparing "Mervyn's 50% Sale, Mervyn's 60% Super Sale, and Our 65% Sale."

RThought: Add up all of the companies mentioned. You get an approximate \$50 billion in sales volume for retailers telling consumers: "Do not believe our price comparisons or our 'will not be undersold' promises."

The acceptance in all positions has grown since the first survey in 1977. The table below shows the increased acceptance of homosexuals as salespersons:

1977	68%
1982	70
1985	71
1987	72
1989	79
1992	82

RThought: Many retailers try to avoid hiring homosexuals. One reason is that they believe their customers will not accept being served by homosexuals, although most customers would never know whether or not their salesperson was a homosexual. Perhaps that reasoning should be reviewed. There are few minority categories (African-American, Asian, Hispanic, etc.) more significantly accepted than homosexuals.

One can draw a profile of the person who finds the homosexual unacceptable as a salesperson:

Male
65 and older
Southern region
No college
Republican
Conservative
Income under \$20,000
Protestant

I don't believe that pattern fits the customers of most large retail firms.

THE LIMITED, YOUR LANDLORD?

The Limited, Inc., has joined with shopping center rehabilitator The O'Connor Group to redevelop regional shopping centers. The Limited is putting up \$50 million for a minority interest.

RThought: The Limited has advanced from a tenant to combining various divisions and being treated as an anchor. And now, it is going to be a landlord.

As banks want to see more equity before lending money (it seems as if the banks really don't want to lend money), more and more retailers are having to bankroll developers or develop their own centers.

Source: *The Dealmakers*, July 24, 1992.

BYRON W. BILTON
Private First Class, Fifth Class Specialist

I first met PFC 5th CL Byron W. Bilton in March of 1942 when Project Cedar, which was to become the 82nd Air Depot Group, loaded aboard the *SS Monterrey* for Abadan, Iran. He was a tall and gawky kid who was to be the clerk in the supply section which I would head.

In mid-1941 Byron had hitchhiked to San Antonio, planning to enlist in the United States Army Air Corps on his 18th birthday. The trip took longer than he had expected; he enlisted one day late. He had been to clerks school and knew his job well.

As the months passed I learned of Byron's unusual qualities. He is the only soldier I ever knew who could have carried the message to Garcia! His desk was right in front of mine. One day I said that there was something we needed. A few minutes later he put a form in front of me to sign: an authorization to use a vehicle. He put on his hat and left. Three days later, he returned, said "Hello," took off his hat, and picked up where he had left off. He had brought back what we needed and much more!

I suspect you may not know about "carrying a message to Garcia," a feat that was memorialized by Elbert Hubbard in a short article in his *Philistine* magazine. Soon after publishing it, and even without a heading, the magazine began to receive requests for extra copies (this was before the days of Xerox and the illegal copying of copyrighted material). The American News Company ordered a thousand, and then came a telegram from Mr. Daniels, the president of the New York Central Railroad: "Give price on one hundred thousand Rowan articles in pamphlet form — Empire State Express advertisement on back — also how soon can ship?"

Hubbard could not handle such a large order, so he gave permission for Daniels to print it. Daniels printed two or three issues of 500,000. The article was then reprinted in more than 200 magazines and translated into all written languages.

Prince Hilakoff, director of Russian Railways, visited Daniels, read it, and took it back to Russia. A copy was given to every Russian railway and state employee. In the war between Russia and Japan, every Russian soldier carried a copy. The Japanese had it translated, and the Mikado ordered that a copy be given to every employee of the Japanese government, soldier, or civilian. By 1913 over 40 million copies had been circulated!

Here is the story.

When war broke out between Spain and the U.S., the U.S. had to get a message to General Garcia, head of the insurgents. No one knew where he was. Someone said, "There is a fellow by the name of Rowan who will find Garcia for you, if anybody can."

Let me continue as Hubbard wrote it.

