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Even Small Counties are Checking Weights and Prices

What Would You Do If You Received This Letter?

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At Last! A Fair Standard for Checking Item-Pricing Accuracy at Checkouts

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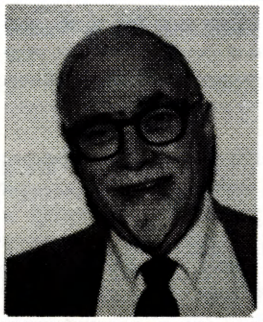

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ROUTE TO

JANUARY 1995 — THE START OF OUR 30TH YEAR! — VOL. 30, NO. 1

IRRESPONSIBILITY AT AT&T

The headline in the *Toronto Star* on November 11, 1994, read: "Half of Stores Will Be Wiped Out Scientist Warns." The scientist was Thom Blischok, vice president and chief business scientist for AT&T Global Information Solutions. He was to talk that day to the Retail Trends and Technology Show.

Blischok reported that he would tell those attending the show that half of today's retailers will be gone by the year 2000. (David Glass of Wal★Mart Stores made that prediction in *1990*, forecasting for 10 years, not five.) Blischok went further, stating, "And 45% [not 44% or 46%] of retail sales made in the year 2010 will be made by interactive television," and added, "Each dollar spent on information creates between $4 and $6 of profit," without saying when!

Blischok made reference to "North American" figures, so I assume he was referring to either Canadian retailers or Canadian and U.S. retailers combined.

RThought: Can we have confidence in a company which identifies a person such as Blischok as a "scientist" and permits him to spread his nonsense to important groups of retailers? I use AT&T long-distance service, but if this example is any measure of the "scientists" employed by AT&T, I am on the verge of switching to MCI or Sprint, inconvenient as they are. No wonder the Baby Bells are doing better than AT&T!

THE HIGH COST OF INTERACTIVE RETAILING

In the December 1994 *RT*, I reported that Fingerhut Companies' second-quarter results showed a 25% *increase* in earnings — and it stated that it would "monitor" developments in electronic and interactive retailing. Unfortunately, when the third quarter showed that earnings dropped from $13,759,000 to $7,087,000, the price of its stock dropped 22%.

On November 21, Fingerhut issued a press release stating that it was *abandoning* its proposed 24-hour cable television shopping channel because it could not obtain financing. As a result, it will take an *after-tax* charge of approximately $19 million in its fourth quarter.

Fingerhut is the *first* withdrawal, with a serious financial penalty, among a group of previously announced participation in interactive retailing. All had forecast immediate success. One can expect others to withdraw.

RThought: I have always tried to provide my readers with a "reality check" on this fledgling form of retailing which may (and I say "may" because the development of techonology is so slow and the present demand for this method of shopping is weak) someday be an important part of retailing. If the technological problems can be solved and the format made precise, customer demand may rise in the early years of the next millenium. *RT* will remain realistic and objective in its appraisal of any progress made by interactive television retailing.

NEW YEAR RESOLUTIONS WORTH REPEATING

For a happier family:

Marriage is a 60-60, not a 50-50, proposition. We have a tendency to dig in our heels at what we think is half way; but each party must be willing to go more than half way. Only then do we have a chance of finding the love we want.

Never go to bed angry. It is easier at night for me to say, "I'm sorry," than to remember in the morning why I was angry when I went to bed.

No matter how busy we are, we must make time for others, especially our spouse, children, parents, and friends. And there is nothing more pleasing to those we care for than to receive an unexpected present or flowers. It takes only a little thought and a little planning.

For a better world:

I continually explain myself by repeating that the Boy Scout Law, first memorized 65 years ago, was meant for my life and not just for my youth: "A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean, and reverent." (A Girl Scout would have learned the Girl Scout Law: "I will do my best to be honest, to be fair, to help where I am needed, to be cheerful and considerate, to be a sister to every Girl Scout, to respect authority, to use resources wisely, to protect and improve the world around me, to show respect for myself and others through my words and actions.")

We must convert our ideas to action, listen more than we speak, and praise more than we blame. Forget hatred: it will destroy one before it affects the person or object of that hate.

Remember that the writings of every major religion teach something similar to "Do unto others as you would have others do unto you" or "Do not do unto others what you would not have others do unto you."

If at first you don't succeed, try, try, try again, although three tries may not be enough. Dr. Paul Ehrlich found a cure for syphilis on his 606th try. He named the medicine "606."

For a more successful business:

To succeed, we must make partners of our vendors, associates, customers, and friends. Together, anything is possible.

Never say, "We tried that way and it didn't work," because eventually you will be left with a collection of ways that guarantee failure. It is better to have a good system than it is to have a poor system and one more store. You don't necessarily need to hire experienced people; like a living plant, most individuals, when well trained and "fertilized" with tender, loving care, grow to become effective employees in whatever specialty we desire.

RThought: Each year, in trying to live up to my resolutions, I get further along before I fail to follow them. Some I follow for three months, some for six, and a few, like the Boy Scout Law, last me throughout the year. While I shall never be perfect, I fully intend to be better. And, like "the little engine that could," most of us accomplish that which we believe we can.

ARE YOU SURROUNDED BY 'YES-MEN'?

In essence, major factors contributing to the success of a business enterprise are the quality and quantity of available information. When leaders are surrounded by yes-men (or yes-women, as the case may be), there is little exchange of information; at most, there is feedback in slightly different wording of what is already known. Very little in the way of new ideas or information is generated.

Failure is hastened if you have an incentive-compensation system which rewards that employee whom you believe best serves you; too often, "serving you best" transforms an employee into a yes-man or a yes-woman.

RThought: Did a yes-man syndrome account for the 14-month span from publication of the "Theory of Yes-Men" in the September 1993 *American Economic Review* to its publication in the November 28, 1994, *Fortune*?

RThought: Many a business may have met its demise because too many employees became yes-men or yes-women out of fear for their job.

MORE FROM GREAT-GRANDFATHER BAUM'S DIARY

In "Days of Yore" in the December 1994 *RT*, I extracted passages from great-grandfather Bernard Baum's diary, using his delightful spelling, capitalization, and punctuation. Here is another sampling.

Another experience i had when i was further advanced and had a wagon, to travel and hawl my goods through the country. This happened late in the fall. I started one day after lunch from Springfield Ky. towards Lebanon and Perryville, when a drisely rain commenced falling. After i had gone about a mile, seeing the rain was getting heavier stopd at a farmhouse with the intention to stay all night. So i asked; the farmer came out, looked at my conveance, with the remark, you are a pedlar. When I sayd yes, he told me the next house about 1/2 mile up the road where they take in travelers. I did suspicion nothing and went to the next house, with the same results. Then a light had gone up in my mind and asked the reason, but got no satisfaction. It was getting toward evening. I applied to several more houses along the road, and were refused admittance.

The rain kept up steady, it became dark, and i came to another farmhouse and applied to a nights lodging, but the man came out saying no pedlar could get on in the neighborhood, as several had gone through that section and sold them broadcloth for high prices, wich proved worthless. So people were down on pedlars. I begd to let me put my team in their barren till morning intending to do any biz and pay him in advance, as it seemed imposible to drive in the dark and rain where i was not acquainted. It happened the mans wife was very sick, and the women in the neighborhood were in the house. The man was about to go in and let me stand in the rain, when one of his daughters appeard. When she heard what was said, she remarked, Papa, you might let the man stay. It is no weather to turn a gentleman off at this time of night. Maybe when we are good mother will get better.

He consented and called a negro to put up my team, took me in, put me in a room in the attic where i got a slim supper, thanking God to be saved from staying all night out; when breakfast was over i offered to pay, but they refused to take it, as the lady got better during the night and they were very happy. I did not offer to sell goods and was about leaving, when one of the young ladies asked what kind of goods i had. i told her, and they liked to see them of course. I showed them my goods, and sold them some among wich som jewlery, but i made the condition they would not pay for them till my next trip, and seeing whether they were honest goods or not. I left and I did not offer to sell in the section till I got to Perryville where i were acquainted. When 1 related my experience. But on my next trip to the above named neighborhood i could have stayd at any house and the people did not hesitate to buy from me, and they concluded that pedlars were not all rouges.

RThought: Great-grandfather Baum set forth so many sound principles of retailing. Without putting a sermon together, the principles were: Buy on approval. Satisfaction guaranteed. Everyday fair pricing. Build a core of loyal customers. The bond between a good merchant and his customers works both ways. Customers will tell friends of bad service/value just as they will tell of good service/value.

WHAT IS YOUR 'MARKET VALUE ADDED'?

Stean Stewart computes market value added (MVA) for publicly traded companies. MVA is the market value of a stock, plus its debt, and minus the capital invested in the company.

Fortune listed the top 1,000 MVA companies. *RT* lists the retailers on that list with their standing and their MVA.

Standing 1994	1989	Company	MVA ($ million)
3	5	Wal★Mart	$ 45,907
18	144	Home Depot	14,851
36	47	Toys "R" Us	8,522
63	265	Blockbuster Entertainment	5,426
64	123	J. C. Penney	5,372
65	106	May Department Stores	5,301
68	107	Albertson's	5,111
80	143	The Gap	4,562
97	—	AutoZone	3,729
100	481	CUC International	3,633
105	—	Southland	3,542
109	57	Kroger	3,436
112	37	The Limited	3,421
115	558	Lowes	3,379
123	201	Walgreen	3,003
135	194	Winn-Dixie	2,811
141	619	Office Depot	2,606
156	—	PriceCostco	2,326
167	71	Food Lion	2,128
188	292	Dillard Department Stores	1,898
191	145	Dayton Hudson	1,852
197	375	Sherwin-Williams	1,804
213	86	Tandy	1,671
216	805	Spiegel	1,663
222	151	Harcourt-General (Neiman-Marcus)	1,630
228	81	Melville	1,604
232	197	Kmart	1,561
243	259	Circuit City Stores	1,507
247	97	Nordstrom	1,453
280	173	SuperValu Stores	1,251
300	136	Woolworth	1,154
334	—	Safeway	1,000
478	980	Sears, Roebuck	601
551	263	American Stores	494
983	—	Federated Department Stores	(792)

THE WORLD OF TABLOIDS ON THANKSGIVING DAY

Sears, Roebuck: A two-day holiday sale kickoff, with specials on Friday from 8:00 A.M. to 11:00 A.M.

Macy's: An 88-page tab for which Macy's paid extra to have stuffed in the *first* section of the newspaper. Opened at 8:00 A.M.

J. C. Penney: A 12-page full section. Lead with extra 10% off gold. Discounts inside quoted against original prices. Specials were from 7:30 A.M. to 11:00 A.M.

Montgomery Ward: A 16-page full section. Fifty percent off on dress shirts, sweaters, and outerwear, 7:00 A.M. to noon.

Mervyn's: A front-page ad with three-hour specials from 7:00 A.M. to 10:00 A.M. Deep-discount, private-label specials.

Kmart: A 24-page tab combined Thanksgiving sale with four-hour Friday, 7:00 A.M. to 11:00 A.M., plus three-day, Thursday through Saturday, items.

Target: A two-day sale only. First 1,000 "guests" received a free gift. Opened at 7:00 A.M., Friday. Four items were marked "Everyday Prices" (Is "Everyday Low Price" on its way?) Others were marked "Special Purchase Sale" (without comparison) — claimed lowest of season. All price numbers looked alike — they dominated the copy. Saturday opening was at 8:00 A.M.

Toys "R" Us: A 16-page tab. No comparison prices. No special Friday hours. No indication whether open or closed Thursday. A $5 coupon on tab cover good on purchases over $22. (Telephone call confirmed that stores were closed on Thanksgiving.)

Office Depot: A 16-page tab. No price comparison. No hours.

Radio Shack: A four-page section. Percentage off if one has a Radio Shack account. On purchases over $99, no interest or payment to March 15, 1995.

Home Express: A 16-page tab. Special purchases. Closed Thanksgiving. Opened 10:00 A.M. Friday.

CompUSA: A 16-page tab. Single prices. No percentage off or comparatives. Full-day training classes November 24 to December 15. No interest, no payment for six months, and no special hours on Friday.

The Good Guys: A 32-page tab. Twenty-four pages were regular items, no price comparisons. Eight pages were Friday-Sunday specials with original price or savings. Recycled paper. No mention of hours. (Just guess!)

Whole Earth Access: A 16-page tab. Sale started Friday, ended ??? Claimed "lowest prices of season." Confusion because front page stated "three days only" but back page stated "Ad expires December 1, 1994." (I calculated six days.) Levi 501s discounted at $33 to $39.

Circuit City Stores: Front page of ad stated "Everything is on sale now at Circuit City!" Dollars off dependent upon amount of purchase. No interest for six months. Opened at 9:00 A.M. Friday. (Nothing to upset a leisurely life!)

Thrifty Drug: A 16-page tab. Prices good November 25-29. Stores opened at 7:00 A.M.

Payless Drug (same ownership as Thrifty): A 16-page tab. Two-day sale. Opened 7:00 A.M.

Home Base (home-improvement warehouse): A four-page ad. Prices without comparison. (Recognized rechargeable utility lantern at $9.99 which I recently bought at $14.99 at local Ace.) Closed Thanksgiving. Opened 7:00 A.M.

Longs Drug: A 20-page tab. Combined with four-page tab on yellow paper with prices good through December 10. Many small appliances; no price comparisons. Major item in two-day sale was 50% off selected fragrances (no top lines). Opened 8:00 A.M.

Kay-Bee Toy & Hobby Shop: A 20-page tab. Early-bird specials through noon Friday. No comparative prices. Twenty-five percent off "dolls girls love to love"; 20% off all Fisher-Price items. No opening time because 17 of the 20 stores are in malls.

SportMart: An eight-page tab. Closed Thanksgiving. Pushed its Frequent Buyer Program: one can earn free gift certificates. Very few price comparisons. Opened 8:00 A.M. Friday and Saturday.

Ross — Dress for Less: A four-page tab. Cover had 12 designer fragrances for women, 12 for men, plus Lenox china and Waterford crystal. Most of the balance was apparel, claiming up to 76% savings against department stores. (Don't ask which stores and what season.)

Big 5 Sporting Goods: Ad showed eight items on early Friday morning special, 7:00 A.M. to 11:00 A.M. All prices showed regular price but did not disclose whether it was Big 5's regular price or someone else's. Claimed savings on every item was clear, regardless of accuracy.

Best Products: A 12-page section. Four-hour specials Friday, beginning at 8:00 A.M. Four pages devoted to jewelry and watches. Closed Thanksgiving. All prices ended in ".97." Still displaying three prices: sale, regular, and what Best calls "The regular selling price at department and similar retailers. It is either the retail price suggested by the manufacturer in this publication's distribution area or our own determination of full retail price based on customary retailer markups for similar merchandise." I seriously doubt that Best ever shows either a manufacturer's price or an item selling at any store at a price it has computed. The presentation of the regular price is an improvement, but Best has a long way to go before customers will show confidence in its comparisons.

Oshman's Super Sports: A 12-page section. Opened 8:00 A.M. Prices good through Sunday. Regular prices shown for most items. Same prices listed for its store at the Great Mall of the Bay Area, even though that store has a sign stating "OUTLET."

RThought: Twenty-five tabloids — and probably most were thrown out without being checked. Mervyn's gave up on being "alone" in the newspapers on Mondays; on Sunday, its tab can now be thrown into the garbage with all of the other tabs. There were more (six) 7:00 A.M. openings this year than last, perhaps because of Target's 1993 success. Four failed to mention their hours. All failed to state "Closed Thanksgiving, so our associates can be with their families." Not original — but a nice statement to make.

RThought: I checked some of these stores starting at about 7:00 A.M. on Friday. The bracketed time indicates the store's advertised opening time.

Target [7:00 A.M.] and Mervyn's [7:00 A.M.] both had excellent traffic, despite a drizzle, with Target being more active than last year. J. C. Penney [7:30 A.M.] was hurt by the mall not being fully open. Kmart [7:00 A.M.] had moderate traffic. Macy's [8:00 A.M.] customers must have been disappointed because all of the covered parking spaces were taken by employees before 7:30 A.M. Best Products [8:00 A.M.] had customers waiting at 7:45 A.M. Montgomery Ward [7:00 A.M.] had moderate traffic at 7:35 A.M. The Good Guys [no time mentioned in tab] had no cars at 7:45 A.M. Home Express [8:00 A.M.] had few cars at 7:55 A.M. Office Depot [no time] had no cars at 7:50 A.M. Toys "R" Us [no time] had no cars at 7:30 A.M.

FEATURE REPORT

SELDOM DOES THE PRIZE GO TO THE ORIGINATOR

An interesting article in *Success* magazine (December 1994) developed the theme that the prize seldom goes to the originator. It stated examples: Ticketron pioneered computerized ticketing services in 1968; but Ticketmaster came along in 1982, improved the technology, listened closely to the needs of the source of supply (the events), and soon dominated the field. Diners Club originated the multipurpose credit card in 1950; but Bank of America came along in 1955 with the BankAmeriCard (now Visa), soon followed by MasterCharge (now MasterCard). They, with American Express and Discover, now dominate the field. Royal Crown Cola developed the first diet cola and the first decaffeinated cola; but Coca-Cola and Pepsi quickly adopted the improvement and dominated the market.

Most retailers know that Wal★Mart, Kmart, and Target were all started in 1962 (by Sam Walton, Harry Cunningham, and John Geisse, respectively; and all of the founders died in 1992). They were not the first discounters; *but they became the best discounters.*

The following is a list of 42 publicly held discounters from Fairchild's Financial Manual of 1963 (covering 1962 reports):

Company (discount division, if different)	Volume ($000)
Alden's (Shoppers World)	$184,000
Allied Stores (Almart)	770,804
Arlan's Department Stores	45,951
L. S. Ayres (Ayr-Way Stores)	68,057
Bargain Town U.S.A., Inc.	21,558
Floyd Bennett Stores, Inc.	9,643
Berkshire Distributors	2,541
Big Bear Stores (Hart)	96,227
Caldor, Inc.	15,504
Community Discount Centers	4,540
Family Circle Associates, Inc.	1,582
Fed-Mart Corporation	81,148
M. H. Fishman Company, Inc. (Mason's)	26,355
Gamble-Skogmo, Inc. (Tempo)	168,402
Gem International (GEM, GET)	12,096
Grand Union Company (Grand-Way)	640,622
Hartfield Stores, Inc. (Zody's)	53,501
Interstatement Department Stores (White Front, Topps)	222,807
King's Department Stores, Inc.	41,445
Korvette (E. J.), Inc.	235,420
Kresge (S. S.) Company (Kmart)	450,457
Lane Bryant, Inc. (Town & Country)	103,682
Levine's, Inc.	23,236
Lucky Stores, Inc. (Gemco)	232,449
Mangel Stores Corporation (Shopper's Fair)	93,907
McCrory Corporation (Gulf Mills Discount Stores)	553,852
Miller-Wohl Co., Inc.	46,743
Miracle-Mart Incorporated	10,305
Murphy (G. C.) Co. (Bargain World)	272,421
National Bellas Hess, Inc. (GEX)	71,673
Parkview Drugs, Inc. (Parkview)	26,899
Penney (J. C.) Company (General Merchandise)	1,701,333
Sage International, Inc.	15,267
Shoe Corporation of America (Save-Co)	166,416
Silo Discount Stores	8,776
Spartans Industries, Inc.	116,532
Stop & Shop, Inc. (Bradlees)	295,373
Virginia Dare Stores Corporation (Atlantic Mills)	60,809
Vornado, Inc. (Two Guys)	99,056
Webb City, Inc.	28,562
Woolworth (F. W.) Company (Woolco)	1,139,498
Zayre Corporation	96,432

RThought: Of the three current major discounters, only Kmart is on the list. The name of S. S. Kresge has been changed to Kmart. Dayton Hudson was not then a public company, nor was Wal★Mart. Of the 44 companies listed above, only four (Hart, Caldor, Kmart, and Bradlees) survived. Some failed and some merged. New names appeared and some disappeared (Murphy-Mart, Rich-Way, Kuhn's Big K, Duckwall, and many more).

We are much more conscious of the consolidation of other industries: office superstores, warehouse clubs, and department stores.

RThought: As is pointed out by *Success,* the prize seldom goes to the originator. Were this not true, there would be hundreds of stores named Masters, Ann & Hope, and Korvette.

RThought: The development of the discount store came before venture capitalists were organized. The warehouse clubs, super office-supply stores, super sports stores, and super pet stores all came after the venture capitalists saw opportunties start up in retail formats.

SHORT SHORTS

Sears plans to stay in business forever. A friend received a bill from Sears with the following information:

New balance:	**$2,383.26**
Minimum payment:	**$1.00**
Due date:	**November 12, 1994**

RThought: My friend immediately figured that he had about 200 years to pay the balance. I explained that this was a compliment. Sears felt the principal was not at risk and thus took a sneaky way to try to get a finance charge of about $40. You make your own guess as to what Sears is up to.

Should store hours benefit the customers or the staff? An early November Sunday shopping event in the Central Business District of Adelaide, South Australia, attracted an estimated 250,000 customers. (The town's approximate population is 1,000,000). The Shop, Distributive and Allied Employees Union will appeal to the High Court against the South Australia (state) law which permitted the Sunday opening.

Do you want retail news as soon as possible? *Chain Store Age* now has a two-page *Executive Fax.* A typical issue carries 28-30 abbreviated news items which may or may not have gotten into the popular press (*The Wall Street Journal, The New York Times*, and the Associated Press). It could be in your office 51 Mondays a year for $129. For subscription information, call 813-664-6707. Credit cards are honored. (A similar fax is published by *Discount Store News.* Call 212-756-5100; fax 212-756-5125; $239/yr.)

RThought: Thirty-five out of 1,000 companies is below the retail industry's usual representation in such lists.

If you are publicly held, compute the MVA for your own company and keep track of it from year to year. It will give you a measure of what you are accomplishing for yourself and your stockholders. MVA is a better measure than earnings or return on equity because *it reflects what the market did* in reaction to how your company is managed.

IS THIS THE TURNAROUND OF BLOOMINGDALE'S?

An eight-page, Thanksgiving Day Bloomingdale's section appeared in national editions of *The New York Times*, including the California edition. (The Bloomingdale's closest to California is located in the Mall of America in Bloomington, Minnesota!) The headline read:

Bloomingdale's
After-Thanksgiving
All-Over-The-Store
SALE

Save 20% to 50%**

Eat. Drink. And be merry today.
Shop. Save. Get even merrier tomorrow.

****Savings are off regular, original*, if perfect, if purchased separately, and open-stock prices.**

For those who have never seen an asterisk following double asterisks, the single asterisk in Bloomingdale's ad meant:

> **Intermediate price reductions may have been taken prior to this sale. Regular and/or original prices reflect prices at which these items were offered in our stores and actual sales may or may not have occurred. Limited quantities. Not all styles in all stores. Sale ends November 27 (in Bergen County, November 26).**

As I wandered through the eight pages, I found such statements as "To order, call toll-free 800-777-4999 any time. Ref. #N824. $8.00 delivery, *allow 2-4 weeks.*" This, for a pure cashmere turtleneck sweater shown as "*Now* $79" but with no comparison price? Do you believe you would receive your choice of 24 "delicious winter colors" ("poppy," for instance) in time for that special person on Christmas Day, which is four weeks and one day away from Thanksgiving? Would you take that chance?

Don't forget that the asterisk stands for "Intermediate price reductions may have been taken prior to this sale." I will bet even money that many of these items have previously been offered at prices lower than in this "great" sale!

Many of the items offered were winter wear. I wonder how they will sell in Bloomingdale's branches in Boca Raton, Miami, and Palm Beach Gardens.

RThought: Assuming that Bloomingdale's is a department store, does this kind of deceptive advertising auger well for department stores? Once, Bloomingdale's had a core of devoted customers. Will this betrayal weaken the core customers' devotion, especially when the $1,000-plus items bear a note, without an asterisk, reading, "No adjustment to prior purchases"? If your wife purchased a $1,500 dress the day before the ad appeared and found the new offering price to be $995, would she be happy? Check the October 1994 *RT* Feature Report: "The Object of The Retailing Game: Create a Cadre of Loyal Customers."

WAL★MART DISCONTINUES THE SALE OF CIGARETTES IN CANADA

I am certain most of you now know that Wal★Mart has discontinued the sale of cigarettes in all of its stores within Canada. I am also certain that most of you know that the decision pleases me. However, my Canadian clipping service has recently advised me of the reason for the banning (which was not included in the early U. S. reports that I have seen): Ontario, the largest province in Canada, established a rule banning the sale of tobacco products in stores with pharmacies. If done in the U.S., it would be a first step.

RThought: To paraphrase Abraham Lincoln, Wal★Mart must love pharmacies; they have so many of them. (In case you don't recall Lincoln's exact statement, when reporting a dream in which people said of him that he was a "common-looking man," he said, "Common-looking people are the best in the world; that is the reason the Lord made so many of them.") I just looked in the mirror; reading Lincoln's statement made my day!

RThought: One other large U.S. retailer does not sell cigarettes: The Veterans Canteen Service, which operates within the Veterans Administration Hospitals. The medical staff thought it foolish to sell cigarettes to patients who were hospitalized as a result of smoking. As a result of that decision, Jim Donahoe, head of the service, lost a third of his volume but has since replaced that volume with other products and is reporting record profits! Donahoe would not have made the change. But he didn't know what he could accomplish until others made him learn what he could do.

DOES YOUR COMPANY HAVE A CREDIT UNION?

In the past 45 years (which goes back to my first contact with credit unions), credit unions grew from 10,000 to 20,000 but then declined back to 10,000 as mergers took place (as has happened in many other businesses). However, membership has shown a constant increase, from 500,000 (50 per credit union) to 6,000,000 (600 per credit union).

Credit unions provide low-cost small loans, car loans, home mortgages, and credit cards (Visa/MasterCard).

Most credit unions are federally chartered. For information, write to the National Credit Union Administration, 1776 G Street, N.W., Washington, D.C. 20456 and/or the Credit Union National Association (known as CUNA), 5710 Mineral Point Road, Madison, WI 53705 (fax: 698-231-4263).

Savings in most credit unions earn a higher return than saving accounts in banks or savings and loan associations (although they utilize a peculiar method for computing the earnings on an account).

RThought: Retailers should be leaders in providing credit unions for their associates; after all, the credit-union movement was brought to the U.S. by Edward Filene, who lobbied the first credit-union law through the Massachusetts legislature and established the first credit union in the U.S. at Filene's in Boston. (Edward Filene is famous for many accomplishments other than that of building an outstanding store with a unique basement. Sometime, I will tell you these.)

FACTS ON DISPLACED WORKERS

There has been much said in recent years about people who have lost their jobs because of plant closings or relocation. Some is fact but much is fiction.

The Bureau of Labor Statistics has just released the results of a February 1994 survey. Displaced workers were defined as persons 20 years or older who were released in 1990 through 1993 because their plant or company *closed or moved*. The results were separately tabulated for those who had worked three years or longer at that plant or company and for those who had worked less than three years. The table below gives the key findings.

	Over Three Years	Under Three Years	Total
Size of group	4,500,000	4,500,000	9,000,000
Reemployed by February 1994	7 out of 10	7 out of 10	7 out of 10
Received written advance notice	42%	33%	
Reemployed at same or better wage			about half

SHORT SHORTS

How good is your credit source? A friend has filed a suit against a major credit bureau for recovery of legal expenses incurred because of an error made by the credit bureau. The error? *It reported him as dead!* Which credit bureau? TRW. **RThought:** Is this the type of information we buy? I hope not.

Our cartoon of the month: A burly picket with an American flag on the front of his baseball hat, wearing a T-shirt saying, "Less Taxes...More Entitlements," and holding a placard saying, "I Want Something for Nothing...and I Want It NOW!" **RThought:** This cartoon was taken from the Kahn Gallery of Cartoons, also known as the refrigerator door!

WORDS — FROM STEPHANIE STROM

Stephanie Strom is the senior retail reporter for *The New York Times*. In the past, she has observed Christmas through the eyes of the consumer and the retail executive. In 1994, she was one of 500 Christmas "extras" in a Macy's branch. Now, she will be a better reporter on the industry, knowing that is is easier to admonish stores for poor service than it is to implement good service. Her thoughtful, thorough report began on the front page of *The Times* the day before Christmas. If you would like to remind yourself of what your extras go through with too little training and so little knowledge of your merchandise, write, phone, or fax me (see masthead) for a copy of her article.

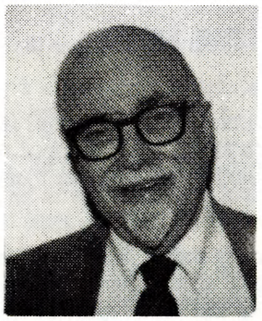
RThought: As you read Strom's story, you may wonder, as I did, what happened to the buddy system that Macy's had when I was on the selling floor in the Upholstery Department at Macy's on 34th Street. If you don't know what the buddy system is, put "What is the buddy system?" on your request for a copy of the article.

RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON (Unadjusted $ millions)

SIC Code	Category	SEPTEMBER 1994	SEPTEMBER 1993	Percentage Change	Year to Date Nine Months 1994	Year to Date Nine Months 1993	Percentage Change
52	*Bldg Matl Group	$ 11,832	$ 10,252	+15.4%	$ 97,066	$ 85,899	+13.0%
57	*Furniture Group	10,686	9,299	+ 14.9	89,515	79,566	+12.5
571	Furniture Stores	5,288	4,798	+ 10.2	44,622	41,434	+ 7.7
572	Appl, TV, Radio Stores	4,360	3,682	+ 18.4	36,392	30,641	+18.8
5941	*Sporting Goods Stores	1,701	1,518	+12.1	15,549	13,434	+15.7
5942	*Book Stores	930	886	+ 5.0	6,767	6,399	+ 5.7
5944	*Jewelry Stores	1,149	1,168	- 1.6	9,949	9,790	+ 1.6
531Pt	Conventional Dept Stores	4,306	4,117	+ 4.6	34,856	33,671	+ 3.5
531Pt	Natl Chain Dept Stores	3,060	2,917	+ 4.9	27,791	25,305	+ 9.8
	Subtotal	7,366	7,034	+ 4.7	62,647	58,976	+ 6.2
531Pt	Discount Stores	9,921	9,006	+ 10.2	86,765	77,580	+11.8
531	*Department Stores	17,287	16,040	+ 7.8	148,412	136,556	+ 8.7
539	*Misc General Mdse Stores	4,658	4,527	+ 2.9	41,266	40,027	+ 3.1
541	*Grocery Stores	31,652	30,503	+ 3.8	283,265	275,162	+ 2.9
56	*Apparel Stores	8,701	8,667	+ 0.4	73,198	72,666	+ 0.7
561	Men's & Boys' Stores	753	636	+18.4	6,498	5,505	+18.0
562,3,8	Women's Stores	2,925	3,197	- 8.5	25,603	27,595	- 7.2
565	Family Clothing Stores	2,764	2,603	+ 6.2	22,635	21,268	+ 6.4
566	Shoe Stores	1,524	1,525	- 0.1	15,204	15,426	- 1.4
591	*Drug Stores	6,691	6,406	+ 4.4	60,510	58,862	+ 2.8
596	*Nonstore Retail	4,380	4,269	+ 2.6	36,544	34,969	+ 4.5
5961	Mail Order	2,650	2,278	+ 16.3	21,927	19,199	+14.2
	**Retailing Today* Total Store Retailing†	99,667	93,535	+ 6.6	861,771	813,330	+ 6.0
	**GAF TOTAL	47,436	44,382	+ 6.9	404,767	378,797	+ 6.9

†Excludes car dealers, auto supply stores, eating and drinking places, service stations and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**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.



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HOW WOULD YOU LAY OFF 900 PEOPLE?

The day that Kmart Corporation headquarters laid off 900 management people, I received a phone call from a reporter for the Fox-affiliated television station in Detroit, asking me if this condition were evidence of something seriously wrong with the retail industry. I explained that Kmart faces problems not typical of the industry, informing him that my records indicate that as early as July 1994 Kmart had announced its plan to release 2,300, or 10%, of its management people. At that time, Kmart also employed 260,000 hourly workers. Shortly after, in September, it announced that only 1,650 in management would be released and that 100-110 unprofitable stores would be closed, resulting in 6,000 layoffs among hourly employees. By November, the planned management layoff had been reduced to 650.

I pointed out that Kmart had suffered seven consecutive quarters of declining earnings. It had announced a plan to dramatically reduce expenses: the original goal was $1 billion in two years but present references are between $600 million and $800 million. A new senior officer was brought in to head the program.

To fund Kmart through this difficult time, it raised about $2 billion by selling Thrifty Drug NW, its 21% interest in Coles Myer Ltd. (the largest retailer in Australia), and a minority interest in Sports Authority.

Adequate notice of the layoffs was given but not to individual employees. Apparently, none of the employees believed they would be among the 4% finally cut.

The reporter told me that the 900 terminated management employees were notified at the start of work on December 12, when each was presented with a box into which he or she was to put his or her personal belongings and told to leave the building immediately. Outside security people were brought in to see that they did exactly that! (A month after the event, it was brought to my attention that Kmart may have been concerned about sabotage by some of its terminated employees, especially against its computer records. A computer consultant informed me that this was not an uncommon procedure when terminating information-systems personnel.)

The reporter had not asked what, if any, severance pay was being provided. Nor did he know if Kmart was to provide any assistance for the dismissed employees in getting another job.

As to the timing, I explained that by December 12 all of the main office's Christmas planning and work had been completed and that the Christmas merchandise and action would be in the stores rather than at headquarters.

RThought: How does a retail firm lay off 4% of its office staff? Should it be two weeks before Christmas? The method used by Kmart is one way. But is it a fair way? No notice — not even the customary two weeks — when the employees have broken no rules?

Continued

DON'T BE 'DONE IN' BY AN ASTERISK

The May Department Stores Company was, as far as I know, the first to use an asterisk for price comparisons in its sale ads. It began after a suit was brought against May/D&F, a division of The May Department Stores Company, by the Colorado attorney general. (The case: the State of Colorado ex rel Duane Woodward, plaintiff, v. The May Department Stores Company, a New York corporation, Case No. '89CV 09274 District Court, City and County of Denver, Colorado. For a copy, send $3 to cover copying and postage to *Retailing Today*, P. O. Box 249, Lafayette, CA 94549.)

The case fully explains the procedure used by May/D&F and used altogether too often by other retailers of good repute.

The asterisk is usually explained in an ad as follows:

> **Intermediate price reductions may have been taken prior to this sale. Regular and/or original prices reflect prices at which these items were offered in our stores and *actual sales may or may not have occurred.*** [Emphasis added.]

The following item appeared in *Communication Briefings*, January 1995 (1101 King Street, Suite 110, Alexandria, VA 22314; $79/yr.):

> **"When explaining a guarantee that you want people to believe, don't use asterisks, legal jargon or fine print," says Jonathan Barsky in his book, *World-Class Customer Satisfaction*, published by Irwin Professional Publishers [telephone: 708-789-4000; fax: 800-634-3966].**

RThought: Have you ever seen an asterisk used for this purpose in a Nordstrom, Home Deport, Wal★Mart, or Toys "R" Us ad? I don't recall any.

Shoppers often tell me that they don't believe the *regular* price printed in ads; they believe that the price offered as a *sale* price is what the fair and regular price ought to have been.

Their suspicions are reinforced by the qualifier made possible by the asterisk.

Stores use the asterisk in their ads in an attempt to protect themselves from punishment for using a false comparative price when they *know* they have never made a sale at the stated price and, perhaps, never intended to make a sale at that price.

What bothers me about this practice is that many executives with ultimate responsibility for the honesty of their stores' ads insist upon the honesty of their children and encourage them to join such organizations as the Boy Scouts, the Girl Scouts, or the Campfire Girls. The executive may even be active in one of these organizations!

Can the 22,000 remaining management employees trust that they will receive considerate notice if further reductions become necessary? Would they be given a few minutes to call home and say, "I've been fired!"? If they asked whether they would receive their vacation pay, would they receive an answer? If they asked, after the years spent with the company, if there was severance pay, would they be told, "I don't know"? If they asked whether Kmart would provide assistance in finding a new job, would they receive another "I don't know"? If they asked whether their medical and health insurance would or could continue for two or three months while they try to seek new employment, would they receive an answer? These are all issues which should be addressed in personnel handbooks which every associate should possess.

How does Kmart's conduct affect the morale of its remaining management? Will some of its best people now jump ship?

In the early development of the U.S. labor movement, Samuel Gompers, the first president of the American Federation of Labor (he was president from 1886, except in 1895, until his death in 1924), said, "The greatest sin an employer can commit against a worker is to operate at a loss because then there is no security for the worker or the employer."

Sometimes, usually because management waits too long — perhaps out of empathy for its workers or perhaps due to a policy of providing life-long employement — companies like IBM, Sears, and General Motors, as well as many Japanese companies, have had to make large reductions in their work force.