Rowan was sent for and given the letter. How the "fellow by the name of Rowan" took the letter, sealed it in an oilskin pouch, strapped it over his heart, in four days landed by night off the coast of Cuba from an open boat, disappeared into the jungle, and in three weeks came out on the other side of the island, having traversed a hostile country on foot, and delivered his letter to Garcia, are things I have no special desire now to tell in detail. The point that I want to make is this: McKinley gave Rowan a letter to be delivered to Garcia; Rowan took the letter and did not ask "Where is he at?"

Hubbard concluded:

The world cries out for such: he is needed badly — the man who can
 "Carry a Message to Garcia."

For now and always, there is a need for men who can "Carry a Message to Garcia." It has been my good fortune to have met one.

But there is another reason for introducing you to Byron. In the fall of 1943, we started to rotate our original cadre back to the U.S. Promotion was controlled by the base in those days. As we sent the master sergeants back, we promoted tech sergeants to take their places; and then, two or three weeks later, we sent them back to the U.S. It was my decision that Byron be sent home as a tech sergeant. When I returned to the U.S. eight months later and saw what had passed for a "master sergeant," I knew I had made a mistake: Byron should have been a master sergeant. However, he did make master sergeant, stayed in the service after the war, put himself through college, and retired after 30 years as a chief warrant officer.

But there is an additional reason for discussing Byron.

Like most young men in the service, Byron became an habitual smoker. In those days there was no warning on the packages of cigarettes. And, as with other young men, he started drinking. Our on-base ration provided a moderate form of restraint.

After the war, we ended up on opposite sides of the U.S., he in Wyoming, Delaware, and I in Lafayette, California. Periodically, I would receive a telephone call that would start out, "Hey! Big Sahib. This is Little Sahib," using titles the Iranian workers had given us. I knew Byron W. was "in his cups."

I heard from Byron the day before Thanksgiving. This time there was more than good wishes.

BYRON HAS LUNG CANCER, WHICH HAS MIGRATED TO HIS BRAIN. This diagnosis has been made seven years after he stopped drinking and two years after he stopped smoking. But our bodies are not forgiving. (According to FDA reports, lung cancer often is caused by primary or secondary cigarette smoke.) The brain cancer was small — less than half an inch — and the doctors believe they got it all. However, he is undergoing treatment for lung cancer. The prognosis is favorable, but the doctors can only speak in terms of "odds" at this time. Now, I will be calling Little Sahib more often.

RThought: This is an unusual item for *RT* and you may have wondered why I devoted this much space to a meandering story about a soldier from a war which occurred 50 years ago?

There are two reasons.

First, we don't have enough people in the world who can "Carry a Message to Garcia." Those who can should be recognized. The original "young Lieutenant Rowan" died unrecognized in Oakland, California, during the 1930s or early 1940s.

Second, you may have someone dear to you who is still smoking. Perhaps you smoke. I wanted to make the point that even if you or they stop today lung cancer always lurks on the horizon. I never know when I might persuade just one person to do what needs to be done — in time.

BAD NUMBERS DISCOURAGE EVERYONE

In late October the newspapers, TV, and radio stations proclaimed to the world that consumer credit continued to drop. Those famous interpreters of economic statistics — newspaper reporters, TV newscasters, and radio specialists — declared that the consumer was continuing to “hunker down,” expecting a long recession.

The following appeared in *Consumer Trends*, published by the International Credit Association:

Consumer credit continued its prolonged decline in July, dropping by \$1.1 billion, or an annualized 1.9%. The Federal Reserve Board reported that debt service on consumer installment credit, as a percentage of disposable income, had fallen from 18.2% in the second quarter of 1991 to 16.7% by the second quarter in 1992.

Did you read that carefully? Did you get the idea that consumer debt was down? If you did, you were careless. It says that “consumer **installment** debt” was down.

There is a BIG difference.

Consumers have changed the financing of their purchases.

First, the finance charges on bankcards and store accounts are no longer deductible for income tax purposes. Second, with some limitation, interest on equity borrowing on homes is

deductible. Finally, the interest on an equity loan is more likely to be 8% than the 19% or more on store charge accounts and bankcards.

The amount owed on equity loans is included in the figures for mortgages and not in consumer installment credit.

Then there has been a big change in how people obtain new automobiles. The percentage of cars bought on old-fashioned installment financing is dropping; the percentage of cars leased by individuals is rising. The amount involved in installment contracts on cars is included in “consumer installment credit”; the amount involved in consumer car leases is not. Every premium car, beginning with the top-priced Mercedes and down to the lower-priced Audi, is pushing a two-, three-, or four-year lease as an alternative to buying a car.

RThought: I don’t know what the correct numbers are, but it is about time the Federal Reserve starts issuing comparable numbers so we can determine whether the consumers are really worried about a major recession or are just getting tired of paying usurious interest/finance charge rates on bankcards and store charge accounts.

I believe consumers are much smarter than the Federal Reserve gives credit.

SERVICE COMES IN MANY FORMS

One sees many signs in toy departments and toy stores. Reading them, one might conclude that some retailers want to sell toys, but not if it involves having children in the store. The attitude of many salespeople in toy departments or stores is one that can only make children hate them and the children’s parents fear them.

We have all seen signs reading, “If you break it, you bought it,” or something to that effect. Other signs warn customers that the toys are not guaranteed against handling by children.

One of my assistants visited a toy store in San Francisco called Wound About, which is located on Pier 39, a major tourist spot. She reported that the shop is always busy. Perhaps it is because of the sign below, prominently displayed throughout the store:

STORE POLICIES

1. PLEASE TOUCH THE MERCHANDISE.
2. FEEL FREE TO PLAY WITH EVERYTHING IN THE STORE (EXCEPT THE EMPLOYEES).
3. IF YOU BREAK IT...RELAX, WE KNOW YOU DIDN'T MEAN TO.
4. FOOD AND DRINKS ALLOWED - ENJOY!
5. NO SHOES, NO SHIRT, NO SWEAT.
6. OUR TOYS CARRY A LIFETIME GUARANTEE...THE LIFE OF THE TOY - NOT YOURS.
7. ALL SALES ARE FINAL (MORE OR LESS).
8. MOST IMPORTANTLY, OUR EMPLOYEES HAVE BEEN INSTRUCTED NOT TO SAY “HAVE A NICE DAY.”

©1987 WOUND ABOUT

RThought: Wound About understands that for the customer and the retailer to get together and complete a sale two things must happen:

1. The retailer must have the product that the customer wants.
2. The customer must want to do business with the retailer.

Too often the second point is overlooked.

Not only does Wound About have the merchandise (wind-up and electrical toys), it has the attitude and ambience.

Before any sale is completed, a clerk at Wound About takes the toy out of the box and tests it by winding it up or inserting batteries to be sure it works!

RThought: This brings to mind the report that, at last, Sears, Roebuck and Co. is experimenting with acceptance of Visa, MasterCard, and Discover cards.

It takes me back 20 or more years when I argued with Linden E. Wheeler, then Sears’ vice president of credit, that customers *wanted* to use bankcards and Sears *should* do what the customer wants. Wheeler said that Sears had far more accounts than BankAmericard (now Visa) and MasterCard (now MasterCard) combined and that Sears would never ever honor the cards. He led the VPs of companies like Federated Department Stores and Dayton Hudson who argued the same way. For some reason they felt that they could make bankcards go away.

I often wonder how many billions of dollars in sales Sears lost by not doing what the customer wanted.

THERE IS EFFICIENCY IN THE MILITARY

The Army and Air Force Exchange Service (AAFES) does over \$7 billion a year, operating base exchanges or post exchanges on virtually every Army and Air Force base anywhere in the world (which also included many in Saudi Arabia during the Gulf War). Mervin Morris (founder of Mervyn's) and I served as consultants to the commander and now are emeritus consultants. Walter Loeb, the nationally known analyst, is now serving as an AAFES consultant.