Even the most successful of merchants cannot produce a successful and large retail firm without loyal associates. Will Kmart's associates remain supportive in the face of what was done to 900 associates?

In retailing, we anticipate many possibilities. We insure our property against fire and other casualties. We offer paid vacations because associates have to recharge themselves and have the joy of being with their families. We provide employee discounts so they can enjoy, at a special price, the merchandise we offer to the public. Many of us provide various retirement packages.

Every associate, particularly those of large retail firms, should understand (a) at some time it may become necessary for his or her employement to be terminated, and (b) should there be a reduction, what each can expect from the employer. How much notice will be given? How much will the associate be paid at termination? for unused vacation pay? for unused sick leave? for separation pay (perhaps one week per year worked)? Can health insurance coverage continue, perhaps at one's own expense, including coverage for dependent children? Will there be help in obtaining a new job? In other words, can the associate expect to leave with dignity? Or will a security guard escort the terminated person, box in hand, to the door?

Note: I was able to confirm that Kmart does have severance pay; since it did not return my two calls, I cannot confirm other benefits. None of the stories regarding the discharges discussed benefits, so I assume mention was not made in Kmart's press releases. See **Late Note** below.

RThought: Failure to have established a considerate, respectable policy for separations gives a union a great opportunity for organization within an industry that is mostly nonunion except for the supermarket segment. A pity. Most union contracts contain a severance package, the provisions of which become a good argument for your associates to join a union.

RThought: I repeated to the reporter that Kmart was having serious problems. I explained to him that if Kmart was not profitable there was security for neither managers nor hourly employees. I gently chided him for not having asked Kmart about its provisions the terminated employees.

And I told him that I felt certain the associates would receive their accrued vacation pay (and silently, with all my heart, I hoped that Kmart had a severance provision based upon each employee's length of service).

RThought: Following Kmart's reduction in staff, a *New York Times* article indicated nothing about severance arrangements, nor did it mention the manner of termination that had been reported to me, but it did see fit to mention that Kmart's stock rose 62.5 cents on the news of 900 disrupted lives. Ghoulish, don't you think?

RThought: Do *your* associates know *your* provisions should severance in large numbers become necessary? If not, I hope I have encouraged you to establish and publicize a plan soon; and, at the same time, I hope that you never have to use it.

Late Note: The Hechinger Company just announced the closing of 18 stores. Sixteen hundred employees will be affected. The announcement stated that the company would "offer the employees severance pay and job-search assistance." Although Hechinger is a $2 billion public company, it is still a family business.

FOUR WAYS TO BRIGHTEN THE DAY

The Korea Employment Promotion Agency for the Disabled has launched a program of opening flower shops at subway stations. Each shop will be operated by two handicapped people, totaling 1,000 by 1998. The shops will give a boost to the horticulture industry as well as create jobs for the disabled.

RThought: I can remember during the 1930-38 depression when unemployed and handicapped people sold apples at street corners for 5 cents. It was common during 1931-34 before there were government programs to assist destitute people.

From about 1931 to 1933, my brother and I worked in a soup kitchen, where only men showed up for a hot meal. Most of the women and children had been sent to live with relatives on farms while the men stayed in the city trying to get work. The basement of every church was an appreciated shelter (there were no drug problems then).

It was not until 1930 that the City of Toledo, Ohio, won a U.S. Supreme Court case which allowed it to spend tax money to assist indigents. Before that time, government only provided orphanages, old-folks homes, and cemeteries. Social Security, unemployment, and welfare programs began during the first two terms of President Franklin Delano Roosevelt (1933-41).

RThought: Flower stands operated by Korean handicapped (as candy and soft-drink stands in many state and public U.S. buildings are often operated by the blind) will be of multiple benefit. They will:

1. Help the handicapped to become self-sufficient and make them feel useful and welcome as a part of society;
2. Help the horticulture industry (although in the U.S. it has been helped by the addition of flowers and plants to the offering of supermarkets, drug stores, etc.);
3. Cause the purchaser of the flowers feel especially good by making such a purchase; and
4. Brighten the recipient's day!

RThought: Since I was a child, 70 years ago, San Francisco has had sidewalk flower stands in the Union Square area (and, today, in the Financial District). As I recall, *National Geographic* magazine often featured photos of these picturesque amenities in articles on San Francisco.

WHAT RETAILERS CAN LEARN FROM INTEL, PENTIUM, ANDREW GROVE AND THE LAW

For a week or two, Intel Corporation and Andrew Grove, its chief executive officer, must have thought their success elevated them above the law. Both must have thought they were the parties who had the right to decide whether or not they could pawn off on the public an imperfect chip in the heart of computers costing thousands of dollars, just because they were Intel and Grove.

It seems obvious to me that Grove did not consult his legal department; he apparently believed that the law had nothingto do with the furor raised because the Pentium chip sometimes made a "little" error in division: the public should be as happy with the Pentium chip as they were with the 286, 386, and 486 chips, which, apparently, divide accurately.

Had Grove consulted an attorney, the attorney could have pointed to Paragraph 2314 of the Uniform Commercial Code as adopted in California (each state may have slightly different numbering).

<u>2314. Implied Warranty; Merchantability; Usage in Trade.</u>

(1) Unless excluded or modified (Section 2316), a warranty that the goods shall be merchantable is implied in a contract for their sale if the seller is a merchant with respect to goods of that kind. Under this section, the serving, for value, of food or drink to be consumed either on premises or elsewhere is a sale.

(2) Goods to be merchantable must be at least such as:

(a) Pass without objection in the trade under the contract description;

(b) In the case of fungible goods, are of fair average quality within the description;

(c) Are fit for the ordinary purposes for which such goods are used;

(d) Run, within the variations permitted by the agreement, of even kind, quality and quantity within each unit and among all units involved;

(e) Are adequately contained, packaged, and labeled as the agreement may require; *and*

(f) Conform to the promises or affirmations of fact made on the container or label, if any.

(3) Unless excluded or modified (Section 2316) other implied warranties may arise in the course of dealing or usage of trade.

The purchasers of computers using the Pentium chip were not told that division of numbers may not be accurate. If this warning had been included on the documents in the transactions involving the sale of the Pentium chip to the manufacturers of the computers, carried forth in the sale of the computers to the resellers and, in turn, in the sale of the computers to the ultimate purchasers, then the Pentium chip was up to that standard and Grove and Intel did have something to decide.

But if the commercial standard for such chips was set by the 286, the 386, and the 486, all of which were made by Intel and which, apparently, divide accurately, then Intel and Grove had little choice but to replace the chips upon request.

In this case, the code did what it was designed to do: set out the rules for this exact situation. A legal claim under the code does not have to be supported by precedence based upon case law: one can claim damage because the state law dictates that, unless modified, there is an *implied* warranty of merchantability.

I am not a lawyer, but I believe a California court would hold for the claimant because the Pentium chip does *not* meet the standard of merchantability under Section 2314.

Even companies as large and as successful as Intel and executives as effective and as successful as Grove *are not above that law.*

I must assume that Intel has a legal department and that its attorneys have knowledge of the Uniform Commercial Code. Perhaps the sale documents did establish a standard within which the Pentium chip performed. I am surprised that nothing in the press mentioned provisions of the Uniform Commercial Code, either in favor of or against Grove and Intel.

RThought: Why do I dwell so long on this case? Because we all sell goods and, in doing so, we create an implied warranty. If we sell goods, whether home electronics, men's washable slacks, or something that says size 36 when it is a size 26, we are bound by an implied warranty. And there could be a judgment against us one day if we fail to conform to that implied warranty of merchantability.

Tylenol is an example of a judgment call. Johnson & Johnson's recall went beyond the lot number identified as having been tampered with to include *all* Tylenol products, regardless of lot number. But nowhere is there an implied warranty against tampering after an item is placed on the shelf. It is my belief that Tylenol would have been bound by implied warranty if the tampering had been done when the product was under the control of Johnson & Johnson, the manufacturer, or a supplier to same.

RThought: This may be a good time to have a chat with your attorney about the Uniform Commercial Code and its implied warranties. We sometimes think we have more power than the law gives us.

Late Note: Before any class action suit could be filed, Intel announced that it will replace any Pentium chip upon request. Despite this, Intel has continued to supply computer manufacturers with the faulty Pentium chip. Also, the press has reported that owners of the imperfect chip are experiencing "barriers" to "replacement upon request."

SHORT SHORTS

No wonder some companies have trouble with auditors. Have you ever noticed that the name is the same (Price Waterhouse, Ernst & Young, etc.) but the signature is always different? We wouldn't accept a credit card if the signature didn't match the one on file, so why would we accept an accountant's report with an unverified signature? **RThought:** I have long argued that the supervising partner should take personal responsibility for signing the report, as is required in many countries.

Fighting Toys "R" Us. A tab for KayBee Toy & Hobby Shop, carrying the slogan "Your Toy Store in the Mall," arrived on a rainy day. Most of the Toys "R" Us stores are in strip centers or stand alone. Some customers prefer to shop in the dryness and warmth of a million-square-foot mall. **RThought:** If you feel you have an advantage, tell your readers about it. Don't assume they will think of it.

Old-fashioned success. Robert F. Smith, who joined Vons Companies in 1961 as a box boy, was just named vice president of its Meat Division. Vons is presently a $5 billion-plus supermarket chain, the largest in Southern California and one of the 10 largest in the United States.

FEATURE REPORT

IS RETAILING PROPORTIONATELY REPRESENTED IN THE DOW JONES INDUSTRIAL AVERAGE?

The Dow Jones Industrial Average (DJIA) was created by Charles Dow, the first editor of *The Wall Street Journal*, before he went into partnership with a Mr. Jones to create Dow Jones & Company. The original DJIA index consisted of 11 stocks, of which only two were industrials, and nine were railroads. The list was expanded to 12 in 1884 (a tenth railroad); to 20 in 1916; and to the famous 30 is 1928. (There have been numerous replacements of individual stocks since then.)

At the time of the market crash in 1929, the DJIA consisted of the following stocks:

Allied Chemical
American Can
American Smelting
American Sugar
American Tobacco

Atlantic Refining
Bethlehem Steel
Chrysler Corporation
General Electric
General Motors

General Railway Signal
Goodrich
International Harvester
International Nickel
Mack Trucks

Nash Motors
North American
Paramount Publix
Postum
Radio Corporation

Sears, Roebuck (just starting to open retail stores)
Standard Oil - New Jersey (now Exxon)
Texas Corporation
Texas Gulf Sulfur
Union Carbide

U.S. Steel
Victor Talking Machine (now RCA)
Westinghouse Electric
Woolworth, F. W. (100% variety stores, including stores in England and Germany)
Wright Aeronautical

The average share price was $113.

The DJIA consisted mainly of raw material producers, with fewer than half being manufacturing companies.

Today, the DJIA consists of the following companies (the asterisk indicates that the company was included in the DJIA 1928 index, perhaps under another name):

Allied Signal
Alcoa
American Express
American Telephone & Telegraph
Bethlehem Steel*

Boeing
Caterpillar
Chevron
Coca-Cola
duPont

Eastman Kodak
Exxon*
General Electric*
General Motors*
Goodyear

International Business Machines
International Paper
J. P. Morgan
McDonald's
Merck

Minnesota Mining
Philip Morris
Procter & Gamble
Sears, Roebuck*
Texaco

Union Carbide*
United Technologies
Walt Disney
Westinghouse Electric
Woolworth Corporation*

Dow Jones & Company also publishes figures for industry groups, including five retail groups. The title of each group and representative companies are shown below:

Retailers, Apparel

The Gap
The Limited

Retailers, Broadline

May Department Stores
Wal★Mart

Retailers, Drug Based

Rite Aid
Walgreen

Retailers, Specialty

Circuit City
Home Depot

Retailers, Food

Albertson's
Winn-Dixie

RThought: In 1995, I believe there should be a representation in the DJIA from the two largest segments of retailing, as defined by Dow Jones & Company:

Retailers, Food

Retailers, Broadline*

*Until recently, Sears was more a financial company than a retail company.

Through the first 11 months of 1994, sales for different components of retailings were as follows:

Food	$334 billion
Broadline	167 billion
Apparel	82 billion
Drug based	67 billion
Specialty	186 billion

SINGLE PARENTS AND THE RETAILER

In 1993, 27% of families were single-parent families, usually only a mother and her child/children. Unfortunately, the percentage is increasing. In 1993, in another 58% of families, both parents were wage earners, leaving only 15% of the families as consisting of both parents but only one as a wage earner.

Senior retail management comes largely from the two-parent, single wage-earner group.

When a wage-earner parent spends time with his or her children, there is less tendency for a child to join a gang, drop out of school, rob, sell drugs, or become involved with other unlawful or antisocial activities which cause all of us growing concern.

As retailers, we employ about 20 million out of the national work force of about 125 million. Retailing probably employs the largest percentage of single, head-of-household females, yet few employers do much to assist their single-parent employees in rearing their children and in seeing that they complete high school, go on to higher education, resist the attractiveness of gangs, or take other action to help to rear productive members of society — who, hopefully, will become our customers!

There are many ways a retailer could help to provide a better family atmosphere. Some are small; some are major.

Let me start with a small one. The first day in school is probably the most frigthening day in the life of a child. One company I know lets the mother have paid time off to take her child to school on the first day and be together for the remainder of the day. Couldn't you do that? What percentage of your staff would be involved at any one time?

Many of us have stores in large shopping centers — 500,000, 750,000, or even over a million square feet — where 50 to 150 retailers employ thousands of people, many of which are single, head-of-household parents. Why don't we provide day-care centers (with the "day" extending into evening hours)? Imagine how relieved your employees would be knowing that their children are well cared for and nearby in case of a problem. A care center would also relieve the pressure on employees from taking their children to outside day-care centers, perhaps at a remote location, and then getting themselves to work on time. In addition, a parent could join his or her child for meals.

Where can the day center be located? If no place else, how about the roof! Such an addition should be relatively inexpensive and probably cheaper than a free-standing building.

Since we employ many single parents on a part-time basis, we could arrange their hours so that the parent can drop off the child at school on the way to work and pick up the child when school lets out. Mary King, one of the "associates" in Robert Kahn and Associates, is on such a schedule: she works from 9:30 A.M. to 3:30 P.M. In case of an emergency, the school can call the office and she can be at the school within a few minutes. This arrangement works very well. (There have been no problems in more than a year, so interruptions are less of a problem than having the electricity go off!)

With a large center, it may even be possible to have a school on the premises for the workers' children.

RThought: Collectively, how many children might we help to avoid a life of crime, gangs, and drugs and, by so doing, help our employees to be supportive of their children? The number of high school dropouts might diminish by 500,000 — even 50,000 a year fewer would be a step forward!

RThought: Can you imagine what may come out of a brainstorming session with your associates?

The first step is a big one: *accepting part of the responsibility for rearing the children of our employees.*

If I have to raise a mercenary point to get you interested, don't you believe that you would have your choice of workers if you put some of these ideas into operation? You would attract individuals who would sincerely want to provide your customers with the kind of service you know is needed to make you successful. Try it. You'll like it. And then let me know what you've done and I'll pass it on.

RETAILING TODAY'S SHOPPERS

Lynn Hiden is another of the four associates in Robert Kahn and Associates. Lynn and the other associates are competent shoppers who have had experiences which are examples of the kind of retailing we say does *not* happen in our stores.

The incident in this case took place at the Emporium store in the Broadway Plaza, Walnut Creek, California. (Emporium is a division of the multibillion dollar Broadway Stores.)

While Christmas shopping, Lynn spotted an attractive silver candy dish with reindeer heads for handles. When it was priced at $20, she had other things on her mind; but she later passed by and saw the dish for sale at 50% off. She bought one for $10. When she returned home, she removed the sticker price before wrapping the gift. Underneath the ticket, she found a smaller sticker price marked $14.99.

She believes such pricing to be dishonest: instead of buying something worth $20 at 50% off, she got something worth $15 at 33% off.

What do you think?

Letters are welcomed and will be shared with my associates — and sometimes with my readers.

WHERE IS INTERACTIVE RETAILING?

In January 1994, the buzz words were "interactive retailing." Spiegel held a special session at the 1994 National Retail Federation Convention on its plan for an interactive television shopping center, with Spiegel and Eddie Bauer to be located at one end and Neiman-Marcus at the other. When I asked what "interactive" meant, because nothing was said about how customers could interact, a Spiegel executive replied, "An 800 telephone number!"

Through the courtesy of *Women's Wear Daily,* December 14, 1994, I can give you the following roundup:

Catalog I, the Spiegel dream of the future, was launched with Spiegel, Eddie Bauer, Neiman-Marcus, Crate & Barrel, Williams-Sonoma, The Sharper Image, The Nature Company, The Bombay Company, and Viewer's Edge. It is not doing well; thus, it is "repositioning."

Q2, QVC's life-style network, was merged with a different QVC television channel. In another development, QVC launched a home-shopping channel in Great Britain in October 1994 which is not performing up to expectations. It is receiving 5,000-6,000 calls per week out of which there are about 4,000 orders. Annualized sales are under $10 million. Retailers are not rushing for a place on the channel due to the high cost and the few homes (3 million) reached.

TV Macy, announced as a 24-hour-a-day channel, has been reduced to zero hours per day, following the merger with Federated Department Stores (but Macy's, at least, is out of Chapter 11).

As reported here earlier, Fingerhut's S: The Shopping Channel has been abandoned with a major write off.

RThought: In view of the above, it appears that interactive retailing will have to wait a while.

COMPARATIVE PAY OF RETAIL EXECUTIVES

Boardroom Reports (55 Railroad Avenue, Greenwich, CT 06830; $49/yr.), January 15, 1995, interviewed compensation guru Graef Crystal, who publishes *The Crystal Report on Compensation* (5 Verbena Court, San Rafael, CA 94903; $495/yr.) and who came up with the "40 Most Overpaid CEOs" and the "40 Most Underpaid CEOs" in America. Crystal showed his rating of CEOs and their companies based on size, performance, and sensitivity, as well as their actual pay and the competitive pay for similar performance.

Retail's Most Overpaid CEOs

Rank	Company	CEO	Size	Perfor-mance	Sensi-tivity	Actual (000)	Competi-tive (000)
4	Toys "R" Us	Lazarus	85	47	79	$100,779	$19,545
9	Blockbuster	Huizenga	56	99	97	110,345	52,382
22	Charming Shoppes	Wachs	19	23	88	29,589	9,660
31	Pep Boys	Leibovitz	21	87	89	28,619	16,584

Retail's Most Underpaid CEOs

Rank	Company	CEO	Size	Perfor-mance	Sensi-tivity	Actual (000)	Competi-tive (000)
2	Home Depot	Marcus	79	98	98	$ 7,519	$54,397
7	Wal★Mart	Glass	100	57	83	9,540	39,445
8	The Gap	Fisher	51	95	99	6,197	34,296
9	Lowe's	Herring	51	97	81	3,265	30,308
11	Winn-Dixie	Davis	76	80	90	2,618	25,539
16	Sears, Roebuck	Brennan	99	83	71	23,989	38,468
32	Giant Food	Cohen	42	34	86	3,948	13,024
34	The Limited	Wexner	81	8	99	8,004	16,977

The findings were based on a study of 350 chief executive officers, using data provided by Standard & Poor's Compustat for the past three years and the performance of their companies for the same period.

The average compensation for the 350 CEOs was $12.9 million. Based upon Crystal's calculation, all of the 50 highest paid CEOs were overpaid. The three factors used were:

1. Size (absolute dollar revenues)
2. Performance (return on equity)
3. Sensitivity (compensation in relation to change in shareholder's stock value)

RThought: Four, or 10%, of the 40 most overpaid CEOs and eight, or 20%, of the 40 most underpaid CEOs are from retail firms.

RThought: The Internal Revenue Service is taking steps to impose a penalty on companies providing excess compensation, such as to Michael Eisner of Walt Disney Company who received $344 million for 1993, by not allowing a deduction for corporate income tax purposes for any amount over $1 million, *unless* that amount is reasonably related to the performance under an incentive-bonus arrangement.

SHORT SHORT

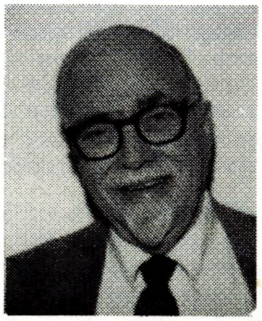
The Nilson Report (300 Esplanade Drive, Suite 1790, Oxnard, CA 93030; $695/yr.; fax 805-983-0792) contained an item stating that Lerner Stores (part of The Limited) has agreed that certain California customers using major credit cards will receive a 15% discount coupon in compensation for a violation of California law. Lerner's credit-card sales forms included a blank space for recording the cardholder's telephone number. Although Lerner's discontinued the use of these forms in November 1993, all of the forms already in use were in violation of California law. **RThought:** Don't major retailers know the local laws? The Limited has many chains in many states. Surely, somewhere, there must have been knowledge of this provision of the California law. If so, that knowledge apparently did not reach all subsidiaries of The Limited.

RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON (Unadjusted $ millions)

SIC Code	Category	OCTOBER 1994	OCTOBER 1993	Percentage Change	Year to Date Ten Months 1994	Year to Date Ten Months 1994	Percentage Change
52	*Bldg Matl Group	$ 11,612	$ 10,401	+11.6%	$ 108,683	$ 96,300	+12.9%
57	*Furniture Group	10,966	9,561	+ 14.7	100,516	89,127	+12.8
571	Furniture Stores	5,432	4,961	+ 9.5	50,092	46,395	+ 8.0
572	Appl, TV, Radio Stores	4,528	3,722	+21.7	40,921	34,363	+19.1
5941	*Sporting Goods Stores	1,539	1,390	+ 10.7	17,095	14,824	+15.3
5942	*Book Stores	669	652	+ 2.6	7,449	7,051	+ 5.6
5944	*Jewelry Stores	1,208	1,188	+ 1.7	11,156	10,978	+ 1.6
531Pt	Conventional Dept Stores	4,516	4,365	+ 3.5	39,372	38,036	+ 3.5
531Pt	Natl Chain Dept Stores	3,436	3,278	+ 4.8	30,230	28,583	+ 5.8
	Subtotal	7,952	7,643	+ 4.0	69,602	66,619	+ 4.4
531Pt	Discount Stores	10,907	10,009	+ 9.0	97,677	87,589	+11.5
531	*Department Stores	18,859	17,652	+ 6.8	167,279	154,208	+ 8.5
539	*Misc General Mdse Stores	5,071	4,896	+ 3.6	46,353	44,923	+ 3.2
541	*Grocery Stores	31,844	31,062	+ 2.5	315,198	306,224	+ 2.9
56	*Apparel Stores	9,098	8,944	+ 1.7	82,276	81,610	+ 0.8
561	Men's & Boys' Stores	852	716	+ 19.0	7,355	6,221	+18.2
562,3,8	Women's Stores	3,122	3,318	- 5.9	28,734	30,913	- 7.0
565	Family Clothing Stores	3,019	2,851	+ 5.9	25,642	24,119	+ 6.3
566	Shoe Stores	1,406	1,395	+ 0.8	14,202	14,202	-0-
591	*Drug Stores	6,839	6,578	+ 4.0	67,299	65,440	+ 2.8
596	*Nonstore Retail	4,937	4,560	+ 8.3	41,505	39,529	+ 5.0
5961	Mail Order	3,016	2,700	+ 11.7	24,951	21,899	+13.9
	**Retailing Today* Total Store Retailing†	102,642	96,884	+ 5.9	964,809	910,214	+ 6.0
	**GAF TOTAL	50,080	46,801	+ 7.0	454,957	425,598	+ 6.9

†Excludes car dealers, auto supply stores, eating and drinking places, service stations and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**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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THE EMPLOYER AND THE RESERVE/NATIONAL GUARD

Retailers, like all employers, have faced the federal government's call of employees into military service. During World War II and Korea, large numbers, with no connection to the uniformed services, were subject to the draft; relatively few were members of the organized reserve or guards. (Reserves were not called during the Vietnam "affair.")

During the Persian Gulf War, there was no draft. However, many thousands of the uniformed reserve, National Guard, and Air Guard were called to active duty. World War II, Korea, Vietnam, and the Gulf War all had one aspect in common: the event called for immediate action of a nature for which the uniformed services could not have anticipated or planned.

Retailers, like all employers, have reservists/guardsmen in their employ and usually make accommodations to allow these employees to participate in their weekend duty and/or two-week summer training programs.

In 1994, the U.S. Congress passed the Employment and Reemployment Rights of Members of the Uniformed Services Act which became Chapter 43, Title 38, of the United States Code.

We have all been aware of the reemployment rights of reservists/guardsmen/draftees when they are released from active service. But I doubt many of us are familiar with Paragraph 4311 of the new law which reads:

> **(a) a person who is a member of, applies to be a member of, performs, has performed, *applies* to perform, or has an obligation to perform service in a uniformed service shall not be denied *initial employment*, reemployment, retention in employment, promotion or any benefit of employment by an employer on the basis of that membership, *application* for membership, performance of service, application for service, or obligation.** [Emphasis added.]
>
> **(b) An employer shall be considered to have denied a person *initial employment*, reemployment, retention in employment, promotion or a benefit of employment in violation of this section if the person's membership, *application* for membership, service, application for service, or obligation for service in the uniformed services *is a motivating factor in the employer's action unless the employer can prove that the action would have been taken in the absence* of such membership, *application* for membership, performance of service, application for service, or obligation.** [Emphasis added.]

The above means, for example, that if an applicant for a job says that he or she has an obligation for two weeks of training each year for a certain number of years at a time not determined by the applicant, you, as an employer, cannot consider that factor when determining whether or not to employ or promote the applicant.

Continued

I ABHOR WHAT IS HAPPENING IN CHARITABLE ORGANIZATIONS

My wife and I have a wide range of interests. As a result, we make contributions to about 125 organizations. When we make such a contribution, it is recorded by one of my associates on a 3 by 5 index card. Some of these cards go back more than 20 years. Each entry shows the date, amount, and whether it is a special or annual contribution.

In recent months, I have found an unusual number of organizations to be acknowledging a gift of *under* $250, a practice which has been fostered by changes in Internal Revenue Service regulations which now require a receipt for contributions of *more* than $250, together with a statement that the recipient did not provide service or goods in return. In most cases, the receipt is accompanied by a sad tale asking for a special, additional contribution. Even worse are the organizations which have, without authorization, converted my voluntary contribution to a *membership!*

I have written several organizations saying that if I haven't the right to vote for the directors and officers I am not a "member" and that I resent being called "member" rather than "contributor." When my contribution is handled in such a manner, all "charitable" feeling is negated.

Organizations appear to be requesting additional contributions from two to five times a year. I have marked many of these cards "No more contributions." One contribution a year should be enough. Some organizations now calling me "member" are dunning me with bold red imprints on the envelope reading "Second Notice" or even "Final Notice." Their cards, too, get marked "No more contributions."

For more than 10 years, I have contributed to what was originally called "Friends of the San Francisco Symphony" but later called "San Francisco Symphony Annual Fund." I usually receive a letter from the president, but I received a note just the other day signed by the membership manager, which began:

> **Dear Mr. and Mrs. Kahn,**
>
> **I am writing out of concern that your *Membership renewal* for the 1994-95 season is falling behind....**

I had already spent more than a thousand dollars for season tickets!

RThought: I wrote the president, telling her of my reaction. The savings from all of these "No more contribution" cards mean that Patty and I will have more money for ourselves or to contribute to more appreciative and less greedy organizations.

These organizations must believe that their professional fund-raisers are making progress. They forget that their targets, I being one, tell many people about their nasty habits and our response.

RThought: I doubt that I am much different in my attitude toward greedy organizations from our customers in their attitudes toward us when we don't provide the service they desire, expect, and are entitled.

The law was passed in 1994, but it appears to me that those who voted for the law did not know what the uniformed services appear to have had in mind.

In late 1994, just months after the act became law, the uniformed services announced that in order to reduce the physical drain and the damage done to the family structure of career members of the uniformed services caused by the many months spent on duty outside of the United States without their families, overseas time for regulars would be greatly reduced.

In order to fulfill obligations outside of the United States, the uniformed services would call upon the reserve or National Guard units for periods from *four to six months* of overseas duty. Put another way, in order to pamper those who elected a career in the uniformed services (which involves overseas duty), the services will disrupt the lives of reservists and guardsmen, while employers will have to fill these positions with temporary persons who will, in turn, be displaced upon the return of the reservist or guardsman.

RThought: Benefited by hindsight and analysis of the law's wording, I suspect that it was proposed by the military with full knowledge that the services planned to disrupt the lives of reservists and guardsmen and their employers. To my knowlege, the military failed to disclose its intent when proposing the law.

RThought: I would suggest that your People, Personnel, or Human Resource Department become familiar with the Employment and Reemployment Rights of Members of the Uniformed Services Act of 1994.

RThought: Those who have been *RT* readers for some time know of my military career. I was not yet 21 when I graduated from college; therefore, I received a Certificate of Eligibility as a Second Lieutenant Field Artillery, which was converted to a commission in 1939. I served two tours of active duty totaling more than six years and have been retired from the Air Force for 16 years. In recent years, I have served as a volunteer consultant to the Commander of the Army and Air Force Exchange Service. You must understand how much it distresses me to have to bring such a law to your attention, together with my conviction that it was something which was deliberately slipped through without revelation of the real purpose to which it would be applied.

Late Note: The January 1995 issue of *The Officer* reported that the U.S. Army activated the 4th Battalion, 505th Parachute Infantry Regiment, 82nd Airborne Division, composed of active, guard, and reserve "volunteers," to be deployed for six months in the Sinai Desert as part of the implementation of the 1979 Camp David Peace Accord. These volunteers are protected by the Employment and Reemployment Rights of Members of the Uniformed Services Act.

EXPLODING THE WELFARE MYTH

We, as conversing, responsible citizens, always have a choice: repeat a fact or repeat a fiction.

Below are facts pertinent to welfare which have been assembled by the Institute for Women's Policy Research from the government's Survey of Income and Program Participation from 1984 to 1989 and from earlier and later surveys.

1. In 1989, only 14% of able-bodied women on welfare were *not* in school, working, or looking for work.
2. Forty-three percent of single mothers who received welfare during a two-year period were also employed more than 300 hours, earning an average of $4,304, which was combined with federal assistance of $3,674. Many would have worked more had the government permitted it.
3. In 1992, only *63%* of all single mothers on welfare were receiving Aid for Dependent Children, compared to *79%* in 1972.

The breakdown on welfare mothers from 1984 through 1989 was as follows:

- 30% were job seekers, looking for work and/or working limited hours.
- 23% were "cyclers" between work and welfare, using welfare when they lost their jobs.
- 20% combined work and supplemental welfare.
- 14% were welfare reliant (not working and not looking for work).
- 6% were welfare-reliant but in school.

RThought: Will you accept these facts on welfare mothers? Or do you still prefer to repeat some undocumented remark from a radio or television talk show? Do we ask for documentation? Or do we just believe the worst about people who are in unfortunate straits?

THE NAD IN ACTION

The November 1994 report of cases before the National Advertising Division (NAD) of the Better Business Bureau, Inc., dealt with a series of "Total Body Reshaping Systems."

The first case involved Johnson & Collins Research, Inc. (note the fancy name), which made such claims as:

> **Now you can have...**
> **Firmer, shapelier legs and hips,**
> **A smaller, tighter waist and a fuller,**
> **Prettier bust...all in 2 weeks or your**
> **Money back.**

Johnson & Collins claimed that its method had been named "Best Teen Body Improver" and proceeded with more claims without supporting documentation.

The second case involved Pergamon International, Inc., and Dr. James' Weight Loss Method. It made more than 50 claims, such as:

> **A different, revolutionary method. Works like nothing else. The best chance of successfully dealing with a weight problem.**
>
> **An herbal method that changes and improves important metabolic functions/increases metabolic rate.**

The third case involved "The Body Maker Program for Weight Loss." One headline read:

> **"Now you can have a firm, foxy, thinner body...in just 2 weeks! The body you've always wanted!**

RThought: As I noted the lack of proof, testing, or even substantive, anecdotal evidence, I had the uncomfortable feeling that these three systems were offering as much evidence in their own behalf as do many retailers when it comes to our "regular," "original," or "former" prices.

SAME-STORE SALES: A RUBBER YARDSTICK

More and more writers, analysts, and retailers are worshipping at the shrine of "same-store sales." They proclaim from on high that this measure is the only true measure of whether or not a retail company is making progress.

Let me cite an example from *The Wall Street Journal* of January 4, 1994, from a story about Toys "R" Us, whose only major U.S. competitors are Wal★Mart and Kmart. (Except for KayBee Toy & Hobby Shops, all significant toy chains are gone.)

The staff reporter wrote, "Same-store sales — sales of stores open for more than a year — grew only 1%, less than the 4% increase some analysts had expected and much less than increases of 7% or higher that the company [Toys "R" Us] posted the three previous holiday selling seasons." Unfortunately, the reporter did not define "same-store sales" other than giving a simplistic definition of "stores open for more than a year."

Several years ago, the National Retail Federation asked companies what they considered a "same store" and found the following in one or more reporting companies:

1. A store at the same address but enlarged, perhaps, by 40%, 50%, or more.
2. A store in a mall moved to a new location in the same mall but, perhaps, twice or more in size.
3. A 40,000-square-foot store in a small town replaced by a new store of 100,000 square feet.
4. A store previously open six days a week but now open seven days.

These variations hint at the problems with same-store sales comparisons as reported by companies attempting to satisfy the analysts and a market's appetite for higher and higher figures.

Now, let's deal with some other problems. My examples will incorporate some unlikely assumptions, but they will illustrate situations to which we can all relate.

A company has five stores, all of about the same size, with the following increases in sales percentages from 1989 to 1994:

Store No.	1989	1990	1991	1992	1993	1994
1	+ 5%	+ 5%	+ 5%	+ 5%	+ 5%	+ 5%
2	+ 5	+ 5	+ 5	+ 5	+ 5	+ 5
3	+ 5	+ 5	+ 5	+ 5	+ 5	+ 5
4	+ 5	+ 5	+ 5	+ 5	+ 5	+ 5
5	+20	+20	+20	+20	+20	*
Same-store Increase	+ 8%	+ 8%	+ 8%	+ 8%	+ 8%	+ 5%

*Replaced, because sales per square foot were too high and customers were "crowded."

Our naive *Wall Street Journal* reporter would probably write that after five years of showing a same-store increase of 8% the company's same-store sales fell in 1994 to 5%. The reporter wouldn't have understood that four of the stores grew at the same rate but that the fastest growing store was no longer on the same-store list because it had been replaced.

Let's take another situation. Base Company has Stores 1, 2, 3, and 4, all increasing nicely at 5% every year, but management is informed that Competitor X is scouting the town for a location. Base Company's management figures: If Competitor X opens a store, it (1) will take some of its volume and (2) may start a price war — and there goes the gross margin. The Strategy Committee comes to a sound conclusion: Why not build a fifth store? By doing so, Base Company will probably keep Competitor X out. Sales of Stores 1, 2, 3, and 4 would drop, but Base Company will still enjoy 100% of the market — and preclude a price war.

If the new store takes 12% of the volume of Stores 1, 2, 3, and 4, the other 52% of Store 5's volume will be new volume. Unfortunately, our stellar *Wall Street Journal* reporter would likely point to the decline of same-store sales from +5% to -7%. To indicate his or her retailing expertise, the reporter would likely depict a company past its peak, having hit the wall, and doomed to further decline.

Now, let's look at another example of two competing companies. It is reported that Company A finally is showing an 8% same-store sales increase, while its mortal enemy, Company B, is showing only 6%. Our *Wall Street Journal* reporter would most likely laud Company A over Company B.

But what if Company A started out with sales per square foot of $150, a measure that is seldom reported by the stores and, thus, not usually used by the analysts, while Company B started with sales per square foot of $300?

Let's assume that the 8% and 6%, respectively, continue for five years. Here are *sales per square foot* for each store for the five years.

	Company A	Company B
Base sales/square feet	$150	$300
Year 1	162	318
Year 2	175	337
Year 3	189	357
Year 4	204	379
Year 5	220	401

With the information presented in this way, is there any basis for saying Company A is doing better than Company B?

Let me point out that Company B, with its 6% same-store increase, added more dollars per square foot every year than did Company A with its 8% growth. In the first year, the company with the lower same-store sales growth added $18 versus $12 per square foot; in the fifth year, it added $22 versus $16.

RThought: Wouldn't stockholders prefer the store with a 6% growth but a higher sales per square foot as compared to the store with an 8% growth?

RThought: Let me offer a guideline: When no one challenges a statistical yardstick, it is probably a yardstick that no one fully understands. When we allow the press or analysts to pawn off on us some new measure as a substitute for return on equity, be careful. It may not measure what it is purported to measure.