I realized, when I was first asked to serve, that Wal☆Mart was a major competitor to AAFES. Since I served on the Wal☆Mart board, I asked Sam Walton about consulting with AAFES. Sam's immediate reply: "Give them all the help you can."

I should point out for the benefit of those who protest that AAFES pays no taxes: 50% of the profit (far higher than any tax paid by a retailer) goes to provide "Morale, Recreation, and Welfare" funds for troops in the Army and Air Force, eliminating the need for funding through the Defense Department budget.

A good working relationship was developed with Wal☆Mart and general assistance was given. Today, AAFES is well along in its development of a more advanced information system than most private retailers have developed.

Military Market, the publication for exchanges, commissaries, and those who service them, reported that AAFES is in the process of developing a partnering relationship with Procter & Gamble similar to that which exists between Procter & Gamble on one side and Wal☆Mart and Kmart on the other. Major General Albin G. Wheeler, commander of AAFES, gave the go-ahead after seeing video tapes of Kmart's CEO Joe Antonini and Wal☆Mart's David Glass extolling the value of such an arrangement. Since then, agreements have been reached with 13 other vendors, including 3M Corporation, Black and Decker, and Rubbermaid.

RTthought: I have often written and have always included in my talks on retailing the observation that any retailer now doing over \$50 million a year, who is not moving into partnering arrangements with its significant suppliers — arrangements which include use of EPOS terminals to capture data, leading to EDI (Electronic Data Interchange) and EFT (Electronic Funds Transfer) — has no long-term future.

It is not only a matter of having information; it is a matter of making use of information at every point in the system. It is not only a matter of capturing data; it is a matter of economically handling data. Most of all, it is a matter of being in stock in sizes and colors and patterns that customers want when they come to a store to make a purchase.

THE GREATEST DISSERVICE A RETAILER CAN RENDER A CUSTOMER IS TO BE OUT OF STOCK OF THE ITEM THAT A CUSTOMER HAD IN MIND WHEN THE CUSTOMER HEADED TOWARD THE RETAILER'S STORE.

POLK BROTHERS, INC. — R.I.P.

It was with great sadness that I read the following report:

Polk Brothers, Inc., a Chicago-based retailer founded in 1935, has announced plans to close its five stores and cease retail operations. The company has begun close-out sales. The shutdown was a result of competition from national merchandisers new to the Chicago market and a store fire that cost the company millions of dollars in lost sales and merchandise.

In the early days of color TV when David Sarnoff was chairman of RCA, he made a deal with Sol Polk. If Polk Brothers would sell 1,000 RCA color TV sets in the Chicago market, RCA would start broadcasting in color. Polk did just that and color TV came to Chicago.

Polk was a great promoter and used many methods other than price. When he ran a special on a TV set, it was a single model at a low price. He had trucks full of sets spotted around Chicago and guaranteed delivery of a set within one hour, or the customer received a discount. With radio control on the trucks, he seldom had to discount a TV!

Years later, Akia Morita, founder and chairman of Sony, went to Chicago with a new product. Polk again took the lead and sold the first Sony camcorders in the U.S.

But Polk was more than a retailer. He started his business in 1935, just slightly after the low point of the Great Depression. He and a small group of retailers helped to reopen shutdown factories which manufactured radios, refrigerators, and other appliances, by placing orders large enough to get the factories reopened. He bragged that his task was to sell a job by selling the product made.

Since 1979 Polk has bedecked his stores with red, white, and blue banners, reading: "Let's rebuild America in the 80s." That was before Wal☆Mart's "Buy American" program, which has the same objective.

Polk ran institutional ads. He advised people not to buy service contracts because most U.S.-made appliances require only one or two service calls in the first 10 years. Sears, Roebuck and Co. and others, then and now, went the other way. (Sears presently sells more than \$1 billion a year in service contracts. I estimate that it costs Sears less than \$500 million a year to make the required service calls.)

Polk loved America. He gave away hundreds of thousands of copies of the United States Constitution. He gave replicas of the Statue of Liberty to purchasers of major appliances. He made his stores a happy place for people to come to look and shop.

However, TV, radio, and appliance selling have changed with the arrival of national merchandisers. Sears has Brand Central, Highland Stores opened in Chicago in the mid-80s, and Circuit City announced in June 1992 that it would enter Chicago.

RTthought: There must be a place in the Retail Hall of Fame for Sol Polk.

However, note that Polk Brothers is liquidating; it is not in bankruptcy. Polk always said that he had done well outside of retailing but that retailing was his mission to make people happy. And he did.

I don't believe Polk knew the terms UPC/EPOS/QR/EDI/EFT. His half century-plus is past. He is leaving still a gentleman with all of his bills paid.

Special note: A "thank you" to *Chain Store Age* for some great stories in my file on Polk Brothers. I would like to close with an ad *Chain Store Age* reproduced in 1986.

We kid you not at Polk.

[Late note: One of those "national merchandisers" who entered the Chicago market, Highland Superstores, has since filed for bankruptcy; \$192 million in assets, \$242 million in debts. That is not Sol Polk's way.]

SHORT SHORTS

Should you — would you — sponsor Girls' Day Out in April 1993? Around the country thousands of girls ages 9 through 15 will go to work for a day instead of to school. This is the "Take Our Daughters to Work" project of the Ms. Foundation for Women. For more details, write to: Our Daughters, Ms. Foundation for Women, Dept. P, Suite 65, 141 Fifth Avenue, New York, NY 10010. **RThought:** This is a way to let the daughters of our employees know what their mothers and fathers do at work. We, in retailing, have a great story to tell to our children. We should expand it to sons, as well, and have the children write a report for their classes.

Do we encourage theft by our choice of words? "Shoplifting" is a very mild word. In much of the English-speaking retail world, it is called "shop theft," which clearly defines the act as criminal.

WORDS — TO FIT THE OCCASION

The following was written by Diane Morra Oatis in the Metropolitan Diary section of the Sunday *New York Times* (August 30, 1992):

Dear Diary:

Regarding the new Dorothy Parker 29-cent commemorative stamp: I wonder if this implies Ms. Parker's endorse-

ment of the post office. If so, here's what she might have had to say.

STAMP ACT

Skywriting fades
Telegrams pall
And nobody waits
For the telephone call.
Fed Exes cost
Fax machines fail
Pigeons get lost
You might as well mail.

RThought: The Oxford Dictionary of Quotations, Third Edition, has a column of quotes from Dorothy Parker (1893-1967), including several I learned years ago:

Four be the things I'd been better without:
Love, curiosity, freckles, and doubt.

About Katherine Hepburn in a New York play:

She ran the whole gamut of the emotions from A to B.

Upon hearing of the death of Calvin Coolidge:

How could they tell?

Oatis would get D. Parker's notice!

Retail Monthly/Year-To-Date Sales Comparison (Unadjusted \$ millions)