I hope that you will remember these major fallacies in same-store sales figures. Ask yourself, from what you know of the company, does it have a pattern of replacing rapid growth stores with larger stores? Remember that the new stores are not included in the same-store comparison figures until they have been open a year. Perhaps, in the year the store is not included in the comparison, it will increase the company's market share by 40% or 50%! This fact will be hidden if the comparison is restricted to same-store sales.

Second, always look for cannibalization as a reason for small or negative same-store sales. I know merchants who, when asked what percentage of Market X they are shooting for, will immediately reply, "All. Or more, if possible!"

FEATURE REPORT

THERE COMES AN END TO ALL CHARADES

On January 26, 1995, *The Wall Street Journal* headlined:

**SafeCard Services, Inc.
Charge of $43.2 Million
Recorded for December 31 Period**

SafeCard, started by Peter and Steven Halmos, invented the credit-card loss-notification business. It sold the idea to issuers of credit cards who then sold the service to their credit card owners (for which they received a commission). SafeCard began with a one-year enrollment and made so much money that it quickly moved to a three-year enrollment with a savings to cardholders. The savings to SafeCard was even greater because vitually all of its expense was in the initial enrollment. The second and third years incurred virtually no administrative expense, and the cost of serving enrollees who had cards lost or stolen was minimal.

At that time, I thought the Halmos brothers were playing games with their accounting system and said so in an issue of *RT*. This angered them, and they filed a suit against me — the only one in almost 30 years. My defense was the truth, and the suit was withdrawn on the basis of my original offer, an offer which I had made before the suit was filed: to print a correction of *any error I had made.* I made one small correction: I placed it, as I always do, at the top of the left-hand column on the first page, the most prominent location in my newsletter.

I found out several things in the process of their anger with me. First, I was in good company. They loathed columnist Dan Dorfman; they were suing him, too. At the time, I was appreciative of Dan for providing me with information.

I found that their attorney was Hugo Black, Jr., the son of the former U.S. Supreme Court justice. My Florida attorney advised me that it was common gossip within the Florida Bar Association that Black had struck a gold mine when he was retained by the Halmos brothers.

I also learned something about friends. One of my statements was a factually correct one which involved the company then known as Carter Hawley Hale (now Broadway Stores). Black wanted to interrogate CHH, so Phil Hawley was kind enough to arrange such a meeting. However, Black didn't want to make the trip to Los Angeles, so he had his son, Hugh Black, III, a young attorney in Los Angeles, represent him. Black, III, arrived with a list of questions; and when the interrogation was completed, he stated that he wanted a routine entry indicating that the witnesses would be available for further questioning. Counsel for CHH objected, pointing out that they were required to make the witnesses available only once and that they would not be available again. I suspect that Black, III, ended up in disfavor with his father.

Let me return to SafeCard and its methods.

When the Halmos brothers began their business, they wrote off over two years the cost of acquiring new subscribers. When it looked like profit growth was slowing, they started amortizing the cost over three years. Since acquiring subscribers was their largest single cost, the change from two years to three years immediately boosted profits.

In my SafeCard Services file is a photocopy of a section from Roy A. Foulke's Practical Financial Statement Analysis, Fourth Edition, 1957. Foulke was the man who developed the financial-statement analysis used by Dun & Bradstreet. Through his methods of analysis, Dun & Bradstreet grew to the service organization it is today.

Foulke's book contains a section on "intangible assets" which points out that intangible assets are not available for the payment of debts of a going business.

My file also contains many articles about SafeCard, articles from *Financial World*, *The Unlisted Market Guide*, Arnhold and S. Bleichroeder, *OTC Review*, *Miami Herald*, *Forbes*, and *Broward Review*. None mention the growing amount of intangibles.

By 1989, SafeCard was amortizing over 10 years the cost of getting two-year subscriptions. By 1992, the Halmos brothers had left the company and their million-dollar positions.

The recent *Wall Street Journal* article regarding the $43.2 million write-off stated that the cost of acquiring the subscriptions was amortized "over periods as long as 12 years"!

RThought: So much for GAAP (Generally Accepted Accounting Principles)!

SHORT SHORTS

Neiman-Marcus Group pays $85,000 for violating a rule that has been on the books, with only a few modifications, since 1985. The rule states that mail-order merchants must ship merchandise ordered by mail or phone within the time set in the ad; if no time is set, shipment must be within 30 days. The merchant must also notify the customer about any delay and offer the customer the *option* of agreeing to the delay or canceling the order. The FTC said that in numerous instances since 1991, when Neiman-Marcus was unable to ship within the applicable time, it failed to offer customers the options; even worse, it failed to notify the customer that if he or she did not reply Neiman-Marcus considered the customer's failure to act as a consent to the delay set forth in the notice. **RThought:** There really is no excuse for this behavior. Hundreds of mail-order firms know and comply with this order with very little difficulty. Why not Neiman-Marcus?

Compliments emanate from strange sources. A mailing from Garden State Life Insurance Company offered me a bargain rate for being a nonsmoker (which I am) if I am 70 years old or younger (which I am not). **RThought:** Is this an example of "targeted marketing" which has missed its target?

The changing world in college bookstores: The Stanford Bookstore in 1993 had sales of the following items:

Computers	6,000
Typewriters	-0-
Typewriter ribbons	100
Computer printers	1,000

RThought: Sixty years ago, when I was a customer of that very store, the only machines sold were mechanical typewriters. I wonder what the store will be selling 60 years from now!

DOOMSDAY FORECASTS

DM News, the trade paper of the direct-marketing industry, otherwise known as the mail-order business, recently ran an article headlined "Higher Postage Rates Could Maim Industry." The article stated that if the postal rates were increased *more than 10.3%*, "the direct-marketing industry would lose jobs, see its profit margins decline, and make less contribution to the nation's gross domestic product." The United Parcel Service, perhaps in a ploy to increase its own rates to match the postal service increase, and the Major Mailers Association want a 20% increase in third-class postal rates!

The article appeared in a September issue of *DM News*, before the Republican sweep and the appearance of the "Contract on America."

More recently, ***Hotline***, the newsletter of the Newsletter Publishers Association, reported that the Republicans want another increase in postal rates this year. The 29-cent stamp, now replaced by the 32-cent stamp, may be replaced by a 35- or 36-cent stamp!

The Republicans are proposing that the U.S. Postal Service should *prepay* postal workers' health-care costs — between $11.6 billion and $13 billion — thus prepaying expenses not yet incurred. Collecting in advance would put more into the government's income account than is currently being spent, thereby reducing the deficit and helping to fund a tax decrease.

But who would pay for the 36-cent stamp? The taxpayer, of course, which naturally includes businesses.

RThought: It will be fun watching the "Contract *on* America" as details for this so-called type of "deficit reduction" are put forth. This second postal increase would greatly exceed the 10.3% increase which *DM News* predicted would trigger job losses, "maim" the mail-order business, seriously damage our gross domestic product, and cut profits (and taxes paid) by the industry.

A MORE SERIOUS SEARCH FOR SKELETONS

CFO magazine (January 1995) reported that the Securities and Exchange Commission (SEC) is changing the disclosure rules for corporate directors, executive officers, and some shareholders. The changes deal with criminal and civil proceedings. The present five-year look-back will become 10 years. No longer will corporations be allowed to omit incidents because the corporation considers them not likely to affect future performance. The new theory: Let the *shareholders* decide whether they think the offenses are material.

One of the partners in the law firm of Skadden, Arps, Slate, Heagher & Flom points out that this change in the rules will make a material difference in the selection of senior officers and directors.

What company wants to disclose prior unethical, though not criminal, errors? Rather than list such directors or senior officers in the annual proxy statement, it would be better to replace them. The partner of the law firm also fears that many talented people will be excluded from positions as officers and/or directors.

RThought: We are all responsible for our own acts and must, at some time, publicly accept responsibility for that conduct.

RThought: With time, I suspect the SEC will more precisely define "disclosable conduct." When it does, will such conduct include not paying Social Security on an illegal immigrant employed as domestic help? It certainly disqualified a number of appointees in the Clinton administration!

HOW DOES THE PUBLIC RATE CHARITABLE CAUSES?

The top five causes in each of the following categories were published in *The Chronicle of Philanthropy* (P. O. Box 1989, Marion, OH 43305-1989; $67.50/yr.), December 13, 1994:

Best Liked	Most Opposed
Mothers Against Drunk Driving	National Rifle Assoc.
Ronald MacDonald House	Billy Graham Evangelistic Assoc.
American Red Cross	American Civil Liberties Union
Salvation Army	National Assoc. of Colored People
American Heart Assoc.	Christian Broadcasting Network

Most Credible	Least Credible
Special Olympics	Billy Graham Evangelistic Assoc.
Girl Scouts	American Civil Liberties Union
Mothers Against Drunk Driving	National Rifle Assoc.
Boy Scouts	National Christian Network
Ronald MacDonald House	National Assoc. of Colored People

Most Frequently Contributed to	Never Contributed to
Salvation Army	National Assoc. of Colored People
American Cancer Society	American Civil Liberties Union
American Red Cross	Billy Graham Evangelistic Assoc.
Goodwill Industries	Council of Better Business Bureaus
Girl Scouts	United Negro College Fund

RThought: Do these rankings surprise you? They surprised me.

The National Rifle Association may be the organization most opposed and the third least credible, but it surely frightens our legislators, especially the Republicans. If your Senate/Congress representative follows the NRA, you might send him or her a copy of this article.

The American Heart Association is rated under Best Liked, but the American Cancer Society is contributed to more frequently.

The largest *effort* affecting public feeling toward many charitable causes is the United Way. It was rated as follows:

Best liked	19
Most opposed	7
Most credible	*
Least credible	7
Most frequently contributed to	6
Never donated to	*

*Not in top 20.

I am surprised by the United Way's ratings. Without the United Way, best liked or most credible agencies (Girl Scouts, Boy Scouts, Salvation Army, American Cancer Society, American Heart Association, Camp Fire Boys and Girls, and Goodwill Industries) would be seriously hurt in many communities.

SHORT SHORTS

Compliments to Kmart! In 1974, Kmart began a program of seeking out suppliers which were owned by women or people from minority ethnic groups. The company recently announced that in 1994, just 20 years later, total purchases from these suppliers has surpased $1 billion! **RThought:** Many such suppliers were small but good resources when they first attracted Kmart. Over the years, Joe Antonini has been active in the trade associations of minority-owned firms. I am certain that Kmart is considered a special customer and that the suppliers pay special attention to Kmart's needs. Every retailer, small to large, could buy more from minority-owned firms. To do so would extend the democracy of our political structure to our economic structure. Again, congratulations to Kmart and Mr. Antonini.

It is hard to admit a mistake. The published story of individual stores, new chains of stores, or new catalog companies which are liquidated, go into a Chapter 11, or a Chapter 7 proceeding often carry these words of excuse from the founder and/or chief executive officer: "We were underfinanced." Somehow, blame is placed upon the investors. I have never seen the statement, "The idea was not as good as I had thought it was," or, "I didn't manage it as well as I should have." **RThought:** Let's have more forthright statements from failed businesses.

Unhappiness in Canada. The following appeared in the *Montreal Gazette*, January 31, 1995: "Under the socialist system, if I have two cows, I have to give one to my neighbor. Under the communist system, the government takes both cows and gives me a note. Under the capitalist system, I sell one cow and buy a bull. Under the Canadian system, the government buys both cows, shoots one, milks the other, and pays me not to raise feed for the other cow." **RThought:** I would observe that under the American system the government buys the milk at a high price and then gives the milk to a needy nation. Prices then increase as a reflection of domestic shortage.

A silly statement: As Grand Union Company, operator of 236 supermarkets in the Northeast, filed for Chapter 11, nonexecutive chairman Gary Hirsch said, "Operationally, the company continues to do well. It just has too much debt." Of course, he didn't mention a negative net worth of $645 million (22% of sales) which had increased 26% during the year. **RThought:** How can any company be considered "doing well" with a negative net worth or large losses? Who produced the negative net worth? The management tells us that the company "continues to do well" when the same management cannot operate at a profit? Bah! Humbug!

The Federal Ninth Circuit Court upheld California's Environmental Law against a First Amendment suit. The law defines such words as "degradable," "recycled," and "photodegradable." Advertisers and trade associations claimed that being restricted to the legally defined use of the words infringed upon their free speech. The 2 to 1 decision held that the definitions were for commercial use and not for political speech. (The original case: 809 F. Supp. 747 — N.D. Cal. 1992. For further information, contact California Deputy Attorney General Al Sheldon at 619-645-2089.)

WORDS — FROM WHO'S WHO IN AMERICA

Persons listed in Who's Who in America are allowed to place special thoughts or quotations at the end of their biographies. These make for interesting reading, as evidenced by the following extract from the statement by Wilton Robert Abbott, an aerospace engineer:

> **A basic principle of Systems Theory may be interpreted as showing that a complex problem cannot be satisfied by a simple, non-chaotic solution. Thus, since most real problems are complex, one should be suspicious of a simple, non-chaotic solution to any problem.**

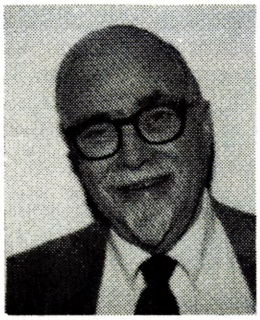
RThought: The financial problems of the U.S. government are certainly "complex." Although Abbott's thought was offered some years ago, perhaps we would do well to recall this "basic principle of Systems Theory" before we accept as gospel the simple solutions contained in the "Contract *on* America" as offered by the Republican Congress.

RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON (Unadjusted $ millions)

SIC Code	Category	NOVEMBER 1994	NOVEMBER 1993	Percentage Change	Year to Date Eleven Months 1994	Year to Date Eleven Months 1993	Percentage Change
52	*Bldg Matl Group	$ 10,717	$ 9,728	+10.2%	$ 119,228	$ 106,028	+12.4%
57	*Furniture Group	12,377	10,662	+ 16.1	112,979	99,789	+13.2
571	Furniture Stores	5,893	5,398	+ 9.2	56,001	51,793	+ 8.1
572	Appl, TV, Radio Stores	5,317	4,301	+23.5	46,302	38,664	+19.8
5941	*Sporting Goods Stores	1,724	1,596	+ 8.0	18,821	16,420	+14.7
5942	*Book Stores	694	673	+ 3.1	8,140	7,724	+ 5.4
5944	*Jewelry Stores	1,593	1,528	+ 4.2	12,760	12,506	+ 2.0
531Pt	Conventional Dept Stores	5,790	5,505	+ 5.2	45,170	43,541	+ 3.7
531Pt	Natl Chain Dept Stores	4.212	4.043	+ 4.2	34.442	32.626	+ 5.6
	Subtotal	10,002	9,548	+ 4.8	79,612	76,167	+ 4.5
531Pt	Discount Stores	12.834	11.513	+ 11.5	110.529	99.102	+11.5
531	*Department Stores	22,836	21,061	+ 8.4	190,141	175,269	+ 8.5
539	*Misc General Mdse Stores	5,801	5,752	+ 0.9	52,145	50,675	+ 2.9
541	*Grocery Stores	31,726	30,565	+ 3.8	346,810	336,789	+ 3.0
56	*Apparel Stores	10,298	9,950	+ 3.5	92,585	91,560	+ 1.1
561	Men's & Boys' Stores	957	790	+21.1	8,305	7,011	+18.5
562,3,8	Women's Stores	3,443	3,589	- 4.1	32,198	34,502	- 6.7
565	Family Clothing Stores	3,595	3,424	+ 5.0	29,227	27,543	+ 6.1
566	Shoe Stores	1,558	1,468	+ 6.1	15,764	15,760	-0-
591	*Drug Stores	6,850	6,633	+ 3.3	74,155	72,073	+ 2.9
596	*Nonstore Retail	5,571	5,368	+ 3.8	47,107	44,897	+ 4.9
5961	Mail Order	3,658	3,504	+ 4.4	28,623	25,403	+ 2.7
	**Retailing Today* Total Store Retailing†	58,775	54,480	+ 7.9	513,859	480,078	+ 7.0
	**GAF TOTAL	110,187	103,516	+ 6.4	1,074,871	1,013,730	+ 6.0

†Excludes car dealers, auto supply stores, eating and drinking places, service stations and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**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.



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ROUTE TO

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ATTENTION: CIGARETTE SELLERS

West Virginia Attorney General Darrell V. McGraw, Jr., has filed a major lawsuit against 17 tobacco companies, a cigarette components manufacturer, industry trade associations, and tobacco wholesalers, seeking reimbursement for the tens of millions of dollars West Virginia spends each year in providing medical care for citizens with tobacco-related illnesses. It also seeks an injunction against promoting the sale of cigarettes to minors.

The complaint recites: "For decades, the tobacco companies have gotten West Virginians hooked on their products, taken millions of dollars in profits back to their companies, and stuck West Virginia taxpayers with the bill for medical care of people made sick by tobacco. This lawsuit will hold these companies responsible for their actions, while winning justice for our taxpayers."

The attorney general pointed out that since tobacco kills the tobacco companies' customers the companies must continually attract new ones. He further pointed out that Joe Camel, the Marlboro Man, and the fun couples of Newport have captured 86% of the three million-strong teenaged cigarette market. Joe Camel advertising increased Camel's share of the teenage market, from .5 of 1% to 32.8%, in just a few years. Further, young people are vulnerable to addiction: 70% of smokers became habitual (addicted?) smokers by the age of 18.

The "components manufacturer" is Kimberly-Clark Corporation, which has developed a "tobacco reconstitution process," permitting manipulation by tobacco companies of nicotine levels.

The counts charged:

1. Restitution/unjust enrichment
2. Common law public nuisance
3. Negligent performance of a voluntary undertaking
4. Fraud, intentional misrepresentation
5. Conspiracy and connect of action
6. Aiding and abetting liability
7. Violation of the State Consumer Protection Act
8. Violation of the West Virginia Antitrust Act

The complaint seeks:

1. Injunctive relief
2. Declaratory judgment regarding parties' rights

RThought: The attorney general of West Virginia has made broad charges and has asked for significant damages. In addition to the suit filed in West Virginia, a similar one has been filed by the Florida attorney general.

The listing of wholesalers gets the action one step closer to retailers, who, by selling cigarettes to minors, are frequent violators of the law. As retailers, we must not close our eyes to these charges. The day may come when responsible retailers will refuse to carry cigarettes. It may take a major judgment against one of us to force the rest of us to rethink our position as purveyors of such dangerous products.

Source: *Consumer Protection Report*, September/October 1994, National Association of Attorneys General.

SEXUAL DISCRIMINATION BEGINS EARLY

In New Jersey, where there is no law against it, sexual discrimination appears to manifest itself as early as in kindergarten. According to an article in *The Wall Street Journal* (December 5, 1994), the awards given out in a New Jersey kindergarten class at year end were:

Boys	Girls
Very Best Thinker	All-Round Sweetheart
Most Eager Learner	Sweetest Personality
Most Imaginative	Cutest Personality
Most Enthusiastic	Best Sharer
Most Scientific	Best Artist
Best Friend	Biggest Heart
Mr. Personality	Best Manners
Hardest Worker	Best Helper
Best Sense of Humor	Most Creative

RThought: The winners of these awards are, in adult life, to interact with others unburdened, after they have experienced this sort of discrimination in their very first exposure to organized education?

Will they believe boys should be the "most eager learners" and girls should be the "cutest personalities"?

WHO WOULD HAVE THOUGHT IT OF GROWN MEN?

On February 22, 1994, the first page of the Business Day section of *The New York Times* carried this one-sentence item in the "Business Digest" column:

> **Shares of Home Depot tumbled after the retailer reported earnings that were a penny shy of Wall Street's expectations.**

A lengthy article on page 3 proclaimed "Home Depot's Performance Falls Short of Expectations."

Continued

How were Wall Street's "expectations" arrived at? Well, it went like this: Zack's Investment Research called upon 24 analysts for their estimate and then reported that the "mean estimate was 33 cents a share for the fourth quarter." Home Depot, however, reported only 32 cents a share on a 29.5% increase in net income and a sales increase of 34.5%. That didn't look terrible to me. How terrible was it, really?

I would look at it differently. I would say that the 24 analysts did pretty well coming within 3% of the actual earnings per share, considering that they didn't really know a darned thing about what was happening in Home Depot.

Consider that Home Depot, in January 1994, had more than 70 stores in California, about 25% of all of its stores. Did the 24 analysts adjust their projection of January sales and profit for rain on 27 out of 31 days in Northern California and for almost as many days in Southern California? Home Depot depends upon contractors and do-it-yourself homeowners (many of whom cannot work outdoors when it is raining and, thus, do not buy materials). And who knows how many of its customers were among the millions glued to their TVs watching the O.J. Simpson trial.

I doubt Home Depot was able to project the impact of the rain or the Simpson trial. Are analysts able to predict such events and their impact on a national retailer?

The "mean average" is the midpoint. With an even number, such as 24, the mean average is determined by making an array of the estimates, with the smallest at the top and the largest at the bottom, and then averaging the estimates which are 12 and 13 in the array. Real challenging research -- but that is the way "investment research" works!

It is true that all major companies "slip" a little extra information to analysts who follow their stock and are not above calling an analyst after he or she has made a projection and saying, for example, "Joe, we think you are little high." "Joe" then refigures, meaning that he uses an eraser or a computer delete key on the estimate and enters a lower figure. He may not be above calling his friend at the company and asking, "Do you feel more comfortable with my new estimate?"

I generally direct my sensitivity toward estimates about Wal★Mart, but I have studied a good number of other company estimates. During the past year, I have not seen a single estimate which stated that the analyst believed Wal*Mart had spent $XXX in trying to get its 122 Woolco stores up to snuff and another $XXX in order to bring the 91 money-losing Pace Membership Clubs up to Sam's standards. If we assume that the process costs only $500,000 per store (less than $5 per square foot), we are talking about more than $100 million of expense -- and I am just guessing.

RThought: Just as there are laws and rules against companies putting out misleading information which affects (usually favorably) the price of a stock, there should be laws and rules against a source collecting the estimates of 24 analysts and then saying the mean average is what Wall Street "expects."

If a retailer should ask its top 24 *executives* (who possess more information about their firm than is available to financial analysts) to make an educated guess of the earnings for the fourth quarter from which the company computed the mean average (as Zack's did) and then issue a press release saying that this "guesstimate" is the company's expectations for the fourth quarter, one could expect stockholders and SEC suits galore. Attorneys specializing in class-action shareholder suits would think they were about to win the biggest lottery pot of all time!

Firms such as Zack's Investment Research and others are encouraged to produce these "Wall Street expectations" when newspapers such as *The Wall Street Journal* and *The New York Times* publish their numbers as fact. It is done without warning to their readers that the numbers are to be used at the reader's own risk.

The securities industry is going to have to assume responsibility for the damage that is done by the computation of mean averages of numbers which have little or no validity.

RETAILERS IN FORTUNE'S 13th ANNUAL CORPORATE REPUTATIONS SURVEY

The universe consists of 395 companies selected from 41 industry groups in the *Fortune 500.* Ten thousand executives or outside directors from companies in the 41 groups rate the firms in their group on eight management attributes. The following is how retail firms ranked (the lower the ranking number, the better the firm's reputation):

5	Home Depot
15	Albertson's
29	Publix Super Markets
32	Toys "R" Us
52	Wal★Mart Stores
56	Walgreen
110	Nordstrom
121	Kroger
126	J.C. Penney
143	Safeway
155	SuperValu
158	Lowe's
158*	Winn-Dixie Stores
169	Dayton Hudson
180	May Department Stores
213	The Limited
228	Avon Products
250	American Stores
266	Tandy
273	Sears, Roebuck
292	Mary Kay Cosmetics
305	Federated Department Stores
311	TJX
317	Interco
341	Melville
368	Food Lion
372	Southland
377	Mercantile Stores
380	Great A&P
384	Woolworth
392	Kmart

*Indicates a tie.

RThought: In addition to the above 31 companies, there are many other fine retail companies which were not large enough to have been included on this listing.

FOR RETAILERS WITH FEW OR NO WOMEN AMONG THEIR TOP OFFICERS...

Periodically, *RT* has studied the annual reports of retailers doing over one billion dollars and has found, with few exceptions, the companies show between one and zero women listed as corporate officers and about the same number of women among the directors. Yet, retailers recognize the skill

REVERSING THE LEGEND OF ROBIN HOOD

We all know that Robin Hood stole from the rich and gave to the poor. Today, however, it is an old-fashioned idea. Modern-day Republicans want to steal from the poor so that the rich can have a tax cut — such as a tax of only 14% on capital gains. We all know that few people receiving entitlements enjoy significant capital gains; conversely, many people not receiving entitlements do have lots of capital gains.

Most of those who would enjoy the Republicans' "practically nothing" capital-gains tax are likely contributors to Republican candidates, so the logic of such a move is obvious in a world where political campaigns cost a bundle.

We all know that the biggest entitlement is Social Security, even though people are paying 6.2% of their income up to $60,600 per year to be "entitled" in the future.

With one breath, we hear pledges not to touch Social Security and, with another breath, we hear those who say we have to cut Social Security or it will eat up the entire budget. At the same time, we hear Democrats saying that there is no problem with Social Security until 2039, or some such year. Unfortunately, no one gives figures. Politicians prefer to say, "Believe me. Trust me. I know. I am in Congress."

Fortunately, the facts can be found in something called the *Statistical Abstract of the United States.* Each issue gives the figures for just a few years and often in a slightly different format. There are many volumes of the Statistical Abstract in the library of *Retailing Today,* some going back to 1948. The following chart has been put together from these volumes:

(1) Fiscal Year	(2) Receipts ($Billion)	(3) Receipts as % of Outlays	(4) Outlays ($Billion)	(5) Balance as % of Prior Year's Outlays	(6) Balance ($Billion)
1965	$ 17.6	101%	$ 17.5	—	NA
1966	NA	NA	NA	—	NA
1967	25.7	117	21.9	—	NA
1968	26.4	111	23.7	—	NA
1969	31.0	114	27.3	—	NA
1970	36.1	119	30.3	124%	$ 37.7
1971	38.9	108	35.9	—	NA
1972	43.3	108	40.2	109	43.8
1973	49.6	101	49.1	90	44.3
1974	57.7	103	55.9	82	46.1
1975	66.7	103	64.7	74	48.2
1976	70.7	96	73.9	61	44.9
1976TQ	18.4	93	19.8	NA	NA
1977	81.2	95	85.1	47	39.6
1978	89.6	95	93.9	38	35.4
1979	102.1	98	104.1	32	33.4
1980	117.4	99	118.6	27	32.3
1981	134.6	96	139.6	19	27.2
1982	198.0	95	156.0	12	19.3
1983	172.5	100	172.3	18	32.0
1984	181.1	100	180.9	18	32.2
1985	200.3	105	197.0	21	39.8
1986	194.2	110	176.8	22	39.1
1987	206.0	112	183.6	34	62.1
1988	233.2	119	195.5	53	102.9
1989	252.6	121	208.0	75	157.0
1990	286.0	122	239.0	94	219.0
1991	326.0	120	272.0	99	268.0
1992	338.0	117	288.0	111	319.0
1993	351.0	115	305.0	123	379.0
1994	378.0	118	321.0	134	431.0

Column 1 shows the fiscal year. There are two entries for 1976, the second being a transition quarter (TQ) when the federal government changed from a June 30 to a September 30 fiscal year.

Column 2 shows the receipts from the 6.2% of payroll paid by the employee, the matching 6.2% paid by the employer, and the interest earned on the balance in the trust fund. For all, except the years 1986 through 1989, the figures are for Old Age Security Insurance (OASI) and Disability Insurance Trust. Years 1986 through 1991 are only for OASI and Old Age Security Income Trust.

When the Social Security Act went into effect in 1935, the tax was 1% on the employee and 1% on the employer for the first $3,000 of earnings each, with a maximum tax of $30 each. However, most people didn't make $3,000 a year in 1935, the first year of deductions (benefit payments began in 1940). The act did not cover those who were self-employed, some government workers, railroad workers (who had their own plan), farmers, and domestic workers.

The original benefits ranged from $40 to $127 per month.

As Column 2 shows, collections (which include interest earned by the trust fund) amounted to $17.6 billion in 1965; 30 years later, collections amounted to $378 billion, an increase of more than 2100%.

The five years of tax collection before any benefit was paid was to permit the accumulation of a trust fund balance. Social Security funds have been self-supporting except for two occasions when the trust fund borrowed from (and quickly repaid) two other federal trust funds.

Column 3 shows receipts as a percentage of the outlays for the same year. For example, in 1965, the receipts were 101% of the outlays in the year ending June 1965. In other words, Social Security was barely self-supporting. Looking at the 1994 estimate, the receipts were 118% of the outlays.

Note that from fiscal year 1976 to fiscal year 1982 outlays exceeded receipts. It was at that time that a special committee was appointed to adjust the tax so as to provide for more than a half century into the future, with special recognition of the mass of baby boomers who would be retiring within a short time span.

Column 6 shows the balance in the trust fund at the end of the fiscal year shown in Column 1.

Column 5 shows the year-end balance in the trust fund as a percentage of the outlays for the year just ending. Here, note that the low point was at the end of fiscal year 1982, when the trust fund balance was only 12% of the outlays for the year just ended. As a result of the adjusted rates, in just 12 years, the year-end balance had gone from 12% of the year just ended to a 139% estimate for the end of 1994.

Note the rate of increase for the past four years: from 99% to 111% to 123% to 134%!

In my opinion, those who say that Social Security will not have a problem for another 35-40 years are correct and those who say that we have to cut entitlements — Social Security being the biggest entitlement — but never mention of cutting the 6.2% tax on both the employee and the employer are being dishonest. In other words, they would continue to collect the tax, which exceeds the payment of benefits, but would cut the benefits and use the savings to fund a tax cut.

Looking at the last two figures in Column 6, we see that the balance increased during fiscal year 1994 by $57 billion. If the money did not go for outlays to Social Security recipients, where did it go? It was invested in U.S. Treasury Bonds; and the Treasury Department pays the interest on the bonds to the Social Security Trust Fund. Thus, it is a safer investment than investments made by many private pension funds.

You are probably aware that Federal Reserve Chairman Alan Greenspan increased the prime rate seven times in 1994 which resulted in increases in other interest rates, including that which the Treasury Department has to pay. All have risen. The Treasury Department will have to pay higher interest to the OASI Trust Fund and the trust account balance will probably be even higher in relation to the payout made in 1995 and in 1996.

What does the Treasury Department do with this surplus? The way we budget the surplus counts as "income" in the unified budget and can be used to offset the cost of submarines or for subsidies to farmers or for any expenditure that is in excess of the income from regular taxes, such as personal and corporate income taxes. *Or the surplus can be used to fund a tax cut!*

The maximum Social Security tax is 6.2% on the first $60,600 of pay. It doesn't take a high IQ, especially for a voter with an income of $200,000, $500,000, or $1,000,000, to figure out that taxes are much fairer if the Social Security tax is left at 6.2%, which provides an ever greater surplus in the OASI Trust Fund, and that the *surplus can be used to finance a cut of the capital gains tax to 14%!*

RThought: The voters who were determined to "throw the rascals out" last November did not intend to continue their 6.2% tax so that the surplus produced by that tax could fund a tax cut for high-income earners.

RThought: One point came out in my study which may be of particular interest. As the chart shows, the estimated balance on September 30, 1994, in the Old Age, Survivors and Disability Trust Fund was $431 billion. That fund showed an outlay for the same year ending of $374 billion. The members of Congress, however, *do not get their retirement pay* (which, interestingly enough, is never referred to as an entitlement) *out of Social Security:* they receive it from another fund, the Federal Employees Retirement Fund, which paid out only $37 billion in fiscal year 1994 AND REPORTED ASSETS ON SEPTEMBER 30, 1994, OF $347 BILLION! Social Security is a pay-as-you-go fund and the Federal Employees Retirement Fund is fully funded. Every time they add $10,000 or $20,000 to their annual pay, they fund the new, higher pension that goes with the increase. If the U.S. government declared bankruptcy, as Orange County in California did recently, Social Security recipients would be unsecured creditors and would receive very little. The members of Congress, by contrast, could breathe a sigh of relief, because they have established for themselves a funded pension plan which would be untouched by a crisis.

RThought: I thought you would be interested in some of the facts surrounding the Social Security issue and those terrible things called "entitlements."

COMPLETED STAFF WORK

Wine improves with age. Similarly, there has been no need to change the writings of Confucius over the past 2,500 years. And there is little reason to change these instructions on "Completed Staff Work" issued by Hap Arnold 52 years ago. I first reproduced these practices over 50 years ago when I was the CO of the 608th Air Material Squadron of the 384th Air Service Group (Special) in training for duty in the Pacific. I had carried Arnold's instructions with me from sometime in 1942, when I first received a copy while with the 80th Air Depot Group in Abadan, Iran.

HQ OFFICE INTERACTIONS — **WAR DEPARTMENT**
NO. 80-19 — **HEADQUARTERS ARMY AIR FORCES**
WASHINGTON, SEPTEMBER 17, 1942

ADMINISTRATIVE PRACTICES
COMPLETED STAFF WORK

1. The following exposition of Completed Staff Work is published for the information of all members of this Staff.

2. This matter is not published as a directive. However, it has great merit and it is believed that an occasional reading of this treatise and a continued effort to practice this doctrine will be of immense value in building up really good staff work.

3. Completed Staff Work is the study of a problem, and the presentation of a solution, by a staff officer, in such form that all that remains to be done on the part of the head of the staff division, or the commander is to indicate his approval or disapproval of the completed action. The words "Completed Action" are emphasized because the more difficult the problem is, the more tendency is to present the problem to the chief in piecemeal fashion. It is your duty as a staff officer to work out the details. You should not consult your chief in the determination of those details, no matter how perplexing they may be. You may and should consult other staff officers. The product, whether it involves the pronouncement of a new policy or affects an established one, should, when presented to the chief for approval or disapproval be worked out in finished form.

4. The impulse which often comes to the inexperienced staff officer to ask the chief what to do, recurs more often when the problem is difficult. It is accompanied by a feeling of mental frustration. It is so easy to ask the chief what to do, and it appears so easy for him to answer. Resist that impulse. You will succumb to it only if you do not know your job. It is your job to advise your chief what he ought to do, not to ask him what you ought to do. He needs answers, not questions. Your job is to study, write, restudy, and rewrite until you have evolved a single proposed action the best one of all you have considered. Your chief merely approves or disapproves.

5. Do not worry your chief with long explanations and memoranda. Writing a memorandum to your chief does not constitute Completed Staff Work, but writing a memorandum for your chief to send to someone else does. Your views should be placed before him in finished form so that he can make them his views simply by signing his name. In most instances, Completed Staff Work results in a single document prepared for the signature of the chief, without accompanying comment. If the proper result is reached, the chief will usually recognize it at once. If he wants comment or explanation, he will ask for it.

6. The theory of Completed Staff Work does not preclude a "rough draft" but the rough draft must not be a half-baked idea. It must be complete in every respect except that it lacks the requisite number of copies and need not be neat. But a rough draft must not be used as an excuse for shifting to the chief the burden of formulating the action. Avoid submittal of hastily prepared inaccurate material lacking concise, specific, working recommendations.

7. The Completed Staff Work theory may result in more work for the staff officer, but it results in more freedom for the chief. This is as it should be. Further, it accomplishes two things:

a. The chief is protected from half-baked ideas, voluminous memoranda, and immature oral presentments.

b. The staff officer who has a real idea to sell is enabled more readily to find a market.

8. When you have finished your Completed Staff Work, the final test is this: If you were the chief, would you be willing to sign the paper you have prepared, and stake your professional reputation on its being right?

By command of Lieutenant General Arnold

s/ George E. Stratemeyer
GEORGE E. STRATEMEYER
Major General, U.S. Army
Chief of the Air Staff

OFFICIAL
WILLIAM W. DICK
Colonel, A.G.D.
Air Adjutant General

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of women as executives by the large number who are buyers or merchandise managers.

Dr. Lawrence Pfaff of Lawrence A. Pfaff and Associates, Kalamazoo, Michigan, has published a report entitled "Study Reveals Gender Differences in Management and Leadership Skills." (Call 616-344-2242 or fax 616-344-3054 for a copy.) Pfaff surveyed 9.000 people of which 1,050 were managers (676 males and 384 females) from 211 organizations.