SIC Code	Category	August 1992		Percentage Change	Year to Date Eight Months		Percentage Change
		1992	1991		1992	1991	
52	*Bldg Matl Group	\$ 9,163	\$ 8,884	+ 3.1%	\$ 69,526	\$ 64,316	+ 8.1%
57	*Furniture Group	7,806	7,586	+ 2.9	59,003	56,887	+ 3.7
571	Furniture Stores	4,331	4,111	+ 4.8	32,393	30,898	+ 4.8
572	Appl, TV, Radio Stores	2,685	2,673	+ 0.4	20,562	20,209	+ 1.7
5941	*Sporting Goods Stores	1,432	1,366	+ 4.8	10,396	9,085	+14.4
5942	*Book Stores	959	835	+14.9	5,520	4,761	+15.9
5944	*Jewelry Stores	1,088	1,012	+ 7.5	8,093	7,922	+ 2.2
531 Pt	Conventional Dept Stores	4,412	4,494	- 1.8	30,243	29,933	+ 1.0
531 Pt	Natl Chain Dept Stores	3,324	3,238	+ 2.7	22,809	21,992	+ 3.7
	Subtotal	7,736	7,732	+ 0.1	53,052	51,925	+ 2.2
531 Pt	Discount Stores	8,207	7,554	+ 8.6	58,672	52,810	+11.1
531	*Department Stores	15,943	15,286	+ 4.3	111,724	104,735	+ 6.7
541	*Grocery Stores	30,960	31,366	- 1.3	240,489	237,751	+ 1.2
56	*Apparel Stores	9,229	8,904	+ 3.7	61,381	58,521	+ 4.9
561	Men's & Boys' Stores	636	660	- 3.6	5,129	5,075	+ 1.1
562,3,8	Women's Stores	3,023	2,882	+ 4.9	21,371	20,383	+ 4.8
565	Family Clothing Stores	3,063	2,874	+ 6.6	18,871	17,224	+ 9.6
566	Shoe Stores	1,731	1,802	- 3.9	11,378	11,379	± 0.0
591	*Drug Stores	6,321	6,300	+ 0.3	50,799	48,923	+ 3.8
596	*Nonstore Retail	3,728	3,855	- 3.3	29,503	30,507	- 3.3
5961 Pt	Mail Order (Dept Stores)	370	348	+ 6.3	2,733	2,699	+ 1.3
5961 Pt	Mail Order (Other)	1,897	2,027	- 6.4	15,126	16,058	- 5.8
	*Retailing Today Total Store Retailing†	86,629	85,394	+ 1.4	646,434	623,408	+ 3.7
	**GAF TOTAL	42,256	40,452	+ 4.5	298,504	281,696	+ 6.0

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.

Put w/ PT that
Had Dec 1992
Retail Sales
Statistics

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Prepared by Credit Research Center
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Bob Johnson

Consumer Trends

INTERNATIONAL CREDIT ASSOCIATION NEWSLETTER ON CONSUMER CREDIT AND FINANCIAL AFFAIRS

May 5, 1992

buying new cars because loans on their trade-ins exceeded the market value of the cars. He estimated that only 4 to 6 percent of prospective auto buyers were in this bind.

Bankers Research provides a detailed summary of his findings regarding the financing of auto sales. He reported that 52 percent of all cars sold in 1991 were financed, down from 60 percent in 1990. As one might expect, the lower the sales price, the more likely a car was to be financed: "80% of automobiles priced at \$8,500 and under were financed, while only 40% of cars priced \$21,000 and higher were financed."

Retail sales: 1990-1991. Robert Kahn, editor and publisher of *Retailing Today*, has dug into data from the Bureau of Census to compile an interesting comparison of changes in various categories of retail sales from 1990 to 1991. Overall, his total of retail sales shows an increase of 1.3 percent. (Appropriately, this total excludes car dealers, auto supply stores, variety and miscellaneous general merchandise, eating and drinking places, and service stations.) Which retailer category would you expect to have a large increase? Right! Discount stores (8.8 percent). But there were also drugstores (9.2 percent), family clothing stores (6.5 percent) and, quite surprising, bookstores, up 8.7 percent. But even then, bookstore sales were only 56 percent of sporting goods sales and 39 percent of jewelry store sales in 1991.

And which ones would you expect to have the greatest declines in sales? Mail order department stores (-5.5 percent), furniture stores (-5.3 percent) and jewelry stores (-4.3 percent). All these data and more are in *Retailing Today* (4/92).

INDUSTRY TRENDS

Outlook for automobiles. In his talk before the CBA Automobile Finance Conference, J. D. Power, III projected sales of 13.3 million cars and light trucks in 1992, up more than 8 percent from the 12.3 million pace in 1991. He discounted industry concerns that consumers were deterred from

Facesheet filings up. Facesheet filings for Chapter 7 include only a petition and list of creditors. *Visa Bankruptcy Highlights* reports that facesheet filings comprised over 30 percent of the bankruptcy petitions analyzed recently in the Central District of California, Los Angeles. Of this group, about 78 percent listed only one creditor—a land-

64