Employees rated their managers; bosses rated the managers below them; and the managers rated themselves, with the following results:

Factors	**Employee Ratings**		**Boss Ratings**		**Self Ratings**	
	Higher Rated	Statistically Significant	Higher Rated	Statistically Significant	Higher Rated	Statistically Significant
Goal setting	W	Y	W	Y	W	
Planning	W	Y	W	Y	W	
Technical expertise	W					
Performance standards	W	Y	W	Y	W	Y
Coaching	W	Y	W	Y	W	Y
Evaluating performance	W	Y	W	Y	W	Y
Facilitating change	W	Y	W	Y	W	Y
Delegation	W		W		W	
Recognition	W	Y	W	Y	W	Y
Approachability	W	Y	W	Y	W	Y
Directive	W	Y				
Participative	W	Y	W	Y	W	
Strategy	W	Y	W			
Communication	W	Y	W	Y		
Teamwork	W	Y	W	Y	W	Y
Empowering employees	W	Y	W	Y	W	Y
Trust	W		W	Y	W	Y
Resourcefulness	W	Y	W	Y	W	Y
Self confidence			W			
Decisiveness	W	Y	W	Y	W	

Note: "W" indicates where women were rated higher than men.
"Y" indicates a significant difference.
A blank in the Statistically Significant column indicates that the statistical difference between men and women is not significant.

There are three relationships based upon 20 factors in the Pfaff study, or a total of 60 factors. In 52 cases, women were rated higher. Of the 52, in 41 cases, the higher rating of women was at a level which was statistically significant. Put another way, two out of three ratings favoring women were significantly better than the rating for men.

The 20 factors selected as the criteria were from the Management-Leadership Practices Inventory, a 360-degree feedback inventory to be completed by a manager, his or her employees, and his or her boss. The complete test utilizes 85 items to measure the 20 skills listed under "Factor."

RThought: In Pfaff's study, the women beat the men by about as much as the 49ers beat the Chargers in the Super Bowl! All of the 49ers received a gold ring; but in retailing, the female winners, in many cases, receive discrimination, harassment, or work under a "glass ceiling."

RThought: In retailing, we all agree that success, if not survival, in the next century will depend upon management, leadership, systems, and efficiency. Why do we handicap ourselves (perhaps even to the point of business failure) by underutilizing one of our most powerful weapons? We employ more women than does any other segment of our economy, but we are failing to use their competence.

HOW THE BIG CHAINS PUT THE SQUEEZE ON INDEPENDENTS

In the days before mega-chains of 2,000 or more stores, the sales reps of major brands provided a lot of service to smaller companies. I can recall the late 1940s when I was with a one-store company. The salesman for Cooper jockey shorts employed two women who went around to stores like ours (Smith's — "Largest Men's and Boys' Store West of Chicago") to check the inventory by style and size, to write the purchase order, and then to have the furnishings buyer sign it. The rep guaranteed a turnover of four times a year, and we had the right to return anything we didn't want. The same system was used in hardware stores, drug stores, and even department stores.

Today, reps don't have time to provide this service to small accounts because heavy demands are placed upon them by the big chains. I recently spoke with a friend of mine who has been a part of the "rep" business for many years. We discussed this problem, and he confirmed the change. He knows reps who must "service" Target stores and others who must service Kmart. In the hardware/home improvement field, reps are servicing Home Depot, Lowe's, Payless Cashway, and others. Not only do large chains expect, because of their volume, the lowest price but they want the rep to spend some of his or her commission counting the stock in the customer's stores. My friend told me this practice started with the discounters — and he was in the rep field when it happened.

In the early days, when price was a discounter's main appeal, the stores had few salespeople; many did not know the merchandise and were untrained in maintaining model stocks, in taking regular inventories, in using "order up to" controls on inventory, etc. These jobs were part of the reps' training and capability, so the stores expected/demanded that the reps to do all of this type of work.

RThought: The discussion with my friend began because of my concern about the survey of small stores in Illinois by the Illinois Retail Merchants Association (see *RT,* December 1994), which found that 54% of the small stores surveyed did not reorder until they were out of stock. My friend believes that 54% may be low for the independent hardware stores and added, "...only when the customer points out that they are out of stock."

RThought: He pointed out that this was a needless situation, considering all of the relatively simple packaged systems which are available for use with a desk-top computer. My local small bookstore has a computer system and my local Ace hardware store has a system. But too many small stores continue to offer poor service which becomes increasingly offensive to the customer just when many of the larger chains are improving their in-stock position to better than 95%. Perhaps small-store retailers should read Herbert Spencer's *Principles of Biology: The Survival of the Fittest,* in which Spencer said, "I have here sought to express in mechanical terms is that which Charles Darwin has called 'natural selection,' or the preservation of favored races in the struggle for life."

WORDS — FROM LARRY PHILLIPS

Larry Phillips recently retired after 45 years with a 113-year-old family business, Phillips-van Heusen (PvH). Today, PvH is a publicly held, billion-dollar manufacturer/retailer.

Larry's message to his associates in his last annual report bears telling.

> **One hundred and thirteen years is a long and perhaps record time for one family to run a public company. I shared the heritage of doing so for forty-five years -- all but seven of which were spent working alongside my loving and inspirational father, Seymour J. Phillips.**
>
> **At age sixty-seven, the time has come to conclude one "passage" in life and embark on another. I do so with hundreds of memories and associations of events and people that in the composite make me proud and fulfilled.**
>
> **It was not an easy decision to trust and risk the values of this heritage to one who was not a member of my family because my primary concern was that the values, integrity, principles and concern for our associates and fellow men would be continued. The strategy on which we embarked was a catalytic agent to enhance these values and conversely, embracing these values made possible the successful execution of this strategy and the results that are proudly laid out on the ensuing pages.**
>
> **The decision about succession and the appointment of Bruce J. Klatsky as Chief Executive Officer and soon-to--be Chairman was an easy and obvious one. His abilities were proven and known to all of us throughout his twenty-three years of diligent and dedicated work. Much more important for me, however, was the conviction that the values and concerns that have motivated your Company's management for one hundred and thirteen years would continue and become intensified.**
>
> **I am convinced that Bruce is determined to make ours a better Company — even a "Model Company." This task becomes more and more difficult as the Company grows in size and as the number of our associates continues to increase. I am completely confident that the lives and welfare of our thirteen thousand associates are in good hands, and only this confidence permits me to sleep at night with the knowledge that yesterday's values will continue to be tomorrow's values.**

RThought: PvH is the largest of our factory-outlet retailers, with over 600 stores (including Windsor shirts and Bass shoes). I have often told the story of how PvH helped Macy's conduct its most successful shirt promotion -- only to be told that Macy's was switching to a private label! Larry said, at the time, "We have 9,000 employees, and I am going to see that they have a good and secure job." Thus, PvH's heavy investment in outlet stores. Subsequently, the employees were further secured by an unbroken series of double-digit increases in sales and profits. As a result, the 9,000 associates have grown to 13,000.

I WAS CORRECT...BUT BARELY

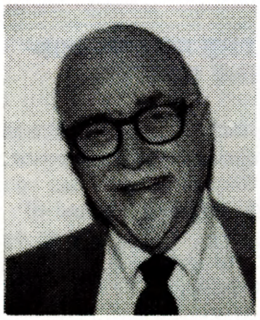
In the November 1994 *RT* under an item headed "Outlook for Christmas," I projected the sales increase by week and closed with the statement: "We will have good to strong Christmas sales, with an overall increase in the calendar month, or the five-week month, of 5-10%." As the table below shows, the sales of General-Apparel-Furniture increased by 6.0% and the broader *Retailing Today* measure of Store Retailing increased by 5.9%. The double-digit increases were: Furniture Group (due to computer sales), +10.2%; Discount Department Stores, +11.8%; Men's and Boys' Stores, +14.4%; and Nonstore Retail, +13.1%, with the Mail Order component up 14.7%.

RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON (Unadjusted $ millions)

SIC Code	Category	DECEMBER 1994	DECEMBER 1993	Percentage Change	Year to Date Twelve Months 1994	Year to Date Twelve Months 1993	Percentage Change
52	*Bldg Matl Group	$ 10,181	$ 9,723	+ 4.7%	$ 129,500	$ 113,595	+14.0%
57	*Furniture Group	16,279	14,254	+ 14.2	129,313	117,337	+10.2
571	Furniture Stores	6,462	5,964	+ 8.4	62,491	58,875	+ 6.1
572	Appl, TV, Radio Stores	7,606	6,417	+ 18.5	53,928	46,843	+15.1
5941	*Sporting Goods Stores	3,087	3,092	- 0.2	21,898	20,726	+ 5.7
5942	*Book Stores	1,261	1,272	- 0.9	9,404	9,316	+ 0.9
5944	*Jewelry Stores	3,827	3,852	- 0.6	16,588	16,766	- 0.1
531Pt	Conventional Dept Stores	9,281	8,985	+ 3.3	54,463	52,936	+ 2.9
531Pt	Natl Chain Dept Stores	6,446	6,099	+ 5.7	40,888	38,829	+ 5.3
	Subtotal	15,727	15,084	+ 4.3	95,351	91,765	+ 3.9
531Pt	Discount Stores	18,580	16,618	+ 11.8	129.131	115,029	+12.3
531	*Department Stores	34,307	31,702	+ 8.2	224,482	206,791	+ 8.6
539	*Misc General Mdse Stores	8,115	7,896	+ 2.8	60,258	57,726	+ 4.4
541	*Grocery Stores	35,114	33,852	+ 3.7	381,941	369,547	+ 3.3
56	*Apparel Stores	15,295	14,749	+ 3.7	107,832	107,038	+ 0.7
561	Men's & Boys' Stores	1,600	1,398	+ 14.4	9,898	8,953	+10.6
562,3,8	Women's Stores	5,207	5,093	+ 2.2	37,426	38,724	- 3.4
565	Family Clothing Stores	5,467	5,414	+ 1.0	34,707	34,553	+ 0.4
566	Shoe Stores	2,011	1,970	+ 2.1	17,715	17,363	+ 2.0
591	*Drug Stores	8,827	8,734	+ 1.1	82,995	79,916	+ 3.9
596	*Nonstore Retail	6,035	5,337	+ 13.1	53,180	47,840	+ 11.2
5961	Mail Order	4,244	3,701	+ 14.7	32,948	27,017	+22.0
	**Retailing Today* Total Store Retailing†	142,328	134,463	+ 5.9	1,217,391	1,186,598	+ 2.6
	**GAF TOTAL	88,434	83,442	+ 6.0	602,289	571,499	+ 5.4

†Excludes car dealers, auto supply stores, eating and drinking places, service stations and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**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.



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ROUTE TO

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ERRATA

I was scolded by a longtime friend and RT reader for using too broad a term in the April 1995 Feature Report when I referred to "modern-day Republicans." He felt that it included him. What I should have said was "modern-day Republican members of the House of Representatives," a term which would not have offended any readers because I don't have any readers in the House, either Republican or Democrat (or the sole Independent).

DOES THIS SETTLEMENT PROVIDE A GUIDE FOR PUBLIC CORPORATIONS?

The attorney general for the State of New York brought charges against Freedom Forum, the former Gannett Foundation, one of the 30 largest foundations in the country, describing a number of expenditures as improper for an organization whose purpose is philanthropy.

The $725 million foundation spent *$500,000 in legal expenses* before reaching an agreement with the attorney general, which included a commitment from its 14 trustees to be more frugal, to establish controls, and to repay $174,000 to the foundation.

Freedom Forum spent $15 million on creating its office within a rented space. It then spent $40,000 for the president's desk and $80,000 for a conference table! In addition, Allen N. Neuharth, its chairman and former head of the Gannett Corporation, had the foundation spend $20,000 for staff purchases of 2,000 copies of his autobiography, *Confessions of an S.O.B.*, in order to improve its standing on the best-sellers list!

One of the architects working on the foundation's new office flew round-trip first-class ($5,124) to Paris, spent four days at the Hotel Crillion ($2,714), and utilized a limousine service while on her stay ($4,846)! [In New York City, where a limo costs about $30 per hour, that would be more than 150 hours of use, or over six days -- all within a four-day stay in Paris.]

RThought: The New York State Charities Bureau was so concerned that it sought the help of the New York attorney general because funds intended for charity were spent in this manner. Shouldn't the Securities and Exchange Commission be as concerned when similar expenditures are made by a publicly held corporation with money "belonging" to the shareholders, especially when management has a very small ownershp position?

SERVICE HINTS FROM 'DEAR ABBY'

My readers are unlikely to read "Dear Abby." However, one of my associates does, so I am able to pass on some of Abby's advice.

> **Dear Abby:** I am writing on behalf of many senior citizens who do their shopping accompanied by a younger companion. Invariably the salesperson will direct his or her inquiries to the younger person, making such comments as, "What is she looking for today?" Or, "What size does he wear?"
>
> Elderly people find these comments irritating and humiliating. Even if infirm in body, most senior citizens can answer any questions themselves.
>
> Please enlighten salespeople that our senior citizens deserve to be addressed directly, and with dignity. The sale may depend upon it — **California Reader**
>
> **Dear Reader:** Thank you for giving me the opportunity to remind my readers once more that this is an important part of being a first-class salesperson. Food servers should also follow this rule.

RThought: Perhaps this "Dear Abby" can be included in your employee publication. Certainly, you will want to pass it on to your training department.

SOME INTERESTING NUMBERS ON UNEMPLOYMENT

We see the national unemployment rate every month, but most of us don't fully understand it. For example, we are told that the percentage has dropped to a figure in the 5.5% to 6.0% range. The percentage of what? The percentage of the civilian labor force. Do you know the size of the labor force?

For rough purposes, our civilian labor force is about 132 million people, and the unemployment figure is the total unemployed as a percentage of that figure. Six percent of 132 million is about 8 million. Thus, for the past 18 months, the number of unemployed has been in the 7 to 9 million range.

However, there is another group of about 65 million people referred to as *"not in the labor force."* These are people who have a "marginal attachment" to the labor force and are described as those "who want and are available for work *but who are no longer actively looking for jobs after having searched for a job sometime in the past 12 months.*" A number of these people (about 440,000 to 470,000) are called "discouraged workers." Others are seasonal workers, such as people who work in canneries when crops come in, who work in retailing only at Christmastime, or who work in hotels and resorts only during vacation periods.

Of those people currently classified as unemployed, they have been unemployed for varying lengths of time:

Less than 5 weeks	**...about 40%**
5 to 14 weeks	**...about 28%**
15 to 26 weeks	**...about 14%**
27 weeks and over	**...about 18%**

Continued

At the end of January 1995, the unemployed rates indicate these variations:

Men, 20 years and older	**5.0%**
Women, 20 years and older	**4.9**
Both sexes, 16 to 19 years	**16.7**
Married men, spouse present	**3.4**
Married women, spouse present	**3.7**
Women who maintain families	**8.9**
Full-time workers	**6.5**
Part-time workers	**6.2**

They also vary by occupation:

Managerial and professional specialty	**2.3%**
Technical, sales, and administrative support	**4.6**
Precision production, craft, and repair	**5.6**
Operators, fabricators, and laborers	**8.2**
Farming, forestry, and fishing	**7.8**

And they vary by the industry in which they have worked:

Mining	**5.1%**
Construction	**11.7***
Manufacturing	**4.7**
Service producing industries	**5.4**
Transportation and public utilities	**4.7**
Wholesale and retail	**6.6**
Finance, insurance, and real estate	**2.9**
Services	**3.2**
Government workers	**3.2**
Agricultural wage and salary workers	**10.7**

***Always seasonally high during the winter months.**

RThought: I find these figures interesting. Data which always distresses me are those which point up the differences between whites and blacks. Equally disturbing is the rate of unemployment amongst younger people:

Ages 16 to 19 years:

White male	**15.0%**
Black male	**34.0**
White female	**13.1**
Black female	**37.1**

In these groups, most are unskilled and many have not completed or will not complete high school. If they do get a job, they don't know how to conduct themselves, what to wear, or even how to get to work on time. I remember an effort made by the Ford Motor Company in Detroit years ago when it started special training for black men from the ghettos. The company provided buses in order to get the men to work, but the men did not show up for the bus! Ford then learned that they didn't have alarm clocks: *they had never had a reason to get up at a particular time.* To remedy the problem, Ford bought each of them an alarm clock and, with Ford's concentration on the importance of being on time, the percentage of men who caught the bus increased.

RThought: Under some of the proposals before Congress, there will be teenage mothers who will have their support withdrawn. When, according to the Department of Labor, about one-third of the teenage mothers are making an effort to find work and are not finding it, what will they do? Deal drugs? Commit burglaries? Prostitute themselves? Shoplift? Kill their babies? What is your guess?

FOR THOSE WHO TALK OF THE FUTURE OF CONVENTIONAL DEPARTMENT STORES...

The report in the 1994 Retail Satisfaction Index of Frequency Shopping found that more and more regular shoppers at department stores are older (above 65) but that they spend less than younger people. These are the women who, when in their 30's and 40's, regularly shopped department stores who now continue to shop department stores by habit. But their loyalty to and the dollars spent are not enough to keep department stores thriving.

For the five years between 1988 and 1993, sales of national chain department stores (J.C. Penney, Montgomery Ward, and Sears, Roebuck), in current dollars, increased 5.9%; sales of conventional department stores (Macy's, A&S, Dillard, Burdine's, etc.) increased by 9.8%; and sales of discount department stores increased by 80.0%. A lot of people have shifted their shopping loyalities; or, as a newscaster has observed, there's a "consumer revolt going on."

The same trend is seen among the apparel stores, as reported by the Department of Commerce. Unfortunately, the Department of Commerce does not separate off-price apparel retailers from regular-price apparel retailers, but the growth has been the largest among off-price operations (Marshalls, Ross Dress for Less, T.J. Maxx, Filene's Basement, Men's Wearhouse, Today's Man, etc.).

RThought: I see nothing on the horizon, including the Federated/Macy's merger, which will significantly change conventional department store figures. In fact, the merger will result in a decrease in the square footage of conventional department stores: not every unit that Federated wants to sell will find a traditional department store buyer; some may be taken over by discount stores — which may not help the competing conventional department stores.

HOW WOULD YOUR CITY REACT TO A DISASTER?

One of my Japanese friends is Ken Kanetaki (Harvard Business School, 1955), whom I met when he was manager of research at The Daiei, a major retailer in Japan, at a meeting presented by the Retail Management Institute at Santa Clara University. Ken is now associated with Top Management Academy (known locally in Japan as Zaikai Nisei Gakuin). He describes his students as "would-be successors to small- to medium-sized businesses" and who are "fresh out of college."

Let me quote from a portion of his recent letter:

> **The damages of the Osaka/Kobe earthquake are likely to change our business and political worlds. Incredibly, the people in the area are taking it almost on the chin, demonstrating the existence of immeasurable mental stamina. Right in front of the ruins of their own house, people accept TV interviews willingly and with smiles.**

RThought: Since writing about Ken's report on the strength shown by the Japanese in the face of the Osaka/Kobe earthquake, we, in the United States, have suffered a great deal from the act of a domestic terrorist who bombed the Federal Building in Oklahoma City. Our radio and TV stations have chronicled the concern felt throughout the United States for the hundreds of people, especially children, who are dead or missing, and for their loved ones. Trained rescue teams and volunteers came from the four corners of the country to assist in Oklahoma City. They worked to near exhaustion as long as there was a chance to save someone or to recover a body.

ARE YOU A MEMBER OF GREEN LIGHTS? DO YOU KNOW WHAT IT IS?

Many of *RT's* readers may believe that government programs are inefficient, especially its business programs. Could you be wrong? Take a few minutes to read this item.

THE ARKANSAS SUPREME COURT AND WAL★MART STORES

As you have probably read, Wal★Mart Stores, Inc., appealed the adverse decision of the Chancery Court in Faulkner County, Arkansas, on three grounds:

1. The Chancery Court erred as a matter of law in finding that Wal★Mart sold products below cost *for the purpose of injuring and destroying competition*;

2. The Chancery Court erred in considering individual articles to determine cost and profit rather than the entire product line or "market basket"; and

3. The Chancery Court's interpretation of the Arkansas Unfair Trade Practices Act violates the Arkansas Constitution and the United States Constitution.

On the first ground, the Supreme Court pointed out that the Chancery Court found that *sales of beauty aids increased* during the period of the complaint, from $5.2 million to $9.9 million, and that the *number of pharmacies increased, providing additional competition* (Kroger, Harvest Foods, and Fred's), none of which were part of the original case.

The Supreme Court repeated that the policy of Wal★Mart was to set maximum prices which the store could not increase but that the store manager could cut, because he was expected to meet or beat the price of competitors. The court recognized that the plaintiffs (three competitors) *continued to make a profit* during the years 1988-92.

The Supreme Court challenged the finding of the Chancery Court in *imputing a purpose* to injure competitors and destroy competition, while admitting there was no evidence of those purposes. It pointed out that the Chancery Court had found the statute to be "penal in nature." By law "it must be strictly construed in favor of those upon whom the burden of the penalty is sought to be imposed." This position was not taken by the Chancery Court but was by the Supreme Court.

The Supreme Court pointed to the testimony of the Wal★Mart store manager: he did not consider the complainants to be the competition but rather Fred's, Kroger, and Alco, none of which were parties to this suit. These were the prices he had to "meet or beat." The items sold below cost were changed regularly each week to meet competitive prices.

There was no evidence of a concerted effort to destroy competition. Selling below cost is not a basis for inferring that the action was taken with a predatory intent.

Other states have held that the use of loss-leaders is permissible as a tool to foster competition and to gain a competitive edge, as opposed to simply being a stratagem to eliminate rivals altogether (Pope v. Intermountain Gas Company 646 P2S 988,997 Idaho 1982). The Supreme Court stated that the "ultimate purpose of the Arkansas Unfair Practices Act was to foster competition and to protect the public against destruction of competition and the creation and perpetuation of monopolies."

The Supreme Court noted that the appellee drug stores are far from destroyed; all continued into 1993 making a profit.

The Supreme Court further noted, *as the Chancery Court did not*, "it seems only logical that the continued profitability of appellee drug stores and the existence of robust competition in Faulkner County have some bearing on the matter. There is no serious suggestion that the appellees have stopped selling any articles as a result of Wal★Mart practices or that one or more of the appellees is even considering doing so. There is simply enhanced competition in the area, and the appellees are not making the profit they once did. Other large outlets in the vicinity have entered the competitive fray, including Fred's [a discount chain], Kroger, and Harvest Foods. Faulkner County appears far from a dire situation where no competition exists in pharmaceuticals; indeed, competition appears to be thriving." It finished making its point by adding, "If the policy of this state is to render illegal the loss-leader tactic or to recognize a *prima facie* case of purposeful intent to destroy competition by below-cost sales of disparate articles that are changed on a regular basis, that policy should be clearly announced by the general assembly in appropriate legislation."

Having disposed of the first ground raised by Wal★Mart in its favor, it ordered a reversal and said that there was no need to address the other two points.

The decision was 4 to 3 in favor of Wal★Mart The full court consists of seven judges, but three withdrew themselves (perhaps they owned Wal★Mart stock), so the governor appointed three temporary members. All were practicing attorneys; none was a sitting judge. The minority dissent consisted of the three attorneys appointed as temporary judges. They said that they thought the majority "did not give due deference to the findings of fact of the trial court." The Supreme Court, they felt, should be bound by the findings of the trial judge and should not reverse the findings of fact unless they were clearly erroneous. The minority refused to question the conclusions of the Chancery Court, even though the Chancery Court had admitted that there was no evidence of intent to destroy competition. [**Note:** Why is there an appeal process, unless the whole matter is to be reviewed?]

The split between experienced judges (4) and attorneys (3) leads me to think that the attorneys, serving as judges, believed it was unfair for fellow attorneys who had won in trial court to have their victory reversed in appellate court.

RThought: The suit by the three drug stores was financed by contributions from other drug stores. It appears that all were looking at the $15 billion net worth of Wal★Mart and that the attorneys planned to bring hundreds of suits in states with laws in any way similar to that of Arkansas. Now, they will have to pony up some more money if they want to get the matter before the United States Supreme Court, although that court may refuse to hear the matter, in which case, the matter will be closed.

RThought: If the three independent stores were to move to improve the appearance of their stores, adjust, if appropriate, their hours for the convenience of their customers, and seriously concentrate on "service beyond the expectations of their customers," they may be surprised to find that they can make more money through their stores than through their lawsuits. It has happened many times to well-run independent retailers.

ETHICS IN ADVERTISING

In cleaning out files recently, I came across instructions I wrote for the advertising department at Mervyn's in September of 1958 — two years after I began consulting with Merv Morris, 14 years before Mervyn's went public, and 19 years before Mervyn's was acquired by Dayton Hudson Corporation.

These instructions, I believe, bear repeating.

INSTRUCTIONS FOR USES OF PHRASES IN ADVERTISING

Phrase	Definition
	SALE: A merchandise event offering special value to the customer for a limited time. Special instructions on prices set or controlled by manufacturer: when the manufacturer lowers a fair trade or controlled price, the word "sale" may be used for a period of two weeks following the effective date of the reduction.
"Regular" or "regularly"	Used for sale of merchandise on the floor preceding the sale and which must be marked back up to the quoted price after the sale period.
"Former price" or "formerly"	To be used when merchandise is being marked down and will remain at the markdown price.
"Originally" or "original price"	When a series of markdowns have been taken and it is desired to compare with the original price. In all cases, it must be fully qualified to accurately show the comparison such as: Originally this season. Note: Original price may not be older than 90 days under California law, unless the date is shown in the ad.
	SPECIAL PURCHASE: A particularly difficult problem arises in showing comparisons of a special purchase, especially if the merchandise has not been previously carried in the store. These possibilities may be used:
"Special purchase"	Used when no comparative price is quoted.
"Mervyn's sold similar merchandise for..."	Used when directly comparable merchandise has been sold within the current season.
"Usually would be..."	To be used only when a short markup has been taken and the "usual" price represents the normal markup for the department.
	IMPERFECT MERCHANDISE: The status of all imperfect merchandise must be clearly identified. No mixed lots of perfect and imperfect merchandise are to be used without special approval. The following may be used:
"If perfect, would be..."	When merchandise the same as or similar to merchandise regularly carried in stock is sold, then this price may be quoted. The degree of imperfection can be further described as follows: Imperfections do not interfere with wearing quality, imperfect weave, defect in color only, etc.
	GROUPS OF MERCHANDISE: When advertising groups of merchandise of varying prices, special rules apply.
"Save..."	Indicate what the saving is measured from: regular prices, former prices, or original prices.
"Off..."	When used with percentages such as "20% off," indicate whether from regular prices, former prices, or original prices.
"Formerly $___ to $__"	When grouping merchandise by price ranges, not less than 20% of the merchandise offered must have been previously sold at or above the highest price quoted. In all cases, the lower price limit must be shown.
"List price"	NEVER USE. List has no relationship to regular selling price.
"Made to sell for..."	NEVER USE. Manufacturer has no control over selling price, unless merchandise has been fair traded.
"Value" or "worth"	NEVER USE. These terms are too indefinite.
"Savings over 50%"	Never represent a savings of over 50%, even if true. The customer will not accept such comparisons; they reflect unfavorably on our store. NO CLAIM SHOULD BE MADE, EVEN IF TRUE, THAT SOUNDS EXCESSIVE.

These guides to advertising are prepared in compliance with A Guide for Retail Advertising and Selling, Fifth Edition (Revised), 1956, published by the Association of Better Business Bureaus, Inc.

All advertising by Mervyn's shall be in compliance with this guide and a copy is available in the merchandise manager's office. Each department manager should be familiar with special provisions relating to certain classes of merchandise within their department (such as hosiery, gloves, fabrics, bedding and related products, etc.).

RThought: I also attached these instructions to a letter dated October 12, 1985, addressed to Jack Kilmartin, then the chairman and chief executive officer of Mervyn's (then part of Dayton Hudson), because I had attended, with Mervyn's advertising manager, a hearing held by the California attorney general in San Francisco on complaints by customers of various retailers in Northern California. I had an opportunity to read the then current instructions, which varied little from what I had laid down 27 years earlier. The assistant attorney general handling the consumer complaints informed me that his office had never found Mervyn's to be in violation of the California, the Federal Trade Commission, or the Better Business Bureau guidelines.

RThought: That letter took me back to the first million-dollar day Mervyn's ever experienced. We had learned through the men's buyer at Macy's San Francisco of an importer in Los Angeles from whom Macy's had bought 5,000 suits. When asked why he didn't buy more of these suits, the buyer said, "How could I match this sale next year?" Merv and Jack flew to Los Angeles and found that these were the same suits being sold in stores like Macy's, Smith's of California, and Grodin's, at $135. The importer had about 30,000 left, so Merv offered him $20 a suit for all 30,000! Mervyn's had never sold a man's suit — and I believe that is true today -- except for that one sale!

We advertised them, without a comparison and without alterations, at $33. Our customers believed us because of our long policy of honesty in advertising.

Needless to say, there was a mob outside the store before we opened. Once inside, the mob was even worse. Fortunately, the suits were two-piece suits, with the coat stitched to the pants with strong thread. Customers, mainly women, fought over the suits, just as there used to be fights in the yardage department when remnants were put on sale. Customers were buying anywhere from one to five suits each!

We had our first million-dollar day and nobody was even thinking about matching "this sale next year."

We had told an honest story in our ad. No comparative price was mentioned. Mervyn's customers knew that Merv and Jack would not have spent so much on a single item if it were not an excellent value.

RThought: We seem to have forgotten that ***honesty pays.***

Green Lights was started in January 1991. In January 1995, it had more than 1,600 participants from every state (from one in Idaho to 179 in California). I don't know who the smallest participating retailer would be, but Wal★Mart is a participant, mainly because it likes to save money.

The present rate of savings, according to the March 1995 *Green Lights Update*, is:

- 1.1 billion kilowatt-hours annually
- $80 million saved on electric bills
- $317 million avoided in power plant construction
- $52 million received in electric company rebates
- $276 million invested in upgrades

The reduction in the amount of CO_2 put into our air is equivalent to removing 130,000 cars from the road!

An example of the payback is what Bell Atlantic experienced when it remodeled its 135,000-square-foot Richmond, Virginia, data center (do you have stores this large? or half this large?)

Project cost	$399,000
Annual energy savings	$109,000
Internal rate of return	26%
Annual energy savings	1.6 million kilowatt-hours
Prevent CO_2 pollution	3.0 million pounds of CO_2

On new construction, good results are merely a matter of changing job specifications:

T8 fluorescent bulbs instead of T12 bulbs

Electronic ballast instead of magnetic ballast

50-watt PAR 30-halogen lamps instead of 75-watt R30-incandescent lamps (halogens are dimmable, a benefit in many uses)

RThought: What am I suggesting? I'm suggesting that you enroll in Green Lights by doing one of the following: phone 202-775-6650; fax 202-775-6680; or write EPA Green Lights, 401 M Street, N.W., Washington, D.C. 20460. Say, "I want to join. Please send me information."

THE FTC MAY GROW SOME TEETH

The National Association of Attorneys General has formed a working group to improve cooperation and coordination between the attorneys general of the various states and the Federal Trade Commission. This improvement would be especially important in the area of consumer protection law since there is considerable redundancy in federal and state law.

The working group has set forth the following tenets which could lead to better cooperation:

1. More effective application of both federal and state resources within each area of joint enforcement;
2. Improved communication regarding areas of mutual concern;
3. Use of joint prosecutions;
4. Referral of potential criminal matters to the states; and
5. Active FTC *support* in those areas in which states are likely to play a leading or independent role.

One area in which joint action would benefit both parties is that of local and national advertising. Together, they could seek from Congress better weapons with which to fight consumer fraud and abuse.

There are legal constraints to the type of situation in which the FTC is allowed to impose such criminal penalties, such as time in jail; but the state, under its laws, may.

The FTC does have authority to cause criminal prosecutions by referring cases to the Department of Justice. A state attorney general does enforce consumer protection laws and may bring criminal prosecution.

RThought: In the August 1994 *Retailing Today*, I reported on the action of the Canadian Bureau of Competition Policy which brought 17 *criminal* charges against the Hudson's Bay Company, Canada's largest retailer. On 11 of the counts, the president of the company was also criminally charged. The chairman was said to be outraged.

I don't know the outcome of the situation, but I am certain that a great many Canadian chairmen, presidents, and chief executive officers must have begun investigations in order to determine whether or not their comparative prices were true representations of a "former," "was," or "original" price — and that goods had been sold at those prices.

RThought: With the occurence of a few successful criminal proceedings against senior executives, the day may come when many shoppers will no longer feel that the "sale" price is what the "regular" price should have been in the first place.

WHO SUPPORTS THE NATIONAL CONSUMERS LEAGUE?

The National Consumers League was founded in 1899 to serve the millions of people who eked out an existence on small wages, often living in crowded tenements in the larger cities where industrialization was taking place. The leaders included such people as Jane Addams, who founded Hull House in Chicago in 1889, and Lillian Wald, who founded the Henry Street Settlement House in New York City shortly after that time.

Social workers sought to change the future for slum-born children. The league fought to improve working conditions by creating a label which could be affixed to products made in factories which met certain standards (although only 69 factories were awarded the label).

In the early 1900s, the movement was extended to other industrializing nations.

The league has a long history of supporting pure food laws, prohibitions on the use of child labor in factories, and the 10-hour, eventually 8-hour, workday. It worked for the expansion of the workman's compensation laws after the initial law was passed in Wisconsin. (Was Wausau the original company?)

RThought: Why am I writing about the National Consumers League? Because I saw a list of supporters and was surprised.

Among the manufacturing companies represented are Burroughs Wellcomes; Gillette; Joseph E. Seagram & Sons; Procter & Gamble; and TRW.

Among the associations are AARP, American Institute of CPAs, and the Food Marketing Institute.

Among the unions are the AFL, American Federation of Teachers, Service Employees International Union, Retail, Wholesale and Department Store Union, and United Food and Commercial Workers International.

BUT, on this list, which is not complete, the only retailers were Avon Products, Fresh Fields, and Giant Food.

RThought: If we retailers are to be the purchasing agents for the public, shouldn't we be interested in a 96-year-old organization which works so hard for our customers?

SEVEN DOOMSDAY MYTHS ABOUT OUR ENVIRONMENT

The following is a summary of an article of the same name by Ronald Bailey which appeared in the January-February 1995 issue of *The Futurist* magazine.

Paul Ehrlich, a Stanford professor who founded Zero Population Growth following publication of his best-selling book, *The Population Bomb*, wrote in the Earth Day 1970 issue of *The Progressive* that 65 million Americans would die of famine and 4 billion people worldwide would perish in the years 1980 through 1989. *It didn't happen*; it didn't come close. Instead, food production tripled, worldwide life expectancy increased from 47.5 years in 1959 to 63.9 years in 1990, and infant mortality dropped from 155 per 1,000 live births to 70.

In 1972, the Club of Rome predicted that we would run out of raw materials: gold by 1981; mercury by 1985; tin by 1987; oil by 1992; and so on. *It didn't happen.*

In 1969, our Professor Ehrlich outlined "eco-catastrophes" in which 200,000 people would die in 1973 in "smog disasters" in New York City and Los Angeles. *It didn't happen.*

In the 1970s, there were forecasts of the coming of a new ice age causing worldwide death and misery for mankind. *It didn't happen.*

Now, we are told that we will all die because the climate is warming worldwide. *It hasn't happened.*

The hole in the ozone layer over the Antarctic, as explained by John Lynch, program manager of polar aeronomy at the National Science Foundation in 1979: "It's terrifying. If these ozone holes keep growing like this, they'll eventually eat the world." By 1985, scientists concluded that (a) this was a localized condition, and (b) these were a transitory phenomenon.

By 1992, NASA talked of an ozone hole over the United States. *Time* magazine, in a front-page story on February 16, 1992, said that it was "no longer the threat to our future, the threat is here and now." Shortly after frightening us, NASA admitted it was all a mistake.

The most recent admonition was danger from the "greenhouse" effect: the temperature on earth would get beyond the survivability of mankind. *The only mention of late about greenhouses is in the ads by Home Depot, Lowe's, and other purveyors of greenhouses!*

RThought: If you bet against doomsday, over time you will win, and you will die of old age. Unfortunately, there is a strain of scientists who think not of scientific accuracy but of notoriety from describing a new doomsday.

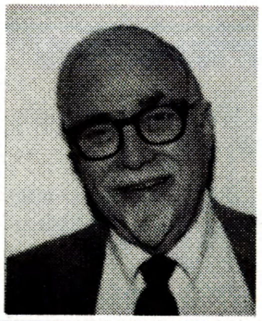
RThought: How do you identify a false doomsday? Use a little common sense. With millions of intelligent individuals in all corners of the earth, why, for example, would Professor Ehrlich be the *only one* to figure out that 65 million Americans (one-quarter of our population) would die from famine between 1980 and 1989?

RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON (Unadjusted $ millions)

SIC Code	Category	JANUARY 1995	JANUARY 1994	Percentage Change
52	*Bldg Matl Group	$ 8,016	$ 7,192	+11.5%
57	*Furniture Group	9,686	8,179	+ 18.4
571	Furniture Stores	4,625	4,014	+ 15.2
572	Appl, TV, Radio Stores	4,226	3,468	+ 21.9
5941	*Sporting Goods Stores	1,277	1,189	+ 7.4
5942	*Book Stores	1,155	1,034	+11.7
5944	*Jewelry Stores	851	858	- 0.8
531Pt	Conventional Dept Stores	2,878	2,725	+ 5.6
531Pt	Natl Chain Dept Stores	2.570	2.483	+ 3.5
	Subtotal	5,448	5,208	+ 4.6
531Pt	Discount Stores	8.571	7.769	+ 10.3
531	*Department Stores	14,019	12,977	+ 8.0
539	*Misc General Mdse Stores	3,966	3,741	+ 6.0
541	*Grocery Stores	30,987	29,925	+ 3.5
56	*Apparel Stores	6,482	6,315	+ 2.6
561	Men's & Boys' Stores	842	786	+ 7.1
562,3,8	Women's Stores	2,002	2,051	- 2.4
565	Family Clothing Stores	2,120	1,952	+ 8.6
566	Shoe Stores	1,063	1,154	- 7.9
591	*Drug Stores	6,722	6,484	+ 3.7
596	*Nonstore Retail	5,296	4,585	+ 15.5
5961	Mail Order	3,901	3,397	+ 14.8
	**Retailing Today* Total Store Retailing†	88,457	82,479	+ 7.2
	**GAF TOTAL	39,807	36,423	+ 9.3

†Excludes car dealers, auto supply stores, eating and drinking places, service stations and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**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.



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INCENTIVE COMPENSATION AT WORK

The federal government is putting pressure on corporations by limiting compensation above $1 million per year to that which results from an incentive program.

In 1994, Fingerhut Companies, with total sales of $1.934 billion, was one of the larger direct-marketing companies and was one of the companies working on interactive retailing. It planned to start its "S: The Shopping Network" but found that there was less market support than expected and that the costs were more than expected. In the fourth quarter of 1994, Fingerhut took a special pretax charge of $30 million when the project was terminated. One result was a profit of $46 million compared to $75 million in 1993.

Another result? No bonuses for Fingerhut's top executives in 1994, as shown below:

Title	1995	1994	1993
Chief executive officer	none	$689,702	$561,418
Chief operating officer	none	414,314	275,615
Executive vice president of marketing	none	447,278	418,615
Senior vice president of operations	none	415,045	346,760
President of financial services*	$206,981	none	none

*Joined Fingerhut in March 1994

RThought: This is the way the Internal Revenue Service expected the regulation to operate. It appears that the days of key officers receiving a healthy bonus in a year of poor earnings and a declining market value are past.

KMART'S CONFESSION

On April 17, 1995, Kenneth W. Watson, Kmart Corporation's executive vice president of marketing and product development, announced that Kmart, after 26 years, was changing its advertising agency from Ross Roy Communications to Campbell Mithun Esty. Watson also made this confession: "We are focusing on the fundamentals of our business, improving our in-stock position, enhancing customer service, and fixing systems. We expect our new advertising programs to communicate improvements to our customers and alert new customers to the changes under way at Kmart."

We all have read Kmart's press releases over the past few years, saying that all three of the above fundamentals were in place. Apparently, they are not.

RThought: If these fundamentals are put into place, Kmart's future will be brighter than its recent past.

WHY CUSTOMERS DOUBT SALE PRICES

Women's Wear Daily (April 14, 1995) carried a story about Mervyn's, saying that its policy of "everyday low prices" was being abandoned and that its press was churning out "SALE" signs as fast as possible.

Paul Sauser, president of Mervyn's, was quoted as saying, "...up to 80% of Mervyn's merchandise will be *'on sale' each week.*" EIGHTY PERCENT!!!

For "up to 80%" of merchandise to be "on sale," Mervyn's will likely show a comparison price which will be called a "regular price." But, if up to 80% will be "on sale," the "regular price" on most items must then be in violation of the laws of many states, as well as the Federal Trade Commission guidelines. If only 20% of the merchandise is "off sale" and 80% is "on sale" all of the time, then the "regular price" cannot be the price at which Mervyn's sold that merchandise a majority of the time, a requirement in many states.

Let's assume that a garment has a purported "regular price" of $20, but up to 80% of the time, it will be "on sale" for $13-$16 (or whatever Sauser considers to be a "sale" price). If the garment is at "regular price" one week and "on sale" for four weeks (which would be up to 80% of the time), then it would be improper to use $20 as its "regular price."

RThought: In the May 1995 *RT,* I reported standards for price advertising which I drafted for Mervyn's in 1958 and which were in effect for more than 30 years. The new Mervyn's policy would not meet the standards followed in the days when Merv Morris, Jack Kilmartin (former executive vice president of Rhodes Western), and Jim Lundy (former chairman of Macy's California) ran Mervyn's so well and with such rapidly increasing sales and profits that Dayton Hudson grabbed it.

For "everyday low prices" to work as Wal*Mart's Sam Walton and his key people made it work, the following tenets must be cherished:

Continued

1. Give customers what they want, whether national brand or private label.
2. Have merchandise in stock by size, color, and model 90%-plus of the time.
3. Have a store layout that helps customers shop.
4. Extend cheerful service so that customers will want to shop.
5. Provide efficient, prompt, and correct completion of a transaction.
6. Have store hours that customers desire.
7. Ensure adequate parking.

RThought: Mervyn's had a consistent approach to advertising and pricing during the years in which I consulted with Merv (1956-77). Most of the tenets were met then; but with the passage of time, commitment to them appears to have weakened.

RThought: As has happened with many retailers who grew fast and now have problems, policy has been based upon just one factor: price – either "everyday low prices" or 80% of the merchandise "on sale." Note that I didn't mention "price" in the seven points for successfully using "everyday low prices." Intentionally.

MORE FEEDING OF THE RICH WHILE STARVING THE POOR

The National Retail Federation is proud of its development of a six-module set of tasks that are necessary for high performance in retail selling: providing personalized customer service; selling and promoting products; monitoring inventory; maintaining the appearance of a department or store; protecting company assets; and working as part of a department or store team. Training manuals for these modules will be made available to local schools. Why? To provide retailers with a supply of new employees who will be better qualified to be salespeople than those who are now being turned out by schools.

Tracy Mullin, president of the NRF, presented the end product of a special team of more than 100 companies and hundreds of sales associates. Among the participants were Eddie Bauer, Kmart, Starbuck's Coffee, Home Depot, World Foot Locker, Bloomingdale's, Crate & Barrel, Parisian, Tandy, Nordstrom, and Sears. These companies alone, out of the "more than 100 companies," have a combined volume of over $90 billion!

RThought: What made all of this possible? A *grant* of $500,000 from the U.S. Department of Labor! The NRF supports the Republican's "Contract *on* America." However, please don't cut off $500,000 for the poor, hungry 100-plus companies in dire need of government funding. The participating 100-plus companies could have funded the study by paying $5,000 each, or $1,667 per year, rather than foisting their training costs on the public. After all, think of the teenaged mothers (with fatherless children) who have been feeding at the public trough but who can now find jobs at Eddie Bauer, Starbuck's Coffee, Home Depot, World Foot Locker, Bloomingdale's, Crate & Barrel, Parisian, Tandy, Nordstrom, and poor, poor Sears. The news release did not indicate any contribution by the 100 stores.

A 'FINE WAY' TO GET HONEST ADVERTISING

You may not want to expand into Canada after you read this item from the *Montreal Gazette.*

> **A Dorval-based retailer in blinds, drapes, and other interior accessories was fined $40,000 [Canadian]...after pleading guilty in court to eight charges of engaging in false or misleading advertising.**

The company had advertised prices for certain vertical blinds as being "20% to 40% off," or at "50% savings," or at "half price," when the prices were really its regular prices.

RThought: Does this remind you of ads for blinds that you see in your trading area? Do your own ads come to mind? The Canadian government started a campaign to get rid of these ads in the late 1980s. Significant and embarrassing fines such as these will improve the profitability of bringing offenders into court.

RThought: Would you make a juicy target for regulators with some of your claims of "Save 50% -- 2 Days Only" or similar claims?

IN THE END, THERE'S ALWAYS COMPETITION

High-profit margins produce competition. Many times, efficient competition improves market share. The loser may have forgotten how to be efficient.

Take J. Sainsbury, Britain's largest supermarket chain, as an example. Sainsbury is represented in the United States through ownership of Shaw Supermarkets (headquarters in Connecticut) and through its recently acquired major holding in Food Giant (District of Columbia). Its chairman, David Sainsbury, recently told a food conference that during the late 1980s and early 1990s the company added a lot of services, in addition to adding many high-margin food items, with the result that operating margins ran as high as 8%.

With high margins bringing on competition and new chains, Sainsbury forecast that the present four major chains might, by the end of the decade, be facing four or five new major chains. He said that with eight or nine competitors it is unlikely that anyone will have an 8% margin. In other words, we can abuse our customers often, but not always.

A similar example of what is happening with the U.S. food industry is a study by Coca-Cola, which convincingly pointed to $30 billion out of $360 billion spent on food as unnecessary expense in the U.S. food channel.

As I listened to the tapes of the 1994 Food Marketing Institute convention, I heard frequent mention of two factors which inhibit many food retailers from actively participating in the food industry answer: efficient consumer response. How would they replace the profits made on "advance buying" and "diverting"?

Well-capitalized major chains spend part of their energy and resources competing with wholesalers! An "advance buy" means buying more than is needed during a period of a special price offering by the manufacturer. For example, a special price is offered at a 15% discount for the next 60 days, but a retailer buys 150 days' supply at the special price. The retailer expects to sell the extra merchandise

IF YOU SELL CIGARETTES, THE ATTORNEYS GENERAL HAVE A WORD FOR YOU

There is an organization called the National Association of Attorneys General. Through this organization, the attorneys general of the various states act together or conduct joint studies. In January 1995, a committee of attorneys general from half of the states, plus Guam and the Mariana Islands (you may have forgotten that they are a part of the United States), submitted a report on the problems of smoking and minors. Many of the largest states were included: Florida, Massachusetts, Michigan, Minnesota, New Jersey, New York, Texas, and Wisconsin. The interim report included recommendations for responsible retailers.

I have yet to see the full report, entitled "No Sale: Youth, Tobacco, and Responsible Retailing," mentioned in the trade press; however, the following are its recommendations to retailers:

1. Develop effective training for employees to avoid illegal sales to children.
2. Keep tobacco products in a locked area.
3. Post prominent signs to advise consumers about the laws.
4. Remove promotional materials targeted at minors.
5. Use a price-scanner system which "locks" when tobacco products are scanned and does not unlock until a validated age is entered.
6. Remove vending machines from retail stores.
7. Use shopper programs to monitor employee compliance with the laws and reward employees who comply; discipline those who don't.

The attorneys general expressed the basis of their concerns:

1. Over half a billion packs of cigarettes a year are illegally sold to minors.
2. An estimated 3,100,000, or one-sixth, of all teenagers smoke regularly.
3. Every day, 3,000 more children take up smoking.
4. Most minors who smoke begin at 13 or 14.
5. By age 18, teens smoke at the same rate as adults.
6. Unlike the use of alcohol and drugs, the use of cigarettes does not drop with age.

In 1992, Congress passed legislation mandating that states improve their enforcement of laws prohibiting the sale of tobacco products to minors. In this regard, the committee's Working Group, consisting of assistants to the committee members, made the following observations:

1. Legislatures should be wary of solutions advanced by the tobacco industry.
2. State legislation should not preempt local ordinances.
3. State laws should create or require a licensing system for tobacco sales.
4. The licensing and *enforcement* system should be self-supporting (i.e., fines).
5. The licensing system should use graduated fines, with license suspension for repeat offenses.
6. The law should include positive incentives for responsible retailing.
7. The law should require periodic compliance checks.
8. The law should not limit who can conduct compliance tests.
9. State laws should limit youth access to tobacco by restricting vending machine sales and prohibiting free sampling.
10. State laws should require that drivers' licenses be designed to make identification easy.

Not mentioned was the use of Department of Motor Vehicle-issued cards with photographs for people over minority but not licensed to drive, a card which is now available in many states.

If you want more information about the recommendations of or progress by the attorneys general Working Group, contact New York Press Secretary Chris McKenna at (518) 473-5525.

RThought: Because the attorneys general have taken these steps and bearing in mind their plans to take further steps, it is time for retailers who sell tobacco products to follow their recommendations: increase employee training; reward employees who assist by following a company policy and the law on the sale of tobacco products to minors; review whether or not vending machines can be eliminated, and, if not, place them in locations away from easy public access. We need to follow as many of the recommendations as possible now before we are embarrassed when increased enforcement of existing laws is begun.

The suggestion to make enforcement self-supporting can portend high penalties for disobedience.

RThought: Information systems departments in the retail industry are working on a standardized program to lock when an age-controlled article is checked out. One company's information systems department advised me that its store scanners alert a cashier whenever an SKU is scanned on an item requiring proof of age, such as cigarettes, alcoholic beverages, ammunition, some OTC drugs, etc.

I notified the office of New York Attorney General G. Oliver Koppell of this activity by responsible, large retailers. He was unaware of the program. I suggested his task force include all types of merchandise for which there is a law setting a minimum age for purchase.

HOME CENTER NEWS ON EMPLOYEE-THIEVES

National Home Center News devoted considerable space in its March 20, 1995, issue to the problem of shortages in home centers. (As we all know, shortages do not occur just in home centers.) I believe some of the statements to be incorrect.

The lead article was entitled "Employee-Thieves Repeatedly Slipping Through the System." The following are pertinent quotes from the article:

> **NATIONAL REPORT — If Builders Square fires a store employee because of theft, how will a Lowe's store manager across the street know when the innocent-faced employee applies for a job in his store? He probably won't.**
>
> ***
>
> **Department store and general merchandise retailers have shared information of this nature on employees for more than 70 years. But home centers remain hesitant.**

I do not believe the statement, "Department and general merchandise retailers have shared information of this nature...," *unless* they have successfully prosecuted the employee for theft and the court decision is a public record (some reports on minors are not available to the public). Based on the past three or four decades of close participation in this issue, the most one can ask of former employers would be "Is this person eligible for rehire?" Some former employers would answer this question and some would not. Sometimes, the hesitation on the other end of the phone call is the answer.

If this information were traded as glibly as *National Home Center News* implies, it is my belief that a store's liability insurance could exceed its shortages. The store could even be uninsurable.

A policy of prosecuting cases of *proven* employee theft sends a strong message which is clearly understood by most employees. If there is no such message, a thief-at-heart who may be among your employees may think he or she is one side of a game, pitting his or her skill at stealing against your skill at detection.

There is a quote in the article from Bob Oberosler, vice president of loss prevention and safety for Lowe's Companies: "Most prosecutions don't give an adequate return on investment of the investigator's time." I believe this is a short-sighted view of the problem. The cost saved on one non-prosecution may encourage several thieves-at-heart to begin or to reactivate a career of stealing.

Would someone at Lowe's turn off half of the store lights because no one was shopping in the east end of the store, reasoning that the lack of sales provides no return on the expenditure for electricity?

RThought: Establish a policy of prosecuting thieves and post signs in employee areas setting forth this policy. Then, compare the total cost for the signs, plus the investigation and prosecution costs, with the saving resulting from a lower shrinkage rate.

A BAD NUMBER AS FACT

Another article in the same issue of *National Home Center News* reported on a class action against Menard's, Inc. (In 1994, it was the seventh largest home improvement chain, with sales reported at $1.7 billion.) The class action followed judgment against Menard's and a security firm employed by Menard's of $153,000 resulting from an arrest by an "overzealous" security guard of a physician who failed to pay for a 3-cent nut!

The article contained the following statement:

> **Shrinkage or theft by employees or customers plagues all retailers. In 1993, it amounted to an average of almost 2% of home improvement retailers' annual sales, according to the University of Florida's National Security Survey released last year.**

The only point that can be made about the published figure from the University of Florida is that for the home improvement retailers *who submitted information* to the university the average shrinkage was "almost 2%." (**Note:** The method of computing the average was not disclosed, and the participants may not have been a reliable sample of the industry.)

Menard's may or may not have submitted information: it may have been above or below the average of the firms which submitted figures. The article does not explain how the average was obtained. Two possible methods are: 1) average the percentages of each participant to obtain an average percentage or 2) add the sales together, add the dollar shortages together, and then divide the cumulative shortages by the cumulative sales. If the percentages are the same, it is a coincidence, not the mathematical expectation.

SHORT SHORTS

It is all in how you look at it. "If a murderer kills you, it's homicide. If a drunken driver kills you, its manslaughter. If the FDA kills you, it's just being cautious." (Public Citizen's *Health Letter*, March 1995)

What's happened to small supermarkets? They have become drug stores. Rite Aid is negotiating to buy 44 Red Apple Supermarkets in the New York area with plans to convert 30 into drug stores. The inventory dollars for these larger stores will come from closing 200 underperforming stores. **RThought:** Whenever I go into a Duane Reade drug store (the original store was at the corner of Duane and Reade in Manhattan), I sort of pity those who are going to compete with it. Duane Reade has more cash registers per 1,000 square feet than any other store I know. It almost went public in 1984, at which time it was doing about $1,200 per square foot. I believe it would have been a good investment at a preliminary offering price range of $16-$19.

during the 90 days after the manufacturer's special price ends and, thus, make a larger gross margin for the next 90 days. A smaller retailer, who buys only as needed, has to raise his or her prices at the end of 60 days when the temporary price reduction ends.

'Diverting" also involves buying extra goods; but, in this instance, the special offer is only in a limited area. For example, the "special" may be offered in California but not in Arizona, Nevada, Oregon, or Washington. Thus, a retailer may buy extra goods at the special price and then resell the goods into an area where the manufacturer has maintained a higher price.

In all of the discussions regarding these "lost margins," which have to be replaced, I have yet to hear mention of expenses being reduced if "advance buys" or "diverting" are eliminated. The interest savings resulting from the smaller inventory will come automatically, but reducing the warehouse cost is more difficult because the warehouse rent or depreciation continues month to month and is only offset if the warehouse space is reduced by subletting, sale, or abandonment.

Because of these profit-generating trade practices, a retailer isn't interested in the difficult-to-define economies to be derived from Continuous Resupply Program (CRP). (One speaker I listened to said that the first time he heard of CRP he thought a letter had been left out!)

It appears that the only impetus that will motivate supermarkets to think clearly about profit making is going to be the threat of superstore chains, large stores which combine food with general merchandise and which, supermarket operators say, are too large for people to want to shop regularly. However, customers *do* shop regularly in superstores, resulting in superstores taking a higher, though still not significant, percentage of the food business. Their names are Meijer, Fred Meyer, SuperKmart, and Wal★Mart Supercenter. The *1995 Directory of Supermarket, Grocery, and Convenience Store Chains* lists Wal★Mart Supercenters as the 15th largest U.S. *food* company.

None of the above major supercenter chains are at all interested in advance buying or diverting. They are much more interested in cross-dock handling, quick response, minimum investment in inventory (they love it when the accounts payable exceed the value of the inventory), and the minimum-sized warehouse to handle the maximum flow of merchandise.

Superstores have honed their logistics on general merchandise and can see no reason why the systems they have developed (especially their MIS systems which are already in place), the controls they have, and the expertise they have will not win the contest for the food customer, as long as the food industry leaders are wedded to "advance buying," "diverting," and "high-low" merchandising.

RThought: There is no way that supermarkets, once America's most efficient form of distribution, can continue to carry $30 billion in unnecessary expense.

THOSE SERPENTS! THERE'S NO PLEASING THEM!

I think the world is all mixed up.
Something is wrong, I say.
But who's to pay?
The investor, I say.
How did things ever get this way?
March came in like a hare who was mad,
Because somebody put Easter elsewhere,
And so stores did not get their share,
But what can we do?
Despite not understanding,
The analyst continued demanding.
They thought so little,
When setting out each retailer's share,
So, there! Beware!

(Note: The above title and poem were composed with a little help from Lewis Carroll's *Alice in Wonderland,* 1865.)

The Oakland Tribune (April 8, 1995) reported that, horrors of horrors, Mervyn's, with Easter misplaced, had March same-store sales that were 17% less than in 1994, when Easter was two weeks later! (See *RT,* March 1995, for an expose of using same-store sales as a rubber yardstick.) To quote the article in the *Tribune,* Mervyn's sales "were far below the 7% decline predicted by analysts." (See *RT,* April 1995, for an opinion on Wall Street's expectations.)

In this case, Dayton Hudson's stock price dropped $2.25 (over 3%), all of which was attributed to the performance of a division which represents about 20% of Dayton Hudson's sales. When I knew Mervyn's intimately (1956-77), the boys' and girls' departments were strong year-round but had much of their seasonal activity during the two weeks before Easter, most of which in 1995 was transferred, somehow, to April! (We should get rid of calendars. Right?)

At least one analyst was reported to have changed the rating of Dayton Hudson from "buy" to "hold" and had cut the first-quarter earnings from 53 cents to 31 cents — a 41% cut! The rating was for the *entire* company, which includes rapidly growing Target and the department store division which consists of Dayton's, Hudson's, and Marshall Field. Didn't the analyst know the 1995 date of Easter and its impact on sales?

RThought: Something has to change here. Why do retailers have to report monthly sales when companies like Coca-Cola, Johnson & Johnson, Procter & Gamble, Hewlett-Packard, and thousands more *do not*? Some auto manufacturers are reducing the frequency of reporting car sales.

I have a suggestion: Let all retailers send their monthly projections to a neutral source, perhaps one of the Big Six accounting firms. Let all retail analysts also send their published sales projections to the same neutral party. Both would have to be submitted before the start of the month. When that month's sales are released, the neutral party would rate each analyst for (a) the percentage deviation from actual and (b) the deviation from the *company's projection.*

Those analysts whose projections deviate by more than 10% from the actual for any two months of the quarter would not be allowed to make public any further estimates until they prove that their estimates are usable by completing a calendar quarter with at least two of the three months forecast within 10%. Their estimates could be used within their company as long as they were not included in any release or reports to customers or clients or in any manner outside their firm.

Any forecast in violation of these rules would be cause for stronger action by the Securities Exchange Commission. Both the firm and the analyst would be subject to discipline, the latter being part of my campaign against incompetent analysts.

Any "market" estimate would be computed by the neutral source based solely upon the estimates of all qualified analysts, rather than those analysts collected by some research company which can include or exclude any analyst at random and, thus, *has the power to manipulate the market estimate whichever way it chooses.*

SHORT SHORT

An observation worth repeating: When Morris Marmalstein announced his retirement after 40 years in the apparel business, during which time he made many friends, *Women's Wear Daily* ran a tribute headlined "Marmalstein's Farewell to a 40-Year Love Affair." Marmalstein offered a tribute to his customers: "The retailers have done a terrific job of training their customers. It used to be there were two sales months — January and July. Now, there are sales all year round. There's too much emphasis on price at retail and not enough emphasis on service. This has cut into customer loyalty and has often resulted in less exciting merchandise." **RThought:** It may be less "exciting," but there is more "exiting" from retailing — let us hope that the store owners have gone to look for their lost customers.

WORDS — FROM SOMEONE WHO HAS BEEN THERE

This statement followed the listing of Christopher Steve Adams, Jr., a retired Air Force officer and now an executive with a defense electronics corporation, in *Who's Who in America:*

> **America the beautiful. I have dedicated my life through service to preserve our freedom. There is no better place on earth — I know, I have been there.**

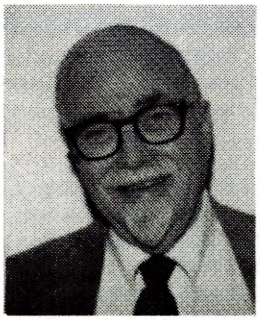
RThought: Well said, Chris. I spent 23 years in the Air Force active reserve, six and a half years on active duty in places such as Iran, the Philippines, Japan, and French Morocco. Fortunately, for the United States, there have been enough of us citizen-soldiers to permit our country to do its job around the world without unbearable cost for a military establishment.

RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON (Unadjusted $ millions)

SIC Code	Category	FEBRUARY 1995	FEBRUARY 1994	Percentage Change	Two Months 1995	Two Months 1994	Percentage Change
52	*Bldg Matl Group	$ 7,760	$ 7,070	+ 9.8%	$ 15,771	$ 14,262	+10.6%
57	*Furniture Group	8,974	8,067	+11.2	18,697	16,246	+15.1
571	Furniture Stores	4,385	4,124	+ 6.3	9,029	8,138	+10.9
572	Appl, TV, Radio Stores	3,859	3,245	+18.9	8,103	6,713	+20.7
5941	*Sporting Goods Stores	1,296	1,216	+ 6.6	2,562	2,405	+ 6.5
5942	*Book Stores	627	616	+ 1.8	1,812	1,650	+ 9.8
5944	*Jewelry Stores	1,141	1,128	+ 1.2	2,010	1,986	+ 1.2
531Pt	Conventional Dept Stores	3,305	3,230	+ 2.3	6,182	5,955	+ 3.8
531Pt	Natl Chain Dept Stores	2,466	2,411	+ 2.3	5,033	4,894	+ 2.8
	Subtotal	5,771	5,641	+ 2.3	11,215	10,849	+ 3.4
531Pt	Discount Stores	8,604	7,884	+ 9.1	17,173	15,653	+ 9.7
531	*Department Stores	14,375	13,525	+ 6.3	28,388	26,502	+ 7.1
539	*Misc General Mdse Stores	3,799	3,758	+ 1.1	7,767	7,499	+ 3.6
541	*Grocery Stores	28,760	28,076	+ 2.4	59,627	58,001	+ 2.8
56	*Apparel Stores	6,590	6,649	- 0.9	13,071	12,964	+ 0.8
561	Men's & Boys' Stores	772	734	+ 5.2	1,607	1,520	+ 5.7
562,3,8	Women's Stores	2,108	2,252	- 6.4	4,121	4,303	- 4.2
565	Family Clothing Stores	2,183	2,076	+ 5.2	4,300	4,028	+ 6.8
566	Shoe Stores	1,069	1,154	- 7.4	2,138	2,267	- 5.7
591	*Drug Stores	6,483	6,184	+ 4.8	13,344	12,608	+ 5.8
596	*Nonstore Retail	4,727	4,323	+ 9.3	9,964	8,908	+11.9
5961	Mail Order	3,162	3,010	+ 5.0	6,985	6,407	+ 9.0
	**Retailing Today* Total Store Retailing†	84,632	80,612	+ 5.0	173,013	163,091	+ 6.1
	**GAF TOTAL	39,197	37,307	+ 5.1	79,041	73,730	+ 7.2

†Excludes car dealers, auto supply stores, eating and drinking places, service stations, and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**General, Apparel, and Furniture.

For further information on these figures, contact Irving True at the Business Division, Bureau of Census, Washington, D.C. 20233, or call 301-457-2706/2708. (Irving has been very helpful to me over the years.)



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ROUTE TO

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THE FORGOTTEN STORY OF RETAILING

An uncommon story in the Toronto Star began:

> **When George Thomas was a teenage A&P [Canada] box boy, schlepping groceries out to people's cars, he made a decision to stick with the company and work his way up through the ranks.**
>
> **Fifty years later, Mr. Thomas retired after a distinguished career, which culminated in the presidency and vice-chairmanship of the grocery giant A&P Foods, Ltd.**

A fellow corporate officer said of Mr. Thomas, "He was quite a man. He was honest, straightforward with everyone, tough with employees, but they had great respect for him. He set high standards for himself and expected high standards from others."

His wife said he took special pride in being named 1990 Man of the Year by the Canadian Foundation for Ileitis and Colitis (now Crohn's and Colitis Foundation of Canada).

His daughter-in-law said he was notorious for his spot checks. Whenever he left the office for a destination unknown to his secretary, a "red alert" went out to all managers of stores for miles around to expect an unannounced visitor.

Unfortunately, Mr. Thomas recently died of cancer at the age of 67.

RThought: How long has it been since you have read a story about a box boy who became president?

WHAT IS FREE ENTERPRISE?

"Free enterprise" is defined in *The Random House Dictionary of the English Language*, Second Edition, Unabridged, as:

> **An economic and political doctrine holding that a capitalist economy can regulate itself in a freely competitive market through the relationship of supply and demand with a minimum of governmental intervention and regulation. (1885-90)**

From *Modern Economics: Elements and Problems,* by Albert L. Meyers:

CLASSIFICATIONS OF MONOPOLISTIC AND COMPETITIVE SITUATIONS

1. Monopoly is a situation in which there is no close substitute for the product of a single firm.

2. Duopoly is a situation where there are only two firms producing either a standardized product or two products which are only slightly differentiated.

3. Oligopoly is a situation where there are so few sellers that each of them is conscious of the results upon price of the supply which he [or she] individually places upon the market:

   a. Oligopoly with standardized products may be called pure oligopoly.

   b. Oligopoly with differentiated products is a special case under monopolistic competition.

Continued

HONESTY IN COMPARATIVE PRICE ADVERTISING

I scan many retail ads, including those which are sent to me by my readers. Occasionally, I receive an advertisement claiming to be the lowest price in town, accompanied by a note which indicates that my reader has been able to buy the same item at a lower price elsewhere.

Every retailer must ask him- or herself a simple question: Do I want to advertise honestly?

Those of you who answer "Yes, but my competitors don't advertise honestly, so I cannot," duck the issue, because you believe your competitor's dishonesty justifies your dishonesty in advertising.

To those who answer "Yes, but...," I have another question for you: If your competitor robs a bank, should you?

To those of you who answer "Yes" without any qualification, I take off my hat. I hope there are many of you, because you are the hope of the world!

From my reading of ads from many cities and states, I know that the Federal Trade Commission and the various state attorneys general don't adequately enforce their own rules, regulations, and laws. Remember the time when you were driving at 70 mph in a 55 mph zone, just like everybody else, and the cop pulled you over? Well, you could now be "the one" selected by the FTC or an attorney general as an example of illegal advertising — with a fine of $100,000 added for good measure!

RThought: The May 1995 issue of *RT* included guidelines I wrote almost 40 years ago for Mervyn's which passed two important tests: time and honesty. But that article did not cover all of the possible situations.

In more words, all well chosen, the Illinois Retail Merchants Association has compiled a booklet of rules you can and should be able to live by and still succeed. Included are examples of acceptable and unacceptable wording. You will also find that the Illinois legislature, more than other legislatures, has been precise as to when such phrases as "up to 50% off" may be used.

Order a copy at 1-800-572-5044. The price is $15 (Visa and MasterCard are accepted).

c. Price leadership is a situation in which one or more larger firms base their price and output policies upon the assumption that these policies will directly affect their own return. Alongside these "leaders," there will be a large number of small firms which might be competitive in the absence of the larger firms but which either "follow the leader" in setting their prices or at least wait until the leader's prices are announced and then use these prices, as a point of departure.

4. Competition with differentiated products (monopolistic competition).

5. Competition with standardized products (pure competition). Pure competition is not necessarily perfect competition.

   a. Perfect market: perfect knowledge by both buyers and sellers and perfect freedom of movement of the commodity and/or of buyers and sellers between different parts of the market.

   b. Perfectly elastic supply of the factors of production.

6. There are four possible ways in which competition of various types may be combined. Competition may be:

   a. Perfect but monopolistic: perfect as defined above but accompanied by product differentiation.

   b. Pure but imperfect: standardized products sold in an imperfect market or produced under conditions of less than perfectly elastic supply of factors to individual firms or to the industry.

   c. Monopolistic and imperfect: product differentiation plus an imperfect market and/or imperfections in the supply factors of production.

   d. Pure and perfect: standardized product plus perfect competition as defined above.

RThought: One may often hear that a free enterprise system works "perfectly." However, as the text emphasizes there are few situations in our economy where the free enterprise system operates "freely."

NAMES ARE THE SAME AROUND THE WORLD

In reading this list of the leading accounting firms in South Africa, its familiarity struck me. How does it strike you?

Arthur Andersen
Coopers & Lybrand
Deloitte & Touche
Ernst & Young
Fisher Hoffman Stride
KPMG Peat Marwick
Kessle Feinstein
Price Waterhouse Myernel

RThought: Six of the eight firms constitute the Big Six in the United States; they have the same status in many countries around the world.

KEEPING MANAGEMENT IN TOUCH WITH THE STORE AND ITS CUSTOMERS

The sportswear chain Decathlon, which operates over 100 stores in France, Germany, Spain, and Italy, and is part of the Auchan hypermarket group, recently inaugurated its new headquarters in France. The building is approximately 400,000 square feet, with all of its divisions and offices — buying, research and development, workshops, staff restaurant, meeting rooms, travel agency, etc. — arrayed around the store. There is only one entrance through which come the customers, the store staff, and the headquarters personnel, the latter of whom cannot avoid being informed as to what is happening in the store's departments. It may be that the buyers spend some time on the floor with real, live customers; and if they identify themselves to the customers, they most likely receive an earful about what could be improved.

RThought: One of the weaknesses in large U.S. retail companies is that too many people engaged in the management of a company never have a chance to meet the customers who, as Sam Walton said, "pay their salary." I doubt whether most residents of the "palace" headquarters of such companies as Sears and Kmart ever take the time to talk to their customers.

TIPS FROM DOWN UNDER

Headline No. 1
"Shopping Center Sales Up 40% in March"

Fashion retailers in the Parabanks Shopping Centre in Adelaide, South Australia, reported a 40% sales increase in March, despite the lateness of Easter! In addition to having a customer service desk in the center of the mall, it has established a "courtesy crew" which visits its stores. It also provides regular "courtesy training" for store personnel and employs "courtesy crewsers" who routinely circle the parking lot to greet customers.

RThought: Courtesy pays — something far too many U.S. retailers have forgotten.

Headline No. 2
"Independent Book Stores Compete with the Chains"

In Brisbane, Queensland, Australia, five independent bookstores have joined together under the name of Better Bookshops of Brisbane and are using the heading in their advertising. Each store stresses its own field of specialization: one specializes in humanities and children's books, while the others advertise their own specialty. The five independents offer books not carried by the chains. The chains tend to carry only those books which are ordered in quantities of 500 or more, whereas the specialty stores often buy just a few copies of a book for which the demand is not great enough to interest the chains.

RThought: We forget that "coop advertising" can mean something more than money from the vendor. It can mean joint advertising by retailers who are not direct competitors.

The above information is from the May 1, 1995, *Inside Retailing* (not to be confused with the U.S. periodical of the same name). For 46 issues (one year), send A$387 to *Inside Retailing*, P. O. Box 99, Cremorne, NSW 2090, Australia, or fax 011-61-2-953-2289.

NOT UNDERSTANDING NUMBERS

The following item appeared in the periodical *Beverage Aisle*, April 1995:

> **Say thank you to the 35-to-44 year-old households. They spend $3,336 annually on food for home, 22% more than the average of all U.S. households.**

When the writer cited this item from the Food Institute survey in *Modern Grocer*, March 13, 1995, he or she might have passed on to *Beverage Aisle's* readers a little common knowledge which might have lead all of us through the following thought process:

1. The 35-to-44-year-old household bracket is that which is the most likely to include preteenagers or teenagers, who are known for their appetites.

A MESSAGE FROM THE FOUNDER OF THE EMPORIUM

Once upon a time, the Emporium (part of Broadway Stores, Inc.) in San Francisco stood above the city's other department stores — The City of Paris, The White House, O'Connor & Moffat, and Hale Bros. — the way Marshall Fields, R.H. Macy, Hudson's, Woodward & Lothrop, and other great stores stood out in their communities. The reason for the Emporium's early success may be explained by a booklet, *A Message*, completed by its founder, F.W. Dohrmann, on July 10, 1897. Here are the key excerpts:

> The enterprise for which we have associated ourselves is of such vast dimensions, requires so much capital, care, and labor and carries with it such grave risks, both to our investments and to our standing and reputation in the community, that it will require both our united and separate efforts to make a success where others have already failed.
>
> In view of the self-evident factors, I have given the matters, which will now require our best and closest attention, considerable and thorough study, and ask your indulgence now to submit to you some of the conclusions I have reached and suggestions which I desire to make.
>
> On the contrary, having given much more time that I really could afford to the organization so far as we have gone, I desire as soon as possible to see things in such shape that I need not give more time or attention to this business than any other of our shareholders who are not under salary, and that I can again give full attention to my own business which has a prior claim on my efforts and which I have of late been obliged to neglect.
>
> Believing that my past experience of nearly forty years in the retail business, and in organizing enterprises of different kinds, as well as my close connection with the Emporium from its inception to its present state, has given me many opportunities to observe what is required and what should be avoided, and since all of us should give the best we have and the best we know, I trust that you will appreciate my motives and will excuse my positiveness in regard to the principles and practices I feel can only lead us to success.
>
> This is also true in matters which I feel must be avoided if we do not wish to strike on rocks, as a ship is likely to do when breakers are ahead, if the men at the helm make but the slightest mistake in steering their craft.
>
> What I say is, therefore, intended only and entirely for the benefit of our future success and, I hope, will be of some benefit.

OUR OBJECT

The problem which confronts us is to make an enterprise successful which not only has failed to be so under other leadership but which is on a scale larger than any yet attempted in this city and, perhaps, larger than present trade conditions seem to justify.

To make such an enterprise profitable, even under ordinary conditions, it is necessary that we should have:

Intelligent Leadership, Perfect Organization, and Ample Capital

We must start with proper business machinery and appliances.

We must buy as cheaply as possible.

We must have less expense than other stores on our sales.

We must make larger sales in proportion to our stock and capital invested.

We must in many other ways be able to compete actively and fully with others.

So that we can hold our own against the prejudice and opposition with which the department stores have everywhere to contend with. [Emphasis added.]

[**Note:** In 1896, the Specialty Stores of America petitioned Congress to outlaw department stores, as the department stores, years later, tried to outlaw discount stores.]

To provide such machinery and appliances and to solve these problems, it seems to me necessary to do particularly six things, namely organize, capitalize, harmonize, systemize, and advertise.

Organize

As we have already formed the company which will be interested, and designated members which will be active, we need now only provide for the respective positions and duties of all concerned.

The form of our company will partly partake of a corporation, partly of a copartnership, and we must be careful that we adopt only the most practical features of both systems. [There followed the duties of directors and officers.]

Dual Enterprises

Inasmuch as the nature of our business is two-fold, namely:

1. To own and operate for our own account a number of departments;
2. To rent out, sublet to, deal with, and manage certain outside departments.

The proper handling of these two branches will require two coordinate heads, one to take direct charge of all departments owned by the corporation and another to attend to the duties connected with renting out certain other departments and generally managing all departments [concessions].

The separate duties of each should be clearly fixed, so that the respective powers and responsibilities will be perfectly known and acknowledged, and in the discharge of such separate duties, each one should be independent of the other.

In all matters which pertain jointly to the interests and duties of both departments and positions, they should advise and act jointly and, in the case of differences of opinion, ask and accept interpretations or decisions of the president as final and conclusive.

Capitalize

Since the capital to be paid in seems ample and provision is made for increasing it, if that should prove satisfactory, not much need be said on this subject, except that plans for investing this capital in proper proportion amongst the different departments should be prepared.

Harmonize

That perfect harmony of purpose and principles is a prime necessity for securing harmony of action, and that success is impossible without it, goes without saying.

For this reason, the importance of thoroughly discussing all matters of a general nature, policy, and system cannot be emphasized too much, as unless the principles and reasons upon which the policy of a house is based are perfectly understood, they will not be intelligently interpreted or complied with.

But since it is impossible, in fact not even desirable that all who discuss and decide such matters should be of one mind on all questions, and since in such cases the majority must decide, it is absolutely necessary that each one have the courage of his conviction and present his views fully and freely, but that, if other views prevail, each one loyally adopt, try, and work for whatever has been decided upon, until it is proven to be an error, and that when such seems to be the case, it is so presented at the proper time and changed or rescinded so that no dead laws or unobserved rules remain in existence when they can no more be enforced or complied with to the benefit of the house.

Systematize

The board should decide upon general lines to follow in the handling of the business, such, for instance, as to lay down general rules for engaging and paying of employees, so that they may be observed uniformly in all departments.

The managers must study all details, principally as to conduct of employees, attention to customers, system of charging, exchanging, selecting, deliveries, etc.

These will take much time and require great care, for if the custom and policy differs the least in one board or one department from that in the other, jealousy, dissatisfaction, and disorganization will surely result.

Much may be learned and adopted to advantage from the practice of similar enterprises in the East. A careful study of the printed material on these subjects, which is available for this purpose in the Emporium as well as in the stores of N.D. & Co. [Nathan Dohrmann & Co.] is therefore strongly recommended.

Economize

The waste in a large business, if permitted, is immense. The waste of time, light, and material, as well as neglect of goods, which will surely occur if not watched and checked, may at times alone decide if a year shall show a loss or gain.

The waste of superintendent already preliminarily created can easily prevent enough waste to cover its own cost and salary, and while during the first few months during which the consolidation and changes must be made, economy is not always easily observed, all matters which seem unnecessary or extravagant should be carefully avoided and noted and reported as soon as possible.

Advertise

The best and most effective advertising which a concern can get is that which costs nothing. It is the formulation of the character and good name of the establishment, that by which people know and judge it, as they would judge an individual's character by his actions, words, and the impression he makes. The Golden Rule was very successful in this respect; the former Emporium was lacking in many ways. [**Note:** The Golden Rule merged with the Emporium.] What that of the consolidation shall be will be very greatly determined during the early part of its existence.

It is therefore of the greatest importance that the right character shall be established by precept and example by leaders of the house and that it is insisted upon that all connected with the company, as well as with other departments, follow correct lines of morality, decency, and usefulness; also that the welfare, health, and comfort of all employees is properly cared and provided for.

These objects should ever be in view, in the most important, as well as the most trifling transactions, in dealing with the richest bank or the least employee, in showing the store to strangers and visitors, or in giving attention to the poorest applicant for a position.

Sacrifices made for these purposes will be sure gains in time.

Liberality in all matters where people would otherwise feel they are not fairly treated will bring returns greater than money spent with newspapers. The right example of the leaders will determine the action of subordinates, and the spirit, the honor, the integrity, the goods, and the honored name of the house will in time become more valuable, and be a better inheritance to those to whom we leave our earthly possessions when our time comes, than mere gains and riches, and will besides be the best and cheapest advertising we can possibly do.

All of which is respectfully submitted with the sincere best wishes for the prosperity of the Emporium and Golden Rule Bazaar, by yours faithfully, F.W. Dohrmann.

RThought: I have had a copy of this booklet for 20 years. It was reprinted by A.B.C. Dohrmann in January 1932 (almost the bottom of the Depression). Note that F.W. Dohrmann had quite a sense of humor — his son's initials were A.B.C.D.!

RThought: Longtime readers of RT will recognize elements that I have adopted, although the thoughts herein have been complimented by my own experience, particularly "the most effective advertising...is that which costs nothing," "something like a smile," "a prompt approach," "a sincere interest on the part of a salesperson," again, none of which cost anything!

—— SHORT SHORT ——

Statements I like to read: In the Jacobson Stores, Inc., annual report for the year ending January 1995, as part of the letter to "Dear Shareholders," there was the following paragraph:

> **We do not believe in using inflated markups to create artificial savings. We constantly strive to provide good value and honest pricing on all of our merchandise.**

The message was signed by Mark K. Rosenfeld, chairman and chief executive officer; Paul W. Gilbert, vice chairman; and James B. Fowler, president.

RThought: Can you make that statement for your company? From the ads that I read in many cities and the actions taken against well-known retailers by the attorneys general in many states and sometimes by the Federal Trade Commission, I believe there are few chief executive officers who could make such a statement. Isn't it sad that such a situation exists?

2. The number of family members in this bracket is likely to be larger than that of any other bracket (i.e., 25-to-35 or 45 and up households).

3. No one has ever called this bracket "empty nesters": ONLY 22% more for food? Why not more?

4. What would the percentage be if money spent at McDonald's or at the local pizza parlor were included?

* * *

MMR, April 7, 1995, published the following figures under the heading "Mass Market Retail Yardsticks":

Trade Class/Chains	Average Store Size (square feet)	Average Sales per Store (million)	Average Sales per Square Foot
Supermarkets	36,200	$12.2	$335.73
Discount stores	83,340	20.5	236.46
Chain drug stores	8,650	3.5	306.73

Look at the numbers:

1. The average store size has been rounded to the nearest 10 feet.
2. The average sales per store has been rounded to the nearest $100,000.
3. The average sales per square foot has been reported to the closest penny!

If we assume that the sales per store can vary plus-or-minus $50,000, then we should compute the accuracy of the sales per square foot by dividing the store size into $50,000, which would result in the following:

Supermarkets	±	$1.35
Discount stores	±	.60
Chain drug stores	±	5.70

The correct sales per square foot would then be presented as follows:

Supermarkets	$335.73	±	$1.35
Discount Stores	236.46	±	.60
Chain drug stores	306.73	±	5.70

Recognizing the rounding off of the volume per store (to the closest $100,000) and the store size (to the closest $10 per square foot), the useful numbers for sales per square foot should have been:

Supermarkets	$335
Discount stores	235
Chain drug stores	305

RThought: One of the great advantages of reporting only significant figures is that the readers of them will be more likely to remember them.

Just because everyone has a calculator capable of producing numbers to many decimal places does not mean that writers should use such numbers or that editors should accept such numbers in their publications.

CAMELS, COFFEE, AND CAULIFLOWER

The title of this article is the one used by Dr. D. Kirk Davidson, a former retailer from Carmel, California, and an old friend, who is now a professor in the Department of Business and Economics at Mount Saint Mary's College in Emmitsburg, Maryland. The article is a preliminary measure of the relative pull of community responsibility versus the pull of profit on retailers.

Dr. Davidson's survey covered 13 chains which account for the sale of approximately two-thirds of all cigarettes sold in the U.S.: A&P, Giant, Kroger, Lucky's, Ralph's, and Safeway supermarkets; BP, Circle K, Coastal Mart, Cumberland, 7-Eleven, and Sheetz convenience stores; and Wal*Mart discount stores.

The table below shows the percentage of cigarettes sold by type of stores:

Convenience stores	35%
Supermarkets	25
Grocery stores	8
Drug stores	6
Mass merchandisers	6
Other outlets	20
	100%

Cigarettes represent 26% of convenience store sales (exclusive of gasoline) and about 4% of supermarket sales.

Because cigarettes are the major cause of lung cancer, whether or not to sell them is a question of ethics. Dr. Davidson asked retailers what they had done in the Alar-on-apples situation and whether or not they "edited" the pornographic magazines and periodicals they carried. He was interested in learning what they carried and whether or not they were subject to any organized pressure groups. The sale of cigarettes, apples sprayed with Alar, and "girlie" magazines are all legal. He found that there were local pressure groups against pornographic literature and apples sprayed with Alar but none against carrying cigarettes. [**Note:** In addition to being legal, as of this writing, cigarettes are used by some 22-27% of the adult population in the various states.] Dr. Davidson found that supermarkets and convenience stores were concerned that if they did not carry cigarettes they would lose the purchases of smokers who would go to a competitive store (convenience or supermarket) that *did* carry cigarettes. However, there was no such concern connected with the sale of *Playboy* and *Penthouse* magazines!

As a result of pressure from local groups, all of the supermarkets and half of the convenience stores edited or controlled, to some extent, the assortment of magazines, including, in some cases, elimination of specific issues because of its cover or a single article. As a result of pressure from local groups, often including regular customers, store managers also felt similar pressure during the Alar incident.

There are, however, no local pressure groups against cigarette sales, despite possible death from lung cancer. Retailers rationalize their cigarette sales because cigarettes are a legal product, while, in some areas, there are laws against pornography and there are food purity laws against the use of Alar.

Despite the lack of concern about how cigarettes can harm or kill customers, between one-third and one-half of the firms offer smoking-cessation programs as a benefit to their *employees.* In addition, many have smoke-free stores. Although helping employees to stop smoking is of benefit to the employees, it also represents a savings to the employer in the cost of medical coverage, whether insured or self-insured. From this point of view, these store initiatives may be just one more cost-saving effort.

Not mentioned in the article was the fact that cigarettes are a high-margin item on which there may be price competition between types of stores (warehouse clubs, supermarkets, and convenience stores) but little competition between stores of the same type. With all of the hundreds of pages of advertising that a food chain runs during the course of a year, do you recall any which cut prices on major brand cigarettes?

Carrying cigarettes may be considered an acceptable act, because it is legal, by the same businesses that seek approval of their social activity in the form of contributions to local health and welfare organizations. I find this a little incongruent.

RThought: Although Dr. Davidson did not set forth this specific conclusion, it seemed obvious that retailers, with rare exception, assume responsibility toward their customers and community only when 1) pressure groups are effective in influencing public opinion or 2) when there is no pressure group, but doing the "right thing" does not significantly affect their profit.

Somehow, the theory that free enterprise will always work to the benefit of society seems to have failed in the case of cigarettes and lung cancer. Stockholders and/or management do little while an increasing number of their customers die long before their allotted number of years.

There is something wrong.

RThought: Do retailers have a responsibility when their actions negatively impact society or only when they impact profits? For those retailers who were Boy Scouts, do the Boy Scout Laws list "profit making" as a desirable trait? In case you may have forgotten: "A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean, and reverent." Is it "trustworthy," "helpful", "friendly," or "kind" to make money by selling a product which may result in lung cancer, the most deadly of all cancers?

GIFTS

From *The Chronicle of Philanthropy*, October 18, 1994, gifts were presented to:

Bradley University (Illinois): $7.5 million from Thomas Foster of Peoria, Illinois, founder of a company which operates 12 mail-order firms, and his wife, Ellen, to recruit and retain faculty members and provide scholarships for students in the College of Business Administration.

George Washington University (District of Columbia): $459,261 bequest from the estate of F. Henry Strayer of Mt. Holly, Virginia, a retired teacher, for academic endowment and student financial aid in the School of Medicine and Health Services.

Indiana 4-H Foundation (Indiana): $905,000 bequest from the estate of Mary B. McKinzie of Indianapolis, Indiana, a former vocational-agricultural teacher, for general support of programs and fund-raising efforts.

Pueblo Community College (Colorado): $4 million bequest from the estate of Fred (Fritz) Gorsich of Pueblo, Colorado, who operated a general store, to provide equipment for the Advance Technology Center and scholarships for students enrolled in technical programs.

RThought: A record for all of us as to what others have accomplished — and an example of returning to a community what it has given us.

WORDS — FROM THE PAST

Something happens to Republican leaders, when they get control of government.... Republicans in Washington have a habit of becoming curiously deaf to the voice of the people. They have a hard time hearing what the ordinary people of the country are saying. But they have no trouble at all hearing what Wall Street is saying. They are able to catch the slightest whisper from big business and the special interests.

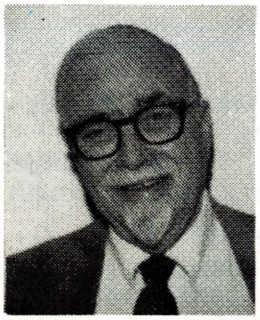
Harry S. Truman, campaigning to an unexpected victory in 1948

RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON
(Unadjusted $ millions)

SIC Code	Category	MARCH 1995	MARCH 1994	Percentage Change	Three Months 1995	Three Months 1994	Percentage Change
52	*Bldg Matl Group	$ 10,009	$ 9,543	+ 4.9%	$ 25,794	$ 23,805	+ 7.9%
57	*Furniture Group	10,183	9,229	+ 10.3	28,939	25,975	+13.6
571	Furniture Stores	4,994	4,789	+ 4.3	14,026	12,927	+ 8.5
572	Appl, TV, Radio Stores	4,337	3,665	+ 18.3	12,455	10,378	+20.1
5941	*Sporting Goods Stores	1,681	1,517	+ 10.8	4,241	3,922	+ 8.1
5942	*Book Stores	595	613	- 2.9	2,416	2,263	+ 6.8
5944	*Jewelry Stores	1,071	999	+ 7.2	3,101	2,985	+ 3.9
531Pt	Conventional Dept Stores	4,065	4,147	- 2.0	10,249	10,102	+ 1.5
531Pt	Natl Chain Dept Stores	3.083	3.145	- 2.0	8.117	8.039	+ 1.0
	Subtotal	7,148	7,292	- 2.0	18,366	18,141	+ 1.2
531Pt	Discount Stores	10.411	9.557	+ 8.9	27.586	25.210	+ 9.4
531	*Department Stores	17,559	16,849	+ 4.2	45,952	43,351	+ 6.0
539	*Misc General Mdse Stores	4,439	4,325	+ 2.6	12,210	11,824	+ 3.3
541	*Grocery Stores	32,098	31,384	+ 2.3	91,846	89,385	+ 2.8
56	*Apparel Stores	8,545	8,767	- 2.5	21,633	21,731	- 0.5
561	Men's & Boys' Stores	864	892	- 3.1	2,467	2,412	+ 2.3
562,3,8	Women's Stores	2,784	2,885	- 3.5	6,918	7,188	- 3.8
565	Family Clothing Stores	2,804	2,806	- 0.1	7,106	6,834	+ 4.0
566	Shoe Stores	1,488	1,587	- 4.2	3,633	3,854	- 5.7
591	*Drug Stores	7,062	6,901	+ 2.3	20,365	19,569	+ 4.1
596	*Nonstore Retail	5,721	5,318	+ 7.6	15,691	14,226	+10.3
5961	Mail Order	3,999	3,782	+ 5.7	11,008	10,189	+ 8.0
	**Retailing Today* Total Store Retailing†	98,963	95,445	+ 3.7	278,189	259,036	+ 7.4
	**GAF TOTAL	46,784	45,024	+ 3.9	125,955	118,754	+ 6.1

†Excludes car dealers, auto supply stores, eating and drinking places, service stations, and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**General, Apparel, and Furniture.

For further information on these figures, contact Irving True at the Business Division, Bureau of Census, Washington, D.C. 20233, or call 301-457-2706/2708. (Irving has been very helpful to me over the years.)



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ROUTE TO

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A SAD BUT HONORABLE STORY

Kline's opened in 1923 as a family-owned department store in downtown Chicago. It relocated in 1972 to a free-standing site on Lincoln Highway that was expanded until it reached 80,000 square feet.

Retailing has been difficult for single-unit department stores located in major metropolitan areas. Kline's is no exception: in April of this year, with the assistance of Fox Promotions of Cranford, New Jersey, it began its "Going Out of Business Sale."

Kline's announced the completion of the sale on June 21 and that its owners, George and Shirley Kline, had paid all of their creditors in full. It was a sad but honorable ending. The release also stated that the couple is negotiating with prospective buyers for the building and that they are looking forward to retirement.

Don Kleges, who recently liquidated Widemann's, a 90-year-old men's store in Palo Alto, California, also liquidated honorably. The rent paid by the new occupant will become part of his retirement income.

RThought: Compare these endings to the many Chapter 11 proceedings involving Johnny-come-latelies who buy old established names by using as much leverage as possible and then sticking the unsecured resources with big losses. Of course, if they are successful, they take the company public and walk away with a multimillion dollar fortune. This was once described as "heads I win, tails you lose."

DIVERSITY — SORT OF!

Ebony, in celebrating its 50th year, published "The *Ebony* Honor Roll," a list of "great companies" that have marketed their products through the magazine. The list of companies totaled 270. The few retailers listed were:

Amway Corporation	J.C. Penney Company
Avon Products	Publix Supermarkets
Eckerd Drug	Sears, Roebuck and Co.
Edison Brothers Stores	The Southland Corporation
Franklin Mint	Spiegel, Inc.
Grolier Enterprises	T.J. Maxx Stores
Kmart	Toys "R" Us
Thom McAn	U.S. Shoe
Benjamin Moore Paints	Walgreen Company
Nordstrom	Wal★Mart Stores, Inc.
PayLess Shoes	Zale Corporation

Twenty-one retail companies out of a total of 270 companies, or 7.8%, is not an adequate representation.

Publix Supermarkets is listed, but where are Kroger, Safeway, and American Stores? Nordstrom is listed, but where are Federated Department Stores, May Department Stores, and even Dayton Hudson? Eckerd and Walgreen are listed, but where are the other large drug chains? Sears and J.C. Penney are listed, but where is Montgomery Ward? Kmart and Wal★Mart are listed, but where is Target?

IF YOU NEED INFORMATION...

I live or die by the fax machine, communicating almost daily with clients in the U.S., Australia, and South Africa. It's my dream to be able someday to do the majority of my consulting with clients anywhere in the world by fax.

I was reminded of my dream recently when I was asked by a friend if I knew the year in which Sears, Roebuck and Co. introduced its charge account system. I have one of the largest specialty libraries in the U.S. covering retail firms and retailers. In it, I have five books exclusively about Sears. I thought it would be easy to find the answer. It wasn't!

Sears offered installment accounts long before it opened its first retail stores in 1927. (Montgomery Ward & Company opened its first retail stores in 1924.) Back then, only certain catalog items could be purchased on the installment plan. For example, if an item cost $30 and the customer wanted to make payments on the installment plan, he or she sent a down payment of $4 and then paid $1 per month. The finance charge was 10% on the amount financed. Installment accounts were the only form of credit available until 1953, when revolving accounts were finally introduced. (Department stores had created revolving accounts several years earlier.)

RThought: If you have a retail question you want answered, fax me at 510-284-5612. If I can provide the information, I will give you an estimate of the cost for the research.

IN CASE YOU DON'T READ *THE OFFICER*...

The Officer is the monthly publication of the Reserve Officers Association of the United States. The June 1995 issue included an interview with Congressman Floyd D. Spence (R-SC), chairman of the House National Security Committee (formerly the House Armed Services Committee).

The key question directed to the representative was: "What future do you see for the Reserve components in this time of changing missions and new challenges?"

Continued

Representative Spence's reply, with emphasis added, is of interest to every employer.

> **As we wrestle with [the areas of] smaller armed forces and new roles into the 21st century, we know that active and Reserve forces will be very different from what they are today. In adjusting to different challenges and changing realities, we focus our attention increasingly toward a more rational utilization of the Reserve components *as a cost-effective, mission-oriented, ready and deployable force.***
>
> ***By FY 1999, the Reserve components will make up about 49 percent of the Total Forces.* At the height of the Cold War, the Reserve components made up 35% of the Total Force end-strength for military personnel. If we ever had to respond to two, nearly simultaneous, major regional conflicts, the Reserve components would constitute *up to one-third of the total combat power* deployed in those contingencies. It is very clear to me that the Reserves will be expected to provide a significant and indispensable contribution to our national security into the foreseeable future.**
>
> **With a reduced force and constrained resources, more than ever it is imperative that every Reservist and Guardmember be adequately trained and ready.**

RThought: The March 1995 issue of *RT* outlined the provisions of the Employment and Reemployment Rights of Members of the Uniform Services Act (Chapter 43, Title 38, of the United States Code). To emphasize some of the act's main components, I have used the term "Reservist" to include both the Reserve components (Army, Air Force, Navy, Marines, and Coast Guard) and the National Guard (Army and Air Force).

> An employer may not refuse employment due to membership in the Reserve.
>
> An employer may not discharge employees because they join the Reserve.
>
> An employer may not refuse promotion because an employee is a Reservist.
>
> An employer may not deny reemployment after a Reservist's tour of duty.
>
> And I suspect that an employer may not deny a Reservist's two-week, summer-training absence (whether or not the Reservist is entitled to vacation).

The increased use of Reservists constitutes a tax on employers so that someone else can reap a tax saving.

RThought: Representative Spence served in the Navy from 1952-54 and in the Naval Reserve from 1947-52. Representative Montgomery, former chairman of the committee, served in the Army Reserve from 1943-56 and was recalled from 1951-52, in addition to serving in the National Guard from 1946-50 and from 1953-81. Both men should understand the extra expense and disruption imposed upon employers who employ Reservists; but, then, they have never been employers.

RThought: The "constrained resources" of which Representative Spence speaks are the utilization of the Reservists whom cost the government much less than regular military personnel, thereby realizing a savings to the government while mandating an extra cost to employers. This extra cost will help finance the reduction in the capital gains tax rate for the wealthy.

U.S. FARMING

Once, most members of our work force were on farms, but look what has happened over the past four decades.

Year	Permanent Farm Employment*	Number of Farms	Farm Output (1963 = 100)
1953	6,224,000	4,984,000	83.5
1963	4,364,000	3,572,000	100.0
1973	3,027,000	2,823,000	116.3
1983	3,666,000	2,065,000	120.0
1993	2,041,000	2,065,000	148.8

* Migratory labor figures are unavailable (i.e., not included in government surveys).

We can summarize the four decades as follows:

Farm employment dropped by 67%
Number of farms decreased by...............................59
Output increased by...80
U.S. population increased by..................................61

RThought: Malthus was wrong, as has been Stanford Professor Paul Ehrlich and his Zero Population Growth organization: output grew 31% faster than population. Malthus can be excused; Professor Ehrlich continues to argue that he is right and continues to collect donations/dues for his organization.

DOES A SUPERMARKET DRAW OR LIVE OFF OF A MALL'S TRAFFIC?

The Macerich Company has just announced that Lucky Stores will open a 50,000-square-foot supermarket on a 14-acre out parcel that formerly housed a freestanding Bullock's department store at Lakewood Center Mall in Lakewood, California. In addition, there will be a 130,000-square-foot Home Depot. (As I recall, the Lakewood Center originally was an open-air shopping center of more than one million square feet before it became a mall.) Lucky was one of the center's original anchors, along with Bullock's and The May Company, in what will now be a 1.7-million-square-foot mall.

Macerich stated: "The addition of Lucky will be beneficial to Lakewood residents. as well as our tenants, by introducing a non-competing use that generates ongoing, repeat visits. In particular, we see the opportunity for a good deal of cross-shopping between Lucky, Home Depot, and Circuit City. There may even be cross-shopping with the center's Pacific Theatres cinemas, as moviegoers stop at the supermarket after a show."

The very successful Broadway Center in Walnut Creek, California, now operated by Macerich, once was a strip center with a Lucky store as the main anchor. An H.C. Capwell (now Emporium) department store was added, and Lucky was later replaced with a Bullock's store which, in turn, was acquired by the present occupant, Nordstrom. A Safeway supermarket is located directly across the street from Nordstrom's rear entrance.

RThought: Given the much discussed shortage of shopping time, particularly in a two-worker family, it makes sense to once again locate a large supermarket near or as part of an enclosed mall. At least for the families located near such a center, food and mall shopping can be combined into one trip.

SOME FIGURES FOR THOSE WHO GIVE ADVICE TO RETAILERS

Just recently I read several pages of advice on "What It Takes to Win Today's Consumer." It included 10 trends as seen by a futurist who gave such advice as:

1. Store personnel must quickly determine needs that prompted the customer's visit to the store.
2. Create relationships with customers, but allow them to shop freely.
3. Ensure that knowledgeable store personnel are available to offer ideas and extras such as gift wrapping.

It appears that all the futurist could think about was full-service stores. Do any of these suggestions explain the success of supermarkets, drug stores, membership warehouses, most areas of discount stores, off-price apparel stores, the "Home Depots" of the world, super office-supply stores, etc., etc.? How could he not be aware of the demand for these stores?

I am not a futurist; I am a "backist": I am inclined to study past information published by the U.S. Bureau of Census on the subject of monthly and annual retail sales by types of stores. Since 1987, the bureau has reported department stores in three categories:

Conventional	(Macy's, The May Company, Rich's, etc.)
National chains	(Sears, J.C. Penney, and Montgomery Ward)
Discount	(Kmart, Target, Wal★Mart, etc.)

Discount stores were officially classified as department stores by the federal courts when the Federal Trade Commission challenged the acquisition of L.S. Ayres of Indianapolis by Associated Dry Goods. At the time, L.S. Ayres owned discount stores called Ayr-Way, a couple of which were located in Louisville, Kentucky, where Associated owned The Stewart Company, a conventional department store. The court ruled that the only difference between a conventional department store and a discount department store was that the former offered selling service and usually offered its own charge accounts.

Let's look at the sales figures ($ million) by the various types of department stores between 1987 and 1994:

Type of Store	1987	%	1994	%	% Change
Conventional	$ 47,761	32.1%	$ 53,678	24.2%	+12.0%
National chain	36,562	24.6	40,297	18.1	+10.0
Discount	64.332	43.3	128.020	57.7	+99.0
	$ 148,664	100.0%	$ 221,995	100.0%	+49.0%

It is remarkable how little growth occurred over seven years for the conventional and national chain department stores, considering the inflation rate during those years.

Let's deflate the 1994 sales figures by 30.5%, which is the amount by which the Consumer Price Index rose during the period, and see what the change in sales were in 1987 dollars ($ million):

Type of Store	1987	1994*	% Change
Conventional	$ 47,761	$ 41,132	-14%
National chain	36,562	30,879	-16
Discount	64,332	98,100	+52

*1987 dollars

One can reasonably argue that the CPI is not a fair measure for department stores.

Let's use the sales figures ($ million) of the Total Store LIFO Index, which increased by only 11.4% during the seven years.

Type of Store	1987	1994	& Change
Conventional	$ 47,761	$ 48,185	+ 1%
National chain	36,652	36,173	- 1
Discount	64,332	114,919	+79

No matter how we view these figures, our customers have told us that they want lower prices and are willing to accept checkouts and less service than the futurist advises retailers to provide.

Many self-service businesses have grown faster than their full-service counterparts.

RThought: I do not know how long customers are going to have to allocate their dollars toward self-service retailers offering lower prices before "the futurist" will note what they are trying to tell us.

Note: Supermarkets, however, need to find ways to speed their checkout lines in order to offset the delay caused by the increased use of credit cards.

—— SHORT SHORTS ——

How to make your tabloids worthless: The Sunday edition of the *Boston Herald* used a full-page, heavy sheet of paper that was a wraparound for all of the Sunday tabloids, thus making it easy to grab and to throw away all of the tabs with a flick of the wrist. The newspaper even makes money off of the wraparound by selling advertising space on one side of the sheet! **RThought:** Why do so many retailers believe that their Sunday tab will be read and then complain that advertising doesn't pay anymore? Retailers should not expect their tabs to pull when they, and the newspapers, make it so easy to throw them out!

Junk numbers: *The Boston Sunday Globe*, May 14, 1995, ran an article about a brighter outlook for college grads. It reported the starting salary for 28 bachelor degrees: the highest was a degree in chemical engineering ($40,689) and the lowest was a degree in telecommunications ($20,821). Retailing was seventh from the bottom, at $22,195. All salaries were shown with five significant figures, but the column was headed "Average Estimated Starting Salary for 1994-95." **RThought:** What earthly value is there in an average carried out to the closest dollar of "estimated" numbers?

If it will apply to banks, won't it apply to all corporations? The Federal Deposit Insurance Corporation is proposing rules that would limit the ability of troubled banks to offer "golden parachutes." It also proposes a ban against all banks indemnifying directors, officers, and other parties when they are the subject of federal administrative or civil proceedings. **RThought:** Perhaps the Securities and Exchange Commission will bar or limit "golden parachutes" by publicly held corporations. Or have we reached the "platinum parachute" stage?

BUYING ON CREDIT

According to the 1940 *Operating Results of Department and Specialty Stores,* Harvard Business Graduate School of Administration, department stores did more than half of their sales on credit. Stores over $20 million did 47% on their accounts and 8% on installment sales.

Food stores, with rare exception, did all of their business for cash. The growing chain stores at that time were A&P, Safeway, Kroger, Stop & Shop, Acme Markets, Colonial Stores, First National, Grand Union, Jewel Tea, National Tea, etc. Today, department store sales are paid as follows:

Cash or check	53%
Credit, proprietary	28
Credit, third-party, private label	9
Credit, third-party, bank	10
Total	100%

Source: The 1993 Edition of Financial and Operating Results, National Retail Federation

But what has happened in supermarkets? I have a client who operates a premium-quality supermarket. For years, this client offered 30-day charge accounts for which there was a service charge of $3 per month. An account would be closed if a customer were more than 60 days in arrears; therefore, my client did not have to comply with the laws which regulate revolving accounts and which apply to accounts payable in four or more payments.

Several years ago, my client began to honor bankcards, as did most of the supermarkets in northern California. With MasterCard and Visa came American Express, Discover Card, and ATM cards. For the year ending January 1995, the credit sales of my cllient came to 48%, broken down as follows:

Form of Credit	Percentage of Total Sales
ATM cards	20%
Visa* **	8
MasterCard**	4
American Express**	5
Discover Card	1
Own accounts	10
Total	48%

*Northern California is home to the Bank of America, creator, in 1955, of BankAmericard, which became Visa and which has, by a large margin, the largest number of checking accounts in the marketing area.

**Includes debit cards

RThought: Once, many retailers believed, on principle, that food should not be purchased on any form of credit because it would lead families into financial difficulties from which they could not extricate themselves. Today, the largest single portion of a family's income is spent in the supermarket, so it makes good sense because of special premiums and offerings, such as a discount on a new car or mileage points toward a free airline ticket, to use credit cards. No damage is done as long as the consumer pays off the account every month prior to the close of the payment cycle.

RThought: Here is a perfect example of a secondary benefit of using a credit card. Eli Broad, founder, chairman of the board, and chairman of the executive committee of Kaufman & Broad Home Corporation and chairman and chief executive officer of SunAmerica, Inc., recently purchased a painting at an auction for $2,500,000 using his American Express card! Although there is no limit on an American Express card, few vendors will accept one for that amount. When asked why he paid for it in such a manner, Broad replied, "I need the mileage!" American Express Member Miles are honored on Delta, Continental, U.S.Air, and Southwest airlines. There is an advantage to this arrangement: no expiration date, unless the airline refuses new points. The "miles" stay with American Express until you request they be transferred to an airline, at which time the airline's expiration rules apply.

— SHORT SHORT —

Am I, the descendant of immigrants, OK? In California, I may be, or may not be. My maternal great-grandparents came to the U.S. in the 1850s. Great-grandfather Bernard Baum voted for Abraham Lincoln in 1860 and supported Lincoln because he was the president of the U.S. Bernard had sworn allegiance to the U.S., even though he lived in Louisville, Kentucky, where most of the people supported the South. (The merchant across the street had one son in the Union Army and another in the Confederate Army.)

On my father's side, my great-grandfather Israel and my great-grandmother Sarah also came in the 1850s. Israel fought in the Union Army. (I have a photocopy of his discharge as a private on April 24, 1864, from the 11th Regiment, New York State Militia, Company A.)

Where was your family in the 1850s? Perhaps still in a foreign country? There were only 23 million people in the U.S. according to the 1850 census — less than two-thirds of the present population of California!

RThought: I am a descendant of a backpack peddler on one side and a merchant on lower Broadway in New York on the other side. Floods of immigrants have come to the U.S. since their time. In school, we were proud of the words of Emma Lazarus which were engraved on the Statue of Liberty in 1883:

> *Give me your tired, your poor*
> *Your huddled masses yearning to breathe free,*
> *The wretched refuse of your teeming shore,*
> *Send these, the homeless, tempest-tost to me:*
> *I lift my lamp beside the golden door.*

Greetings, fellow immigrants. Somewhere in the background of each of us is a courageous soul who came to the U.S. in search of a better land, a broader opportunity, a chance to advance him- or herself, and to contribute to the growth of this country. It was America's immigrants who accomplished these feats and who made the U.S. into the greatest economic power on earth. Many could not speak English when they came; if not they, then their children made the contribution.

It is time, fellow immigrants, that we reflect on the meanness which has spread throughout our country. Counting to 10 is not enough to cool me down; I have to count past 200.

WHAT IS HAPPENING TO THE LIFO INDEX?

The price level usually changes in the same direction for the 23 classifications of goods reported by the U.S. Bureau of Labor Statistics in its LIFO index. I was startled, however, when I studied the March 1995 report. Listed below are the classifications arranged according to the percentage of change in prices from March 1994.

Notions	+ 21.5%	Toilet articles and drugs	- 0.1%
Floor coverings	+ 11.2	Women's underwear	- 0.3
Men's furnishings	+ 5.6	Women's/girls' outerwear	- 0.5
Piece goods	+ 4.2	Housewares	- 0.7
Infants' wear	+ 3.8	Recreation and education	- 0.8
Furniture and bedding	+ 2.6	Major appliances	- 0.9
Men's clothing	+ 1.7	Jewelry	- 1.0
Boys' clothing and furnishings	+ 1.7	Home improvements	- 1.2
Women's hosiery	+ 1.4	Radio and television	- 1.4
Domestics and draperies	+ 1.3	Women's/children's shoes	- 2.3
Automotive accessories	+ 0.2	Women's/girls' accessories	- 3.9
Men's shoes	0.0		

RThought: The range is from +21.9% in notions (due to the changed mixture in what constitutes "notions," no doubt) to -3.9% in women's and girls' accessories!

RThought: Many stores are reporting increased income due to the transfer from the LIFO reserve to current income as prices drop (deflation).

RThought: More and more retailers are following a process first adopted by Kmart as an effort to boost its income. Internal Revenue Service regulations permit the use of LIFO valuation of inventories carried on the retail method. The regulations require that stores must use, for tax purposes, the index published monthly by the Bureau of Labor Statistics or an index of their own that has been approved by the IRS. For reporting purposes to their *stockholders,* stores can use anything that meets the test of Generally Accepted Accounting Principles (GAAP). Thus, stores have developed their own indexes using the mix of merchandise in their stores rather than a universal index.

Kmart's annual report stated:

> **Inventories: Merchandise inventories are valued at the lower of cost or market, primarily using the retail methods, on the last-in, first-out (LIFO) basis for substantially all domestic inventories and the first-in, first-out basis for the remainder.**

Others have joined Kmart in this practice, with as little disclosure as is found in Kmart's report.

RThought: Kmart uses its own index for reporting to shareholders but uses the Bureau of Labor Statistics index for income tax purposes, because it saves more tax money than by if it were to use its own LIFO index. Thus, higher profits are reported to shareholders than are reported to the IRS for tax purposes.

MERVYN'S NEW ADVERTISING PROGRAM

In the June 1995 *RT,* I commented on an announcement in *Women's Wear Daily* (April 13, 1995) by Paul Sauser, president of Mervyn's, that "up to 80% of Mervyn's merchandise will be 'on sale' each week."

From one of Mervyn's new "Super Sale" ads, I compiled the following list of merchandise "on sale":

WOMEN

ALL misses, junior and plus-size swimwear
ALL misses and junior Cherokee® separates
ALL misses shorts
ALL junior Union Bay® sportswear
ALL Cheetah® apparel
ALL misses and junior knit rompers
ALL rayon separates
ALL hand-painted and embellished tops
ALL junior knit tops
ALL plus-size knit tops, pants, and shorts
ALL maternity
ALL Playtex® boxed bras
ALL Hanes too!® hosiery

MEN

ALL shorts
ALL polo shirts
ALL Haggar® pants
ALL Dockers® slacks
ALL Levi® denim sport shirts
ALL Fuji® silk shirts
ALL seersucker shirts
ALL Reebok®, Nike®, and Above the Rim® activewear
ALL Cheetah® sport swimwear
ALL novelty and pro sport tees
ALL Hanes® socks and underwear

SHOES

ALL men's shoes
ALL women's fabric dress shoes
ALL women's "Allie" casuals; six colors
ALL women's "Suzy" wovens; four colors
ALL kids' casuals
ALL boys' Nike® shoes

CHILDREN

ALL boys' Bugle Boy® jacquard tees and denim shorts
ALL boys' Rag-Lan NZ® knit tops and shorts
ALL boys' pro sport and character-print tees
ALL girls' 4-16 short sets
ALL infant and toddler Sprockets®
ALL newborn and infant diaper sets
ALL boys' and girls' sleepwear

ACCESSORIES

ALL vinyl and patch-leather handbags
ALL women's sunglasses
ALL women's belts and hats
ALL stationery gift sets

HOME

ALL pillows and pads
ALL beach towels
ALL area rugs
ALL kitchen basics*
ALL kitchen textile coordinates

*Do you know what is meant by "kitchen basics"? I don't.

"Sale" prices were in effect Saturday and Sunday. The ad also featured 14 groups of items which were available only from 8 A.M. to 11 A.M. on Saturday. An additional six items were illustrated.

RThought: If what you want was not advertised, wait until next weekend!

RThought: I showed the ad to my wife and her immediate response was: "It looks as if Mervyn's is going out of business!"

IT'S LUNG CANCER, STUPID!

During Bill Clinton's presidential campaign, when he focused on the important issue of economics, someone coined the slogan, "It's the economy, stupid." Let me adapt that slogan to fit the current cancer situation, particularly in regard to what retailers do.

Macy's West headed its ads last fall with "October is Breast Cancer Awareness Month." Neiman-Marcus posted essentially the same wording on signs by its escalators in its Stanford Shopping Center store. In fact, many retail stores displayed similar announcements.

Since the majority of our customers are women, I can understand department stores and specialty stores sponsoring such a cause, but there are other cancers largely ignored by retailers that present an even more serious problem.

There are two measures of an illness: 1) incidence or new occurrences reported per year and 2) deaths reported per year.

The rise in incidence may reflect better detection methods. The increase in the number of deaths may be less than the increase in the number of new cases, because the latter may be the result of early detection and/or new and successful treatment.

For the 40-year period from 1950 through 1990, the National Cancer Institute reported the following figures:

Breast Cancer

Incidence	1990	150,000
Deaths	1990	43,389
Percentage change in incidence	1950-1990	+52%
Percentage change in deaths	1950-1990	+ 4%

The figures indicate better and earlier detection and much better treatment. Within a few years, the death rate from breast cancer per 100,000 population may be less than it was in 1950!

The prognosis for lung cancer is depressing.

Lung Cancer

Incidence	1990	157,000
Deaths	1990	141,146
Percentage change in incidence	1950-1990	+359%
Percentage change in deaths	1950-1990	+262%

The incidence of lung cancer is about the same as that for breast cancer, but the death rate is more than three times the death rate from breast cancer. The fact that the incidence of lung cancer is about the same as deaths indicates that we are not making progress in treatment and/or that early detection is not leading to early and/or successful treatment.

Those cancers with incidence increases approaching the growth of lung cancer incidence are skin (melanoma) cancer, with an incidence rate in 1990 of 27,600 and a death rate of 6,419, and bone (multiple myeloma) cancer, with an incidence rate in 1990 of 11,800 and a death rate of 8,906. However, in the period 1950-1990, the incidence rate for bone cancer has increased 182% and the death rate has increased 190%.

Will some new organization soon be urging that we retailers should concentrate on skin and bone cancers rather than on lung cancer?

RThought: If you want to draw the attention of the public to a cause of death that has run rampant and that we ourselves could help stave off, don't forget the slogan, "It's lung cancer, stupid!"

WORDS — FROM BUDD GORE

The late Budd Gore was one of the founders of the Retail Advertising and Marketing Association, but he was known by a wider audience for his "occasional" paper entitled *Pure Gore.* Perhaps a portion of one such paper, which included a list of "100 Quip Cards," will bring happy memories to those of you who knew him. For those of you who may not have known of Budd and his writings, treat yourself.

7. Everything for nothing, and cheaper, if possible.
10. Don't let me confuse you with the facts.
19. I keep everything pending.
24. I'm a misfit; I get along with everybody.
36. *The codfish lays ten thousand eggs,*
    The homely hen lays one.
    The codfish never cackles,
    To tell 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.
71. You learn something every day some days.
100. EASY CREDIT TERMS: Half down and the rest now.

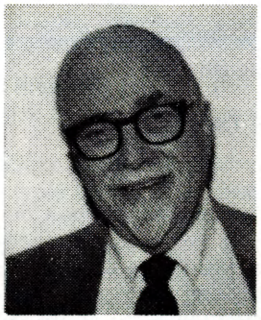
RThought: I miss Budd.

RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON (Unadjusted $ millions)

SIC Code	Category	APRIL 1995	APRIL 1994	Percentage Change	Year-to-Date Four Months 1995	Year-to-Date Four Months 1994	Percentage Change
52	*Bldg Matl Group	$ 10,602	$ 10,842	- 2.8%	$ 36,369	$ 34,647	+ 5.0%
57	*Furniture Group	9,387	8,878	+ 5.7	38,287	34,353	+11.5
571	Furniture Stores	4,779	4,705	+ 1.6	18,813	17,632	+ 6.7
572	Appl, TV, Radio Stores	3,839	3,414	+12.4	16,262	13,792	+17.9
5941	*Sporting Goods Stores	1,669	1,581	+ 5.6	5,889	5,503	+ 7.0
5942	*Book Stores	611	587	+ 4.1	3,019	2,849	+ 6.0
5944	*Jewelry Stores	1,148	1,103	+ 4.1	4,258	4,088	+ 4.2
531Pt	Conventional Dept Stores	4,045	3,899	+ 3.7	14,293	14,001	+ 2.1
531Pt	Natl Chain Dept Stores	3.023	2.992	+ 1.0	11,150	11,031	+ 1.1
	Subtotal	7,068	6,891	+ 2.6	25,443	25,032	+ 1.6
531Pt	Discount Stores	10,812	9,687	+11.6	38,398	34,897	+ 9.7
531	*Department Stores	17,880	16,578	+ 7.9	63,841	59,929	+ 6.5
539	*Misc General Mdse Stores	4,518	4,303	+ 5.0	16,734	16,127	+ 3.8
541	*Grocery Stores	31,527	30,594	+ 3.0	123,359	119,979	+ 2.8
56	*Apparel Stores	8,743	8,611	+ 1.5	30,335	30,342	0.0
561	Men's & Boys' Stores	920	916	+ 0.4	3,378	3,328	+ 1.5
562,3,8	Women's Stores	2,777	2,877	- 3.5	9,657	10,065	- 0.1
565	Family Clothing Stores	2,848	2,711	+ 5.1	9,948	9,571	+ 3.9
566	Shoe Stores	1,627	1,509	+ 7.8	5,270	5,363	- 1.7
591	*Drug Stores	6,846	6,759	+ 1.3	27,199	26,165	+ 4.0
596	*Nonstore Retail	5,171	4,984	+ 3.8	26,865	19,210	+ 1.5
5961	Mail Order	3,532	3,513	+ 0.5	14,509	13,702	+ 5.9
	*_Retailing Today_ Total Store Retailing†	46,683	44,241	+ 5.5	172,511	162,995	+ 5.8
	**GAF TOTAL	98,097	94,820	+ 3.5	370,155	332,850	+11.2

†Excludes car dealers, auto supply stores, eating and drinking places, service stations, and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**General, Apparel, and Furniture.

For further information on these figures, contact Irving True at the Business Division, Bureau of Census, Washington, D.C. 20233, or call 301-457-2706/2708. (Irving has been very helpful to me over the years.)



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ROUTE TO

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HOW CAN RETAILERS MAKE A PROFIT IF THEY DON'T KNOW HOW TO SAVE MONEY?

The March 27, 1995, membership list of the Environmental Protection Agency's Green Lights Program contained these few retailers:

Arkansas:	Wal★Mart Stores, Inc.
California:	Longs Drug Stores Woman's World Shops, Inc.
Connecticut:	Waldenbooks
Idaho:	Albertson's
Illinois:	Jewel Food Stores (but not Lucky Stores, Osco Drug, Sav-On, etc.)
Massachusetts:	Shaws Supermarkets, Inc.
Maine:	L.L. Bean
Michigan:	Perry Drug Stores
Minnesota:	SuperValu Stores, Inc. Target Stores (Mervyn's has since joined, but not Dayton's, Hudson's, or Marshall Field's)
Mississippi:	Hancock Fabrics, Inc.
North Carolina:	Black Dome Mountain Shop, Inc. Lowe's Companies, Inc.
New Jersey:	Pathmark Stores, Inc.
New York:	Genovese Drug Stores, Inc. Lerner New York (but not The Limited, Lane Bryant, Victoria's Secret, Structure, etc.) The Melville Corporation
Pennsylvania:	Charming Shoppes, Inc. IKEA Property, Inc. Rite Aid Corporation Thrift Drug Company
South Dakota:	Gateway 2000
Tennessee:	Service Merchandise Company, Inc.
Texas:	J.C. Penney Company, Inc.

Of the 25 retailers in the 16 states listed, most are among the high-sales and high-profit growth leaders in the retail industry. The 34 states not listed can boast of no headquarters of retail companies that are enrolled in the Green Lights Program.

RThought: If your profit *could be improved*, send a fax (202-775-6680) to the Environmental Protection Agency and ask how you can join the Energy Star Program — at no cost! Become part of Green Lights.

WILL YOUR SOCIAL SECURITY NUMBER BE YOUR I.D. FOR LIFE?

H.R. 4, a bill passed by the House of Representatives but not yet voted on by the Senate, would require a person's Social Security number as an identifier for:

1. All driver's licenses
2. All motor-vehicle registrations (my source did not state whose Social Security number would appear if a vehicle were owned by a corporation, a partnership, or in joint ownership)
3. All general benefit assistance
4. All state tax collections
5. All professional and occupational licenses
6. All marriage licenses
7. All divorce proceedings
8. All court actions involving child-support and/or paternity determination

For practical purposes, your Social Security number would become a universal I.D. number, something that has been resisted in democracies for a long time.

The House's reason for doing this now is to be able to trace persons who are not making child-support payments. For no other reason! But the number will serve many other purposes just because it exists.

All employers would be required to report the name and Social Security number of all new hires. The registry would then become a means of tracing persons who have failed to make support payments, either to the individual to whom the payments were due or to the state which paid support in lieu of the rightful obligor.

No one has estimated the added cost of this system — while a majority of Congressmen are clamoring for a reduction in the size of government and its cost to businesses.

But will this strategy serve the purpose it was designed to serve?

Having watched a "60 Minutes" program about the ease of obtaining a false Social Security card, complete with a false number, I suspect that most errant parents would rather have their Social Security deduction applied to a false account than have the support payment, presumably larger, deducted by attachment.

Discovery of a person's true Social Security number could cause the target to lose such licenses as a driver's license, a professional or occupational license, and much more.

RThought: Perhaps Congress will soon require that a Social Security number be tattooed on the bottom of an infant's foot or on its arm! Some infants now need a Social Security number even at birth because of income received from gifts.

RThought: I do not want to obstruct the apprehension of people who fail to rightfully assist in supporting their children. Perhaps such benefits could be blocked on a person's Social Security account and special investigations could be made of people who use a false account with no contribution showing for the early years when they would likely have been employed.

Source: *The Privacy Journal*, June 1995. You, or someone in your company, should be receiving this publication. If not, send $109 ($135, if overseas) to P.O. Box 28577, Providence, RI 02908.

WHAT WILL OUR POPULATION BE IN 2040?

Australia's *Shopping Centre News* (telephone 011-61-2-810-3916; fax 011-61-2-810-4392; about U.S.$90 or A$125 per year for six issues), July 1995, had the following item:

> **Recent discussion has dealt with the supportable population. Further comments added fuel to the debate, especially when Phil Ruthven of IBIS Business Information Services [said] whoever believes that 18 million Australians now claiming the entire continent to themselves can continue to decide in isolation its future population must believe in the tooth fairy. Adding that by the tail end of the 21st century, Australia's cities are likely to consist of 200 cities of over 100,000 people, 40 cities of over one million, and several cities over 10 million. The new growth will be where people choose to live — new coastal provincial centres and more north and west than south and east. Australia's [1994] population growth to June 1994 was 187,000 people, or 1.1% including the net migration from overseas of 50,000. The IBIS' worst case scenario is a population of 30 million by the year 2041.**

RThought: The U.S. population is 258 million. A similar two-thirds increase in 47 years would mean an additional 172 million, or a total population of 430 million. *Fortunately, we have the retail space today to just about handle that population.* The problem will most likely be a shortage of jobs to meet the needs of the growing number of two wage-earner families — two wage earners by necessity, rather than by choice.

But let's look at our growth. Forty-seven years ago, in 1948, our population was 147 million. We have had an increase of 111 million, or 75%, since that time. The U.S. Bureau of Census, as of 1994, gives three estimates of the U.S. population in 2040:

Middle series (most likely)	**372 million**
Low series (low birthrate)	**290 million**
High series (high birthrate)	**464 million**

A two-thirds increase in 47 years would bring the total U.S. population to 430 million, a figure you probably thought impossible!

GOOD-BYE TO THE MYTH THAT WAL★MART STORES ARE ONLY IN SMALL TOWNS

The accepted folklore is that Wal★Mart is successful only in small communities, where it faces no serious competition. Dispelling this myth, the June 26, 1995, issue of *MMR* listed the 50 top markets and the top three discounters in each market. Wal★Mart led in the following 17 markets with the percentage shown:

Forth Worth-Arlington	46%	Atlanta	35%
St. Louis	44	Houston	35
Kansas City	43	Orlando	29
New Orleans	43	Indianapolis	28
Dallas	42	Louisville	28
Memphis	42	Norfolk	27
Nashville	38	Riverside-San Bernardino	19
San Antonio	37	Baltimore	18
Tampa-St. Petersburg-Clearwater	37		

RThought: In another seven markets, Wal★Mart came in second place, for a total of 24 first or second places. Kmart came in first in 11 markets and second in 23 markets, for a total of 34 first or second places. Target came in first in eight markets and second in 11 markets, for a total of 19 first or second places.

Out of 100 possible first or second places, Kmart held 34 places, Wal★Mart held 24, and Target held 19, for a total of 77. *MMR's* findings highlight the degree to which Wal★Mart, Kmart, and Target dominate the discount store industry.

EVEN SMALL COUNTIES ARE CHECKING WEIGHTS AND PRICES

The seashore and mountains of California's Mendocino County are beautiful, and the cities are just the size that many people dream of for retirement: Ukiah has a population of 15,050, Fort Bragg has 6,350, Willits has 5,225, and Point Arena has 430 (an increase of 20 in one year!). The population of the entire county is only 86,000.

But all is not serene in Mendocino County. After more than a year of investigation by the district attorney's office, Safeway, Inc., has agreed to settle for $125,000 a lawsuit which alleged more than 100 *inadvertent* weight and pricing violations at the three Mendocino County Safeway stores. That's $1.45 per capita!

Deputy District Attorney Kevin Maloney said, "This was not the type of case that showed any scheme or intent to defraud the public. It's more of a negligence-type case, in which quality control was missing." Despite that, the suit originally asked for $450,000, plus attorneys' fees and legal costs. In the settlement, Safeway admitted no wrongdoing.

RThought: Think for a moment about a major supermarket chain store in a town with a population of 15,000 or less. Do you envision the latest equipment for scanning or the latest hand-held units which can access all of the prices in the PLU and which have the capability to print a new shelf tag if an employee finds a shelf price that is incorrect? Do you have stores like this? If so, you are fortunate that you don't have Deputy District Attorney Maloney "protecting" residents from "careless" operations.

RThought: District attorneys and attorneys general are more and more often finding time to protect the mass of citizens from carelessness and less and less often detecting out-and-out fraud against the public, as in the advertising of "regular prices" when having a "sale."

WHAT WOULD YOU DO IF YOU RECEIVED THIS LETTER?

The following letter was written by one of my readers to the manager of operations at one of this country's largest supermarket chains:

> **Attached find cash register receipt from your store in....**
>
> **The customer immediately before me was a girl who I surmise was under 18 years old. She purchased a pack of Marlboro Light cigarettes.**
>
> **I commented to your cashier, Laurie B., that I believed her under 18. She stated that she thought the girl over 18. I told her that I thought it was irresponsible to treat this in such a casual manner. The customer was not out of the store, and if Laurie had wanted to, she could have had the manager check the girl's I.D., but she didn't.**
>
> **The supermarket is directly across the street from a high school, and I have seen lots of students in the store from time to time. It is vacation time now; however, I think I can recognize a high schooler as well as most.**
>
> **I play handball with an agent from ATF [U.S. Bureau of Alcohol, Tobacco and Firearms]. Had he been with me in the**

THE FUTURE OF DIRECT-MAIL CATALOGS

So much has been written and spoken about the future of interactive retailing that we are inclined to forget that before interactive retailing does take over direct-mail catalogs are supposed to become a major part of retailing. Currently, mail-order sales of all types are equal to about half of the sales of drug stores.

If direct-mail catalogs do take over, you will be inundated with mail from obscure sellers offering merchandise in which you have absolutely no interest.

In an article in the June 5, 1995, *DM News* by Marlies Fuchs, senior vice president of Mokrynski & Associates, Inc., a list brokerage and management company, he reported that most direct-mail businesses must increasingly depend upon their revenue from renting their customer lists in order to produce a profit; fewer and fewer are making a profit just from selling merchandise.

Computers are now able to break down lists into smaller and smaller segments in order to be of interest to list buyers. *People* magazine, for example, makes this type of offering:

1,469,551	Active subscribers
162,558	Subscribed in the last 30 days
17,763	Canadian subscribers

Another few examples of magazines which are sources for lists:

193,804	Subscribers to *Crafts and Hobbies*
161,563	Subscribers to *Gardening*

I could go on through thousands of special-interest publications, most of which also offer ZIP Code breakdowns.

RThought: I hope each of you has a large mailbox. I have the largest-size mail drawer in our post office and, with increasing frequency, I find a card in it saying that there is more mail for me to pick up than fits into my drawer. At the post office, I watch other people struggling to get the mail out of their boxes: it is easier to put mail in from the back than it is to get it out from the front, as the door is smaller than the back opening. All of the medium- and large-size boxes have been rented.

RThought: Getting rid of what we do not want is one factor creating giant garbage-collection companies such as Waste Management and Browning, Ferris Industries.

RThought: Many publications include a box on the subscription form where you can check if you do not want your name to be offered to "sellers of related merchandise" they believe "would be of interest to you" (which means any publication offered by anyone who will pay for all or part of the list). You may want to contact the Direct Marketing Association (11 West 42nd Street, 25th Floor, New York, NY 10036; telephone 212-768-7277; fax 212-768-4546) in order for it to place you on a list observed by most of its members. By doing so, you are not, however, protected from firms that are not members of the association.

TRASH NUMBERS

In the past, I have pointed out that no merchant can accurately "estimate" the percentage of his or her inventory shortage due to internal theft, shoplifting, or faulty paperwork. Yet, organizations relevant to the retail industry continue to ask that question of retailers. The guesses are then averaged and set forth, often to two decimal places, implying an accuracy that is not warranted.

The Retail Council of Canada was recently quoted as having said that the inventory losses for the industry in Canada were "nearly $3 billion," based upon estimates from just 130 (among thousands of) firms of many different types. The council reported that for all Canadian retailers nearly half of the shrinkage came from customer theft, 30% came from employee theft, and the remainder from paperwork.

Using the "nearly $3 billion" total, the council reported that shoppers steal $4 million per day, dishonest employees steal $2.4 million per day, and faulty paperwork costs $1.6 million per day. (These figures assume all stores are open 365 days per year — an unlikely situation.)

RThought: These numbers are worthless because they are simplistic. Shortage and theft vary by the type of merchandise, whether service or self-service stores, type of security systems, the neighborhood in which a store is located, the training of personnel, and many other factors.

RThought: Canadian retailers are noted for their poor service. Perhaps their salespeople are too busy trying to catch thieves to assist the customer.

HOW TO ELIMINATE SAT TEST BIAS AGAINST WOMEN

Dickinson and Lafayette colleges in Pennsylvania and Connecticut College (along with several hundred other colleges) have established a new policy on SAT test results pertaining to students applying for admission. Henceforth, submission will be optional.

The dean of admissions at Dickinson said, "We're trying to make our admissions process a liberating, inclusionary one, as opposed to a confining, exclusionary one." He further observed that the staff had found that applicants with good academic work and a competitive class standing do good work in his college. Publishing the average SAT scores, as is now done, frightens away too many good students.

The director of admissions at Lafayette said, "The secondary school record is the true indicator of a student's *motivation* and *energy*. Good grades in difficult courses say more than the score in a single, standard test." [Emphasis added.]

RThought: Since girls achieve better grades than boys in high school but have lower scores in the SAT test, this new policy will eliminate such bias on admissions by eliminating the test scores. Let me repeat what the director of admissions at Lafayette said: A high school record is "the true indicator of a student's motivation and energy."

RThought: Motivated people get the most out of any learning experience, especially in college.

RThought: Are your employment tests "inclusionary" or "exclusionary"?

Source: The Winter 1995 issue of *FairTest Examiner*, published by the National Center for Fair and Open Testing.

A MOST UNUSUAL RETAIL ANNUAL REPORT

The 1994 American Stores Company (ASC) annual report carries the theme on its cover which is repeated from the 1993 annual report: "Teamed for Tomorrow." Its six critical success factors are:

Our stores must hold leading market positions in attractive markets;

Our store base must be modern;

Our merchandising must address the needs and lifestyles of today's consumer;

Our technology must be state of the art;

Our cost structure must be the lowest possible; and

Our company must be organized to facilitate change and communication.

The report identifies the members of the ASC project teams. It documents changes already in place, changes to come, and the *people* who bring about the changes.

The consolidated balance sheets show that the debt-to-equity ratio has been reduced (1991, 4.26:1; 1992, 3.38:1; 1993, 2.97:1; and 1994, 2.42:1), but it is still a heavy debt-to-equity ratio.

Operating and administrative expenses, however, have climbed (1991, 22.1%; 1992, 22.8%; 1993, 22.9%; and 1994, 23.2%). The teams address these increases.

The net after taxes has increased (1991, .95%; 1992, 1.08%; 1993, 1.31%; and 1994, 1.88%). This increase is the result of higher gross margin, which is not a desirable, long-term trend.

The 1994 report looks like a magazine (somewhat like *Business Week*) that could be at the checkout stands of any of its stores.

The letter to shareholders from Victor Lund, the president and chief executive officer, stresses that ASC is in the midst of a change from a decentralized holding company (Lucky Stores in California, Jewel in Chicago, and Acme in Philadelphia, plus two drug store chains and some miscellaneous holdings) into an integrated-operating company.

Much of the report was prepared by outside people: professional business writers and photographers.

Page 7 is labeled "Headlines from 1994," highlighting key events of the year. Features are continued on page 9. Page 17 shows the standing of operating units in major markets and also begins the presentation of the "New Look" in food stores. Page 22 begins with a similar report on neighborhood drug stores, including drive-up prescription windows. Page 24 begins with the description of the "Super Saver," which offers "Club Prices Without the Club" (it appears ASC is selling smaller packages than those carried by Sam's and PriceCostco). Such articles continue through page 55. Then, on page 57, the financials start.

In keeping with "the plan of holding leading positions in markets" that ASC serves, it has sold 33 Star Markets in New England, 45 Acme Markets in the Philadelphia area, and 74 Jewel-Osco combination stores spread from Texas and Oklahoma to Florida.

Fifteen pages of the 84 pages are devoted to full-page ads for private-label goods or services offered by various divisions of the company.

ASC also reports key figures: sales, comparable store sales, and operating profit broken down by the Eastern Food Operations, Western Food Operations, and Drug Store Operations, plus operating profit for disposed operations, all for three years (page 58).

RThought: Any stockholder who reads the report from front to back will (a) know more about his or her company than any other holder of stock in a retail company, (b) be confident that the management is making progress on the action outlined in the 1993 report as that which is necessary in today's retail market, and (c) understand what changes are planned for the balance of 1995.

SHOPPING PREFERENCES

The International Mass Retailing Institute is in the process of conducting some interesting studies regarding customers and their habits. A recently completed study is entitled "A Generation Comes of Age: The Shopping Behavior of Today's 50+ Men and Women."

Most retail managers are men; but most customers are women. For as long as retailers have been serving customers, neither sex has ever understood the other. This thought hit home with a simple table from the study of what is involved in selecting a store at which to shop. Here are the 10 most important factors to men and to women:

Men 50+	Women 50+
Selection	Quality
Best price*	Sales
Location	Reasonable price*
One-stop shopping	Cleanliness
Service	Value
Convenient hours	Have my brand
Guarantee*	Return policy*
Credit cards/ATM	Senior citizen discount
Short lines	In-store banking
Convenient parking	Security

*Some commonality

Study these factors for a few moments. Try to determine whether you appeal to female or to male shoppers. You may attest that you do a great job of appealing to both, but I doubt it.

Some ACE Hardware stores, for example, appeal to women shoppers, especially when they obey the law of cleanliness.

How many male managers in retail stores really understand the concerns of women when it comes to security? Security came in tenth on the list, but I believe it was low only because women long ago stopped going to stores/malls in which they were concerned about security.

Note the tremendous difference in the first named factor of each group: selection (for men) and quality (for women). How many men think they can determine the quality of products beyond their image of the brand? Listen to women sometime as they discuss quality and why they do or do not purchase certain items. Have you ever heard such a discussion amongst men?

Note that women listed "reasonable price" and "value" as two separate factors, whereas men merely sought the "best price." A best price implies identical merchandise, because it is only on identical items that there can be a "best price." If one is shopping for tires and is looking at Goodyear and Michelin tires, then one must decide on "value" (quality at a price); but if deciding on identical Goodyear tires at two different outlets, then one can seek the "best price."

Women mention "sales" as the second factor, whereas men do not mention "sales" at all — but then, men are not avid followers of ads.

It has been my observation that women can quote the current price on far more items than can men, a feat which is the result of their shopping habit combined with their habit of checking ads.

RThought: Given the basic differences between men and women as customers, those companies that are male-dominated in their decision process should bring more women shoppers into that process if they wish to appeal to both men and women. For those companies who lean heaviest toward decision-making by women, there is a need to introduce men into their decision cycle.

RThought: Department stores reached their greatest success when they appealed strongly to women who did a much larger share of the shopping than women do today. It has been my observation that a much higher percentage of men than women rate department stores as a major source for the satisfaction of their needs.

RThought: Unfortunately, the survey does not indicate whether the women interviewed were working women or housewives. One of my associates has pointed out that the list would have been different for each group.

store at the moment, I feel confident that he would have stopped the girl, shown her his badge, and asked to see her identification. If she was under 18, he would have closed your supermarket on the spot.

RThought: Perhaps my reader has suggested to his ATF friend that his organization investigate that supermarket branch: kids know which stores don't ask for an I.D. If the ATF closed your store and the local press covered the story, would you be embarrassed?

RThought: If the law states that there are to be no sales of any specific product to a person below a certain age, do you have a moral responsibility to obey the law? Or do you "cop out" with one the following excuses:

1. We thought he (or she) was over 18.
2. Everybody sells to underage kids.
3. Cigarettes are a high-margin item and we need the money.
4. We follow the same rule for selling beer and wine.

Because most of you, my readers, are either chief executive officers or senior executives, I ask: If you don't care, why should Laurie B. care? She doesn't want to get "hassled" by some high school kid over a lousy pack of cigarettes. **THE CHOICE IS YOURS: nobody else can set standards for your company, your associates, or *your conscience.***

RThought: Do you provide cigarettes, beer, wine, and liquor for your own underage children?

MERVYN'S CALIFORNIA IN MINNESOTA? IN FLORIDA? ANYWHERE?

My local paper, the *Contra Costa Times*, announced the new Mervyn's concept and advertising campaign. It certainly made me wonder, so I discussed it with some "old" Mervyn associates.

The article indicated that the "California" concept had been tested in eight stores purchased in Colorado and that in "the first couple of months they did well" but "then they began to trail expectations." Oddly, Mervyn's took the results of this test as a sign to go ahead with its new concept and advertising campaign (with some modifications based on experience) in even more stores, something which most companies would think ill-advised.

Is "California" the word to use to help a store do better? In many parts of the country, California brings to mind earthquakes, fires, floods, beach bums, San Francisco liberals and Orange County conservatives, red-hot environmentalists, illegal immigrants, the O. J. Simpson trial, and AIDS. Is this the word to impel folks in Minnesota, Florida, or *anywhere* to rush out and shop at what once was plain "Mervyn's"?

RThought: I grew up in retailing and was taught that before installing a new concept one tests, improves, and then tests again until the concept is successful before spreading it nationally.

RThought: I spent 21 years as a consultant to and participant in Mervyn's and know that when it was acquired by Dayton Hudson Corporation it was a hot merchandising concept. Many stores copied it. But that concept was abandoned by Mervyn's.

RThought: I am waiting for yet another new advertising concept, one which will replace the current Mervyn's policy of "80% of its merchandise being on sale most of the time" to one which will advertise "100% of its merchandise on sale most of the time"!

AT LAST! A FAIR STANDARD FOR CHECKING ITEM-PRICING ACCURACY AT CHECKOUTS

The National Conference on Weights and Measures has, for the first time, set a statistical standard for price checking: the comparing of the price charged with the shelf price or the advertised price! The standard will apply whether the store scans, rings from a price marked on the merchandise, or, as is still used by many food stores, is based on the memory of the checker for those goods that are unmarked. (Some states — for example, Michigan — require all items to be price marked.)

Until now there has been no standard method of checking prices, with the result that many authorities (weights and measure departments, attorneys general, or district attorneys) sometimes have been led to selective items scouted in advance by persons who have a reason to "embarrass" a specific retailer. In some cases, a competitor is behind the exposure.

The standard describes an acceptable method for random testing based upon what is called "stratified sampling." Once the first item is selected, all of the others — up to a *minimum of 100* (50 in the case of convenience stores) — are determined by following the procedure from fixture to fixture and, on each fixture, to then determine a shelf and then determine the facings by counting from the end of the fixture.

Once the first item is selected, any inspector would then be able to locate the same items for the test.

The food industry, particularly the Food Marketing Institute, had hoped for a minimum of 1,000 to 1,200 items, but this was an unrealistic expectation given the limited number of inspectors and the time required to locate and list so many items. An accuracy of 98% has been established as acceptable. (The industry has often cited this as a goal.)

To be legally required, standards set by the National Conference on Weights and Measures must be implemented by state regulation or law. This process should start with the spring 1996 legislative sessions; thus, by the spring of 1997, most states will have implemented the new procedure.

RThought: It has been my experience that most government officials involved in Weights and Measures want to be fair and will administratively adopt this procedure even before regulations or laws are in place. They welcome this standard as much as do the retailers.

IRS ISSUES WARNING ON NONREPRESENTATIVE LIFO INDEXES

Recently, *RT* alerted you to the game being played with LIFO reserves which uses one index for tax purposes and another for stockholder-reporting purposes. Now, the Internal Revenue Service has put out a warning on misapplication of LIFO indexes for tax purposes. But I suspect most retailers using LIFO do not read IRS warnings.

RIA's *Federal Taxes Weekly Alert* for June 29, 1995, used the above headline to report that the IRS has warned that taxpayers may not apply the LIFO index for any segment of inventory that was *not represented* when the index was computed.

It is up to the taxpayer to substantiate the accuracy of the application of the LIFO indexes. If the taxpayer cannot do so, the IRS has the right to hold that the base-year cost of the inventory is equal to the current-year cost *and that there has been no inflation.*

The IRS issued this warning because many taxpayers have attempted to shortcut the application of LIFO. (It would be most unusual if the shortcut were not one which reduced the company's tax liability.) The most common abuses have been:

1. Double-extending large dollar items and applying the LIFO indexes to the balance of that class of inventory.

2. Using samples that are not statistically valid and then applying the invalid index to the inventory.

3. Not including new items in the construction of an index and then applying the index to the entire inventory.

4. Developing a special index for one segment of inventory (e.g., a warehouse) and then applying that index to other segments of inventory (e.g., in stores).

RThought: The LIFO method applied to the retail method of inventory is so complex that most users don't fully understand it. However, many retailers discover how they can arrive at a smaller number for the inventory (thus increasing the cost of goods sold and reducing the profit) and, like the knee bone that's connected to the thigh bone, the cost of goods is connected to the tax liability, inversely.

FOOLS' NAMES AND FOOLS' FACES

I thought of this admonition when I read an article in the August 1995 issue of *Consumer Reports.* The heading of the item was "Wooly Puffery at the Department Store." The department store was Lord & Taylor, which has 50 stores, does $2.3 billion in sales a year, and is owned by The May Department Stores, Inc.

CR reported on some $99 "wool and cashmere blend" women's jackets which looked "a bit stiff and wrinkled" and not what one would expect of cashmere. The tag on the sleeve stated "Wool and Cashmere," but the tag inside the jacket stated "75% Wool, 20% Nylon, and 5% Recycled Cashmere." The labeling laws require that any fiber content over 10% must be disclosed. It is a shame that a fine store like Lord & Taylor uses two labels: a false label on the sleeve and the required label less prominently displayed.

CR then found $99 sweaters bearing labels which described the material as "Two-Ply Cashmere," but, with the correct label stitched into a side seam, stated "90% Cashmere, 10% Wool."

RThought: In reading the article, I discovered that there is an organization called the Cashmere and Camelhair Manufacturers' Institute which investigates such matters. In this instance, the institute contacted Lord & Taylor and insisted it correct the sweater labels. However, when *CR* called Lord & Taylor for a comment, the call was not returned.

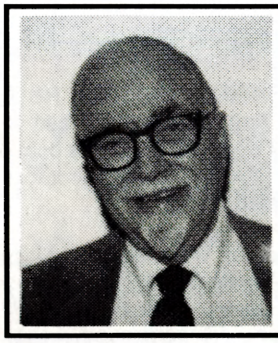
RThought: Over three million middle- to higher-income families subscribe to *CR.* Many are or may be potential Lord & Taylor customers. If you are a Lord & Taylor customer, what is your reaction? And what do you now think of Lord & Taylor's parent company, May Department Stores?

RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON (Unadjusted $ millions)

SIC Code	Category	MAY 1995	MAY 1994	Percentage Change	Year-to-Date Five Months 1995	Year-to-Date Five Months 1994	Percentage Change
52	*Bldg Matl Group	$ 12,281	$ 12,022	+ 2.1%	$ 48,652	$ 46,669	+ 4.2%
57	*Furniture Group	10,137	9,145	+ 10.8	48,459	43,498	+11.4
571	Furniture Stores	5,166	4,875	+ 6.0	24,000	22,507	+ 6.6
572	Appl, TV, Radio Stores	4,196	3,519	+ 19.2	20,465	17,311	+18.2
5941	*Sporting Goods Stores	1,713	1,581	+ 8.3	7,604	7,084	+ 7.3
5942	*Book Stores	672	654	+ 2.7	3,705	3,503	+ 5.8
5944	*Jewelry Stores	1,524	1,287	+18.4	5,779	5,375	+ 7.5
531Pt	Conventional Dept Stores	4,263	4,044	+ 5.4	18,557	18,045	+ 2.8
531Pt	Natl Chain Dept Stores	3.078	2,977	+ 3.4	14,221	14,008	+ 1.5
	Subtotal	7,341	7,021	+ 4.6	32,778	32,053	+ 2.3
531Pt	Discount Stores	11,286	10,263	+ 10.0	49,688	45,160	+10.0
531	*Department Stores	18,627	17,284	+ 7.8	82,466	77,213	+ 6.8
539	*Misc General Mdse Stores	4,926	4,588	+ 7.4	21,649	20,715	+ 4.5
541	*Grocery Stores	32,812	31,531	+ 4.1	156,080	151,510	+ 3.0
56	*Apparel Stores	8,867	8,559	+ 3.6	39,248	38,901	+ 0.9
561	Men's & Boys' Stores	912	944	- 3.4	4,290	4,272	+ 0.4
562,3,8	Women's Stores	2,942	2,879	+ 2.2	12,618	12,944	- 2.5
565	Family Clothing Stores	2,857	2,711	+ 5.4	12,811	12,282	+ 4.3
566	Shoe Stores	1,591	1,515	+ 5.0	6,870	6,878	- 0.1
591	*Drug Stores	7,135	6,759	+ 5.6	34,352	32,924	+ 4.3
596	*Nonstore Retail	5,281	4,848	+ 8.6	26,080	24,058	+ 8.4
5961	Mail Order	3,575	3,372	+ 6.0	18,055	17,074	+ 5.7
	**Retailing Today* Total Store Retailing†	103,975	98,258	+ 5.8	221,945	208,929	+ 6.2
	**GAF TOTAL	49,380	45,834	+ 3.7	444,074	409,450	+ 8.5

†Excludes car dealers, auto supply stores, eating and drinking places, service stations, and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**General, Apparel, and Furniture.

For further information on these figures, contact Irving True at the Business Division, Bureau of Census, Washington, D.C. 20233, or call 301-457-2706/2708. (Irving has been very helpful to me over the years.)



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ROUTE TO

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THE BACKBONE OF THE CONVENIENCE STORE INDUSTRY

Twenty-two years ago, I addressed the National Association of Convenience Stores Convention. Using the then-current figures on category sales (gasoline pumps were just being added to convenience stores), I made the following points:

> **Your largest category is tobacco products. We know that cigarettes cause lung cancer, which is one of our leading causes of death, and that chewing tobacco causes cancer of the mouth.**
>
> **Your second largest category is beer, wine, and, in some stores, hard liquor. We know that alcohol is our most serious drug problem.**
>
> **Now, you are beginning to add gasoline, just when Los Angeles is considering a ban on privately owned automobiles in its downtown area in order to reduce the unbearable smog conditions that exist on many days.**

An attendee sitting in the first row said, loud enough for me to hear, "That's half my volume!"

I remembered his remark when I read in the July 10, 1995, issue of *Convenience Store News (CSN)* a story of Southland Corporation's turnaround (first profitable first quarter since 1988!), which resulted in the following percentages of sales:

No. 1	Gasoline	24.2%
No. 2	Tobacco	17.2
No. 4	Beer and wine	9.4
Total		50.8%

Compare *CSN's* report on the business of the largest convenience store chain in the U.S. to the remark from the man who was in the front row when I gave my talk.

RThought: The National Association of Convenience Stores never again asked me to address its national convention.

Since that talk, I am happy to report that smog in Los Angeles has been greatly reduced by the installation of smog-control devices on all new cars. In addition, gasoline companies have changed the formula for their gasoline and attempts have been made to stimulate car pooling. Los Angeles has abandoned its plan to ban privately owned automobiles from its downtown area.

I cannot report the same progress on the use of alcohol and tobacco products, although cigarette smoking among adults has declined.

Late Note: I recently received a letter from a convenience store operator who remembered my 1973 talk and suggested that I be asked back!

HOW WELL DO YOU UNDERSTAND YOUR CUSTOMERS?

Let me address an issue which confronts convenience store companies selling gasoline and gasoline stations selling snacks:

1. Shall we install gas pumps that accept credit cards?
2. If we accept credit cards at the pumps, will our inside food and snack sales then decline, resulting in a loss of gross margin that exceeds our expense reduction?

Who has the greatest problem with these questions? Obviously, the two largest convenience store chains selling gasoline: 7-Eleven (Southland Corporation) and Circle K.

What have these two giants found that we should know? An article in *Advertising Age* reported that accepting credit cards at the pumps is a good way to *increase* sales inside a store. Surprise!

A spokesperson from Circle K believes that customers want to keep their gasoline and convenience store purchases separate. (I agree. When traveling, if I want to buy a snack when filling my rental car with gasoline, I put the gasoline on a business credit card and pay cash for the snack in order to accurately record my expenses.)

What both chains say they are seeing is that people buy and pay for their gasoline and then take a short drive to their next stop: the closest convenience store, which just happens to be the one from which they bought gasoline! More gasoline customers as the result of card-triggered gas pumps means more convenience store customers.

RThought: The proof is that Circle K intends to have 800 of its 2,105 stores selling gasoline converted to self-pay by the end 1995 and that 7-Eleven now offers 752 pay-at-the-pump stores out of its 2,100 gas locations.

THE HEADLINE — 'NBC TO BUY OUTLET' — STOPPED ME

When I read in *The New York Times* of August 4, 1995, that NBC had reached an agreement to acquire Outlet Communications, Inc., it took me back over 30 years when my father inquired about this company, which was then known as The Outlet Company.

First, for a little background. In 1914, Kahn Brothers opened its 375,000-square-foot store in Oakland, California, and Dad became

Continued

the youngest president of the California Retail Dry Goods Association. He succeeded the senior Samuel Leask who was the founder of a department store bearing his name in Santa Cruz, California. Dad and Sam began a friendship that lasted many decades, with Dad (in his 60's) still visiting Sam (in his 90's). Even at that age, Sam followed retailing, although his store was run by Samuel Leask III (Samuel Leask, Jr., had retired as the administrative officer for Los Angeles County).

When Dad returned from one such visit, he told me that Sam had asked how The Outlet Company in Providence, Rhode Island, then a $17 million department store (Macy's was doing about $400 million at the time), could report a pre-tax profit of over $2 million. I told him that there was no mystery: It owned a television station and a radio station (WJAR); the operating profit (over $2 million) was reported as "other income"!

With the passage of time, The Outlet Company closed the department store and its chain of specialty stores was sold. The corporation name was changed to Outlet Communications, Inc. What NBC acquired were three television stations, each in a major market: Providence, Rhode Island; Columbus, Ohio; and Raleigh, North Carolina.

RThought: I make it a practice never to mention, by name, any of my *RT* subscribers. This will be my first exception because one reader will have particular interest in this item — Samuel Leask IV of Santa Cruz.

NUMBERS FROM THE GALLUP POLL

From a 1,000-person survey, with an accuracy of plus-or-minus 3%, here are numbers which may affect the 1996 election.

Do you prefer a tax increase now to preserve Social Security benefits?	Yes 64%
Would you postpone tax increases until after 2010 to preserve Social Security benefits?	Yes 28%
Do you believe that retirees earning over $100,000 should not receive Social Security benefits?	Yes 32%

RThought: Apparently, Republicans have not read the citizens of our country correctly. Citizens want to be sure that Social Security is available for their children. They do not want to postpone the tax decision until the system goes broke. And they do not have a strong objection to retirees with an income over $100,000 receiving something for which they paid.

RThought: The answers may have been many more than 32% "yes" replies if the question were asked about people with an income of over $250,000. I wish the poll had asked these 1,000 people about their income to see how their own income affected their answers.

RThought: I would like to see the end of automatically sending Social Security benefits to covered persons who have reached 72. When I approached that age, Patty and I discussed whether or not I should apply for Social Security because there would be no offset due to my earnings. Then the checks started to come, even though I had made no application. Our decision was to increase the level of our contributions, though not to the full extent of the payment. Social Security, until then, had been something I had always thought of as for my wife in case I predeceased her.

DON'T LET NUMBERS FOOL YOU

In a recent month, Kmart Corporation reported its same-store sales increase at 8%, while Wal★Mart Stores reported only 6%. Analysts enthused that Kmart's new management was turning the company around and that now Wal★Mart "could expect some competition."

An 8% or a 6% increase in same-store sales means that for that month, at least, the sales per square foot increased 8% and 6% respectively. These percentages do not apply to total sales because the composition of both Kmart and Wal★Mart stores are affected by new stores, closed stores, and relocated stores.

I then read a few days later a report on Wal★Mart by Maggie Gilliam of CS First Boston in which she compared the two companies' sales per square foot for the years 1990 through 1994. Wal★Mart went from $231 to $297, or a 6% compounded annual growth rate, while Kmart went from $175 to $169, or a 1% compounded annual negative growth rate.

Let's see what would happen if Kmart continued for 10 years at the 8% attained for one month while Wal★Mart had only 6% compounded.

Comparison of Kmart at 8% and Wal★Mart at 6% Compounded Annual Growth Rate

Year	Kmart	Wal★Mart	Wal★Mart Excess
1994	$169	$297	$128
1995	183	315	132
1996	197	334	137
1997	313	354	141
1998	248	375	145
1999	248	397	149
2000*	268	421	153
2001	290	447	157
2002	313	473	160
2003	338	502	164

*At the Wal★Mart Annual Meeting in June 1990, Sam set a goal for Wal★Mart (then consisting of just Wal★Mart Stores and Sam's Club) for the annual meeting in June 2000 of $135 billion in sales. He used a figure of $400 per square foot for the discount stores and $35 billion for Sam's Club.

RThought: Based upon a continuation of the 6% per year compounded growth rate that Gilliam reported, the annual meeting in the year 2000 would be held in the first year that Wal★Mart attained Sam's $400-per-square-foot goal.

RThought: In 1994, Wal★Mart exceeded Kmart by $128 per square foot. The "doing better" applauded by some analysts means that by 2003 Wal★Mart's margin would be increased by 28%. THAT is "doing better"!

In 1994, Kmart sales per square foot were 57% of that of Wal★Mart; in 2003, it would be 67% of Wal★Mart's. Again, an increase, but still far behind.

RThought: I hope that analysts develop a more realistic concept of "doing better" than looking at one month's same-store sales growth of any retailer without considering what the retailer does in absolute dollar sales per square foot.

RThought: In the same report, Gilliam noted that Target Stores' sales per square foot fell between those of Wal★Mart and Kmart, starting at $194 in 1990 and increasing to $211 in 1994, or a compounded annual growth rate of 2%.

RThought: To understand the importance of sales per square foot, do the following exercise on your own operating figures:

1. Increase sales per square foot by 50%.

2. Increase the cost of payroll and advertising so that they are the same percentage of sales as they are now.

3. Assuming a fixed rent (without any percentage provision), hold the other costs fixed (utilities, property tax, building maintenance, depreciation, amortization, etc.).

4. Compute the percentage of increase in operating profit.

After computing your own figures, you will be able to recognize the critical importance of sales per square foot, a factor many retailers neglect.

THE TIME FOR A CIGARETTE BAN IS APPROACHING

San Mateo County, where the San Francisco International Airport is located, has banned the sale of cigarettes from self-service displays. Someone, most likely a cashier, must hand the tobacco product to the customer. In addition, vending machines have been outlawed. The law does not apply to the 20 incorporated cities within the county, but the board of supervisors has urged these cities to adopt the same ordinance. Southland Corporation, Quik Stop (a local convenience store chain), and Home Grocery (an independent) appeared before the board in protest.

Until the 20 cities adopt a similar ordinance, the county ordinance will apply only to stores located within the unincorporated areas (10% of the county population). If a city does adopt the ordinance, the stores in that city will be at a disadvantage compared to cities that do not pass a similar ordinance until they all do.

One of the supervisors correctly argued that self-service displays encourage theft and that underage youths have open access to vending machines.

A survey by the University of California at San Diego reported that since 1990 the percentage of below-age youths in San Mateo County who smoke has increased from 9.5% to 11.8%, while statewide, the increase has been from 9.2% to only 9.3%.

None of the affected retailers used a POS system that alerted a cashier to check age identification whenever a tobacco or other age-limited purchase was about to be made.

RThought: I recently read of a sting conducted by a district attorney checking to learn if underage youths could buy spray paint (which is used to paint graffiti on buildings). The majority of retailers sold it to either the 15-year-old girl or the 14-year-old boy without asking for proof of age. It is probable that the store owner or manager may not have known such sales are illegal or, if it was known, did not include the fact in any training.

RThought: When retailers do not obey laws, particularly ones which set an age limit on the purchaser, there are bound to be fines, stings, and stricter laws.

MORE ON THE DIFFERENCES BETWEEN MEN AND WOMEN SHOPPERS

Last month, *RT* reported on a special study by the International Mass Retailers Association regarding the differences between men and women customers over 50 years of age.

Now, *Drug Store News* (July 24, 1995) reported the results of a telephone survey conducted by America's Research Group of men and women who had shopped in a drug store within the past three months. The margin of error is plus-or-minus 4.3 percentage points.

	Women	Men
I buy only what I need	31%	41%
I like that I can buy food items there [i.e., drug stores]	11*	12*
I prefer to shop at other stores	21*	19*
I don't like to shop anywhere	6	15
I like to comparison shop	30	15
I like a store with knowledgeable staff	54*	51*
I like to try testers	14*	8*
I find what I need and leave quickly	27	43
I like to browse through the store	24	12
I like to see what's on sale	31	17
I usually stick to a shopping list	21*	27*

*No statistical difference

RThought: A majority of both men and women want a knowledgeable staff. I am not sure that this factor is strongly impressed upon management — at least in most of the stores that I enter as a stranger and in which I need the assistance of knowledgeable staff if I am to make a purchase. The second most common feature is "I buy only what I need." This factor is a challenge to the store owner/manager — in placing enough signs and displays, a customer may buy something he or she had no intention of buying when entering a store.

THERE IS A NAME FOR IT, AFTER ALL!

American Demographics, a serious compilation of the recent extension of the knowledge of demographics in the United States, recently reported some new "ailments" among customers. Two ailments are of special interest to retailers:

> **Checkout phobia: A morbid fear of being caught behind a slow person in the express lane in the supermarket. This phobia is spurred by visions of other customers counting 27 cans of cat food as one item, haggling with the cashier over the receipt, writing a check...one...letter...at...a...time, or digging for exact change (also known as Geriatric Purse-Searching Syndrome).**
>
> **Carol Wright's Disease: Also referred to as Brand Manager's Scourge, this pathological deviation from brand loyalty seems to correlate with the periodic arrival of discount coupons. This malady is something accompanied by a morbid hysterical preoccupation with expiration dates.**

RThought: Fortunately, others, such as the Walters-Letterman Syndrome, have no direct application to retailers!

SHORT SHORTS

I never dreamed I would read of such an action as that which appeared in the July 31, 1995, issue of *FTC News Notes*:

> **Horseshoe Nail Manufacturer Agrees to Settle FTC Charges**
>
> **The Mustad International Group NV of Bulle, Switzerland, and its subsidiary have agreed to settle FTC charges that through a series of acquisitions they have illegally monopolized the manufacture and sale of rolled horseshoe nails in the U.S.**

RThought: Once upon a time every blacksmith could, and most did, make horseshoe nails. No professor of economics, in his or her wildest dream, would think to use horseshoe nails as an example of a potential illegal monopoly!

Junk numbers from *The New York Times*: In a report on the Federated Department Stores financial results for the second quarter, when it had a 37-cents-a-share loss, the *Times* included the statement: "The average expected by the *four* analysts surveyed by Zacks Investment Research was for a 9-cent-a-share loss." [Emphasis added.] Remember when Home Depot was 1 cent below Zacks average (32 cents versus 33 cents) and the stock dropped 10%? Well, Federated's price *increased* 2%!

RThought: Once again, these types of statements prove that claimed "market estimates" based on averages have little value.

The New York Times should also give its writers a course in "the ethical use of numbers." One of its headlines read, "At KKR, the Glory Days are Past." The offered "proof" was that the average KKR deal in 1983-89 was $3.33 billion, while during 1990-95, the average deal was $1.76 billion. The article did not list the value of all of the deals, but it may well be that the average during the 1983-89 period was the same as for 1990-95 if one blockbuster deal, RJR Nabisco at $30.6 billion, were excluded. Assume that the $3.33 billion average for 1983-89 was based on 21 acquisitions. Eliminating the $30.6 billion deal for RJR Nabisco, it would produce an average for both periods of $1.76 billion.

RThought: It is mathematically irresponsible to compute an arithmetic average when the largest number is $30.6 billion and the second largest is $6.1 billion. Other numbers disclosed in the article were $5.34 billion, $3.64 billion, $2.59 billion, and $2.43 billion!

Remember the 1971 riots and the burning of Watts, the community just south of Los Angeles? Today, The Parents of Watts, described as a "community center/school/social service agency," is a major force in helping Watts rebuild. The agency reported that back in the middle 1980s things began to turn around when the first of two shopping centers opened, allowing residents to shop in their own area rather than travel 10 or more miles to shop. Von Companies, one of the 10 largest supermarket chains in the country, was one of the leaders. In the 1990s, two more leaders have emerged: the Habitat for Humanity (HFH) and the Jimmy Carter Work Project (JCWP). Fifteen hundred volunteers from 39 states and five countries showed up in June of this year and, five days later, 21 houses were completed.

But that's not all. The Los Angeles Harbor/Long Beach affiliate of the HFH has completed seven houses since 1990, plus one during the JCWP. The HFH of Orange County (home of conservatism) has built 57 houses, plus three blitz houses during the JCWP; Pomona has completed 12 houses plus one during the JCWP; Riverside has completed seven houses plus one during the blitz; Moreno Valley has completed seven and added three during the blitz; and the San Fernando/Santa Clarita valleys have completed eight houses and have built two earthquake-recovery houses.

RThought: Could you help or encourage your local HFH chapter? Would you put a store in a shopping center in the midst of such a distressed area as Watts? *Will you?*

RETAIL MONTHLY/YEAR-TO-DATE
SALES COMPARISON
(Unadjusted $ millions)

SIC Code	Category	JUNE 1995	JUNE 1994	Percentage Change	Year-to-Date Six Months 1995	Year-to-Date Six Months 1994	Percentage Change
52	*Bldg Matl Group	$ 11,844	$ 11,701	+ 1.2%	$ 60,523	$ 58,370	+ 3.7%
57	*Furniture Group	10,389	9,573	+ 8.5	58,871	53,071	+10.9
571	Furniture Stores	5,198	4,966	+ 4.7	29,211	27,473	+ 6.3
572	Appl, TV, Radio Stores	4,343	3,814	+13.7	24,817	21,125	+17.5
5941	*Sporting Goods Stores	1,828	1,711	+ 6.8	9,433	8,795	+ 7.3
5942	*Book Stores	693	690	+ 0.4	4,410	4,193	+ 5.2
5944	*Jewelry Stores	1,337	1,180	+13.3	7,117	6,555	+ 8.6
531Pt	Conventional Dept Stores	4,086	3,952	+ 3.4	22,645	21,997	+ 2.9
531Pt	Natl Chain Dept Stores	3.129	3.065	+ 2.1	17,350	17,073	+ 1.6
	Subtotal	7,215	7,017	+ 2.8	39,995	39,070	+ 2.4
531Pt	Discount Stores	11,439	10,403	+10.0	61.116	55.563	+10.0
531	*Department Stores	18,654	17,420	+ 7.1	101,111	94,633	+ 6.8
539	*Misc General Mdse Stores	4,881	4,621	+ 5.6	26,522	25,336	+ 4.7
541	*Grocery Stores	32,650	31,877	+ 2.4	188,796	183,387	+ 2.9
56	*Apparel Stores	8,779	8,552	+ 2.7	48,011	47,453	+ 1.2
561	Men's & Boys' Stores	935	988	- 5.4	5,226	5,260	- 0.6
562,3,8	Women's Stores	2,744	2,748	- 0.1	15,358	15,692	- 2.1
565	Family Clothing Stores	2,967	2,799	+ 6.0	15,775	15,081	+ 4.6
566	Shoe Stores	1,583	1,497	+ 5.7	8,449	8,375	+ 0.9
591	*Drug Stores	6,927	6,637	+ 4.4	41,317	39,561	+ 4.4
596	*Nonstore Retail	5,043	4,727	+ 6.7	31,221	28,785	+ 8.5
5961	Mail Order	3,458	3,221	+ 7.4	21,632	20,295	+ 6.6
	**Retailing Today* Total Store Retailing†	103,025	98,689	+ 4.4	577,332	550,139	+ 4.9
	**GAF TOTAL	49,430	46,554	+ 6.2	271,348	255,383	+ 6.3

†Excludes car dealers, auto supply stores, eating and drinking places, service stations, and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**General, Apparel, and Furniture.

For further information on these figures, contact Irving True at the Business Division, Bureau of Census, Washington, D.C. 20233, or call 301-457-2706/2708. (Irving has been very helpful to me over the years.)

THE ANTI-FREE ENTERPRISE PRESS

I have always considered *Women's Wear Daily (WWD)* to be a reporter on the retail segment of free enterprise. In other words, I expect it to report the happenings in retailing with full recognition that retailers who satisfy the most people, while operating within the laws of the national, state, and local governments, should be applauded for their accomplishments and criticized for their shortcomings.

Understanding my expectations, you can then understand my concern when, on August 16, 1995, *WWD* ran an article entitled "Venture: Battling the Giants." It was certainly a subject that should be reported by the free press; but when I reached the second paragraph, I wondered what sort of an economy *WWD* thought its readers should have. *WWD* stated:

> **New merchandise programs should be in place in 1996, but in the meantime, Venture and other regional discounters continue to get *bullied* by Wal★Mart Stores, Inc., and Target Stores. [Emphasis added.]**

"BULLIED"???

Retailing is a game of pleasing customers — customers who constantly have changing expectations in terms of merchandise, price, assortment, convenience of location, service, and your ability to stay in stock.

Fairchild Publications publishes *WWD* — but it also publishes *Fairchild's Financial Manual of Retail Stores.* From its manual, I extracted the sales of many publicly held companies. And from my own files, I was able to obtain the 1971 sales of Bradlee's, Inc., (once a subsidiary of Stop & Shop) and Venture Stores, Inc. (once a subsidiary of The May Department Stores Company).

Using the fiscal year ending January 1972, let's look at some 1971 sales ($ million).

First, here are the 1971 sales volumes of the two "bullies":

Wal★Mart	$ 78
Target	258

And the "bullied" regionals:

Venture	$ 106
Bradlee's	200

Perhaps we should also add Caldor as a regional:

Caldor	$ 116

In fact, perhaps we should list all of the publicly owned discount stores which were larger than that "bully" Wal★Mart and, in many cases, larger than that "bully" Target:

Arlan's	$ 186
Baza'r	298 (1)
Cook United	472 (1)
Daylin	370 (2)
Fed-Mart	196 (3)
Hartfield-Zody's	176 (4)
Howard Bros.	100
Interstate Stores	708 (5)
King's	195
S.S. Kresge	3,100 (6)
Mammoth Mart	125
Neisner Bros.	137
Pamida	108
Rose's	226

(1) Includes supermarkets
(2) Includes drug, apparel, and home improvement stores
(3) Now part of Target
(4) Includes apparel and shoe stores
(5) Includes conventional department stores; now Toys "R" Us
(6) Now Kmart

Of the publicly held companies above, any one could have done what Wal★Mart and Target did to satisfy their customers. Most of all, S.S. Kresge, aka Kmart, with its size, could have been "the bully." But in the end, it hasn't pleased as many additional customers as have Wal★Mart and Target. In fact, from the list above, the following no longer exist:

Arlan's
Baza'r
Cook United
Daylin
Fed-Mart*

Hartfield-Zody
Howard Bros.
King's
Mammoth Mart
Neisner Bros.

*Stores are now part of Target.

The question that *WWD* should be asking: Why do some discounters survive and others do not?

The deep-down answer is simple: Those who have survived are those who please the most customers. In pleasing the most customers, they attract more customers. In attracting more customers, they enjoy the greatest volume.

What does the customer want?

1. A convenient location — we have long said that there are three important factors in the success of a store: location, location, location. It is obvious that if you are not conveniently located to customers who want what you have to offer you will not attract enough business to stay alive.
2. An assortment that meets the needs of your customers.
3. A blend of merchandise and a price that meets the wants of your target customers.
4. An ability to keep your stores in stock with the merchandise (size, style, and color) that your customers want. (Kmart has had difficulty with staying in stock.)
5. A level of service that satisfies the wishes/demands of your customers.
6. Advertising that is not only honest but is backed up by adequate merchandise.

There are other less important factors, but if you can meet the wishes of your customers on points 1 through 6, you will be successful.

And if you sufficiently meet these desires and achieve the degree of success that Target and Wal*Mart have achieved, then WWD is likely to call you "a bully."

RThought: Why do we encourage *WWD* by subscribing to it? Don't we want a retail publication with competent reporters who understand retailing enough to know why one retailer succeeds and another fails?

THE ANTI-FREE ENTERPRISE PRESS *continued*

RThought: A study of The May Department Stores Company which was issued November 11, 1977, by Drexel Burnham Lambert and was written by Jeff Feiner, CFA, stated the following about Venture Stores:

> **During the past several years, the growth of upper-price-point discounters has been impressive, and the basis of that growth has been the successful combination of fashion with price. The three top companies in this arena are: Target, a division of Dayton Hudson; Gold Circle, a division of Federated Department Stores; and Venture Stores, a division of May Department Stores.**
>
> * * *
>
> **Venture is a quality discount-store operation that carries staple, convenience-type merchandise and fashion apparel for the entire family. Venture continues to cultivate recognition for fashion, while maintaining its budget prices. In fact, special emphasis has been placed on attracting a younger customer by devoting more space to sportswear and leisure apparel. The merchandise mix of Venture is now fairly evenly divided between soft and hard lines.**
>
> * * *
>
> **Like Gold Circle and Target, Venture does not carry major appliances. The jewelry department, which is near the entrance, is more dominant at Venture than in either Gold Circle and Target.**

Feiner, whose analysis I respect, indicated that Venture at one time had a target customer whose need it was meeting. Thus, it would appear that one or more of the following has happened:

1. Venture may no longer please its target customers.
2. Wal★Mart/Target successfully captured Venture's customers.
3. Even though Wal*Mart/Target may not have tried to attract Venture's customers as described by Feiner, Wal★Mart/Target may have done a better job of meeting customers' wants, as listed in 1 through 6 above, and Venture customers have switched loyalties.

The fact that Bradlee's is now in Chapter 11 is solid evidence that it didn't meet enough of its customers' needs (1 through 6 above) to grow and be profitable.

RThought: Sam Walton foresaw many facets of retailing more clearly than did others in the discount store business:

1. Perhaps because Sam spent time in his stores, he better understood the needs of his customers.
2. He was conscious of a customer's irritation when not finding in stock an item in all sizes and colors that the customer had had in mind when he or she had left home to shop at Sam's stores.
3. When other heads of retail firms pooh-poohed the application of computers to problems such as being in stock, Sam, who was not computerwise (I don't believe he ever operated one), accepted the word of computer experts and invested hundreds of millions of dollars in the use of computer equipment and programmers while his competitors spent mere thousands.
4. Sam recognized the need to have every person in his company on the same team and marching to the same drum. This "need" was behind the profit-sharing plan, referring to his employees as "associates" and "partners," starting each day with a cheer, and more. Today, almost every large company calls its employees "associates" (although it is obvious to all when a company doesn't mean it).

RThought: Why didn't Mark Tosh, the author of the *WWD* article, try to find the true differences between Target and Wal★Mart on the one hand and Venture and other regional discounters on the other before resorting to childish name calling? Tosh should, perhaps, learn what most of us learned in our early years: *"Sticks and stones may break my bones but names will never hurt me."*

RETAILERS AMONG THE TOP 200 MEGA-BRANDS

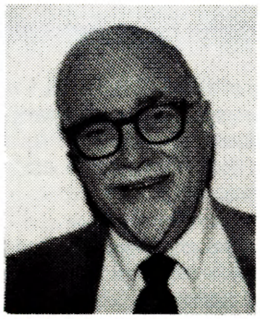
Advertising Age considers any advertiser to be a "brand." A listing showed the top 200 that had advertising expenditures during 1994; all had over $41 million. In the case of divisions among retailers, the magazine listed the store (i.e., Hecht as a brand, rather than combining Hecht with other stores to derive a figure for May Department Stores).

Here are the retailers and their total measured-ad expenditures as reported.

Rank	Retailer	Total Ad Expenditures
3	Sears, Roebuck and Co.	$491,665
9	Circuit City Stores	311,259
12	J. C. Penney Co.	376,897
29	Kmart Corp.	170,128
38	Macy's	154,568
48	Wal★Mart Stores	126,735
60	Target Stores	104,339
61	Dillard's	100,443
64	Robinson's/May	95,385
70	Wiz	86,568
72	Montgomery Ward & Co.	86,513
81	Radio Shack	79,120
88	Broadway Stores	76,295
90	Blockbuster Video	75,048
106	Mervyn's	67,197
107	Foley's	67,174
108	Home Depot	66,427
138	Toys "R" Us	52,990
140	CompUSA	52,676
144	Office Depot	51,272
157	Office Max	47,518
158	Filene's Basement	47,452
160	Lucky Stores	47,284
165	Best Buy	46,661
171	Lord & Taylor	46,285
172	Walgreen's	46,116
173	Burdine's	46,012
176	Builder's Square	45,741
179	Giant Food	45,418
185	Computer City	43,609
198	Hecht	41,595

RThoughts: Should Circuit City Stores be No. 9 when most of its expenditure is co-op advertising? Among the top discounters, Wal★Mart spent 75% of what Kmart spent (but Wal★Mart had larger sales) and Target spent 61% of what Kmart spent. Why is Filene's Basement so high? Best Buy is well down on the list; odd, considering it probably is having the best increase in sales of any of the retailers listed. Wiz is spending more than its volume would warrant compared to Best Buy and Circuit City — but all three receive large amounts of co-op money.

As Artie Johnson used to say playing the part of the German soldier on TV's "Rowan and Martin": "Verrry interesting."



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ROUTE TO

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IS THIS THE WAY TO DO BUSINESS?

Do publicly held companies fulfill their obligations to their owners, the shareholders?

I think not. In fact, I believe they actually work against the bulk of the *shareholders,* who are not the beneficiaries of reports (sometimes, by phone; certainly, by mail) providing current information on the company in which they hold stock.

I am NOT writing about illegal insider trading for which corporate employees (and others) can be fined and sent to jail. I am writing about routine operations that favor traders and large shareholders against the little shareholders who hold stock because they believe a company has a good long-term future.

Who are the players in this game who work to the disadvantage of the many thousands of owners of companies?

1. Analysts who do what their name implies: analyze and project the future earnings/losses of a public company.
2. Those who collect the projections from analysts and publish the "market" estimate of a company's earnings, to the penny, for the current quarter, the current year, and even the next year.
3. The officers employed by the shareholders to run the company who are perfectly willing to give most analysts all of the information *they* seek — but fail to give the same information to the owners of the company who are, or should be, their bosses.
4. With the inside information thus provided, analysts can advise their "favorite" people whether to buy, sell, or hold.

None of the information is sent to the majority of shareholders — "Joe Small Shareholder" — hereinafter referred to informally as "JSS."

JSS is not on someone's "must tell" list but he does read *The Wall Street Journal* and daily checks on the performance of his holdings in a group of stocks which are part of his retirement planning. He is careful to check the company index for any mention; and if there happens to be one, he immediately locates the article and reads it. He then proceeds to check the stock listing to find out what happened the day before.

To JSS's surprise, the volume may be three times the "normal" volume and the price may be down 15%.

The next day, he may come across a company announcement that its sales of gadgets, gowns, or garden supplies are off and earnings will be substantially below the "street" estimate.

The company, however, never informs JSS.

Whom do the executives tell? They probably inform their five to 50 "favorite" analysts who "follow" their stock. How? It is surprising how fast a one-page fax can be sent to a short list of analysts.

Continued

WORTHLESS RESEARCH

A reporter sent me a bit of research only because I am listed as an expert on "Retail Customers" and the "Retail Industry" in the *1995 Yearbook of Experts, Authorities and Spokespersons.* My reason for listing in this publication is to help newspaper, radio, and television reporters produce accurate retail stories.

The "bit of research," entitled "Central City Shares of Retail Sales in America's 80 Largest Metros," consisted of central city retail sales as a percentage of metro area retail sales.

You may be surprised by the "winner": EL PASO, TEXAS!

El Paso's city sales totaled $4,144,911,000; its metropolitan statistical area sales (including the city) totaled $4,285,430,000. The researchers then observed that 96.7% of sales occurred within the City of El Paso.

Is this information important to a retailer? El Paso is a rather isolated town, with only 13% of the metropolitan statistical area's population outside the central city. Does the high ratio (96.7%) mean that retailers within the border of El Paso do a great job? Or does it mean that only a fool would put a large store outside the city limits but within the metropolitan statistical area? Is there enough population outside the central city to support significant retailing?

We must be careful how we use the term "metro area." There are several forms of consolidated metropolitan statistical areas: the New England County Metropolitan Area (NECMA); the Primary Metropolitan Statistical Area (PMSA); and the plain-vanilla Metropolitan Statistical Area (MSA), the latter of which must contain a population of 250,000 or more.

But getting back to the No. 1 area on the list: The El Paso MSA consists of El Paso County; nothing more.

El Paso won the title because there is little retail (perhaps a couple of 7-Eleven and/or Circle K stores, a couple of gas stations, and a MacDonald or two) serving 76,268 people outside its city limits but within the county. When the total MSA sales were divided into the retail sales done only within the city, one would expect a very high percentage.

RThought: I am sure that I understand more about the figures compiled by the research department than do the people who created the report.

RThought: If retail business in a core city is so good, why has the Schwartz family announced the voluntarily liquidation of The Popular Dry Goods Company (four stores; $40 million in sales) and retirement from business? It is doing so because business is not good for conventional department stores in the El Paso metro area; certainly, it is not being hurt by the 3.3% of the retail business done within the MSA but outside the central city. In many MSAs, central cities are being hurt by suburban malls.

JSS likely has access to a fax machine (if not a fax machine, this being the age of technology, he is probably capable of sending or receiving a fax over his computer modem), so he calls the company of which he is an *owner* and asks that it send him the same information that it sent to the analysts, many of whom (if they follow their own advice) may not own a single share of that stock.

JSS would be stunned if someone were to say to him: "Don't be silly. We cannot afford to fax the thousands who own stock in our company every time we fax to an analyst. In fact, many times, we don't contact all when we give information to one. On top of which, Mr. JSS [let's show him *some* respect], 'we' don't know what our executives and managers, who have become friends with some or all of the analysts, have *told* some or all of the analysts."

Then, there is the morning company conference call to analysts, at which time they are told that sales were either above or below, much above or much below, or right on plan for the week. However, JSS doesn't even know that such conference calls are made! And his own company would never think of including JSS and all of his "buddies." Too expensive.

Sometimes, there are special meetings for analysts or, perhaps, someone from your company talks to the analysts in X city or at Y brokerage firm (they call themselves "investment bankers," but often, they are "disinvestment bankers"). Sometimes, top executives gather a selected group of large investors. The management of your company may be asked to send two or more top executives to give a presentation, with disclosures, and to answer questions. There was a time when I would receive a printed copy of such a presentation just a few days after it was given, but I have not received such for several years.

RThought: A publicly held company has an obligation to promptly disclose significant changes in a company, particularly changes from the "market" estimate of a company's performance.

RThought: I feel much like a doctor must feel when informing a patient that he or she suffers from a common cold, for which there is no immediate treatment. Their frustrations, however, have not kept researchers from seeking a cure.

The road to fair and simultaneous spread of knowledge will have to utilize computer software. We must start thinking today. The exchanges and the Securities Exchange Commission, along with all other interested parties in our free enterprise system, have a stake and should start planning NOW.

CHANGES IN MEDIAN-FAMILY INCOME*

Year	All Households	White	Black	Hispanic
1970	$29,670	$30,903	$18,810	NA
1975	29,458	38,806	18,494	$22,131
1980	30,191	31,851	18,350	23,271
1985	30,796	32,478	19,323	22,773
1990	32,142	33,525	20,048	23,870
1991	31,033	32,519	18,373	23,374
1992	30,786	32,368	18,660	22,848

*1992 dollars

The above figures are based on the U.S. Census Bureau's Current Population Survey which is conducted each year and which is the best source for this type of information.

The Hispanic data, starting with 1983, is not directly comparable with prior years. Starting with 1987 (1990 in this table), a revised processing procedure was used. All Hispanic classifications are based on people with Hispanic last names.

The Consumer Price Index was used to adjust all incomes to 1992 dollars.

I have some concern about the accuracy of the CPI, which I have expressed in *RT* on a number of occasions: by limiting price checks to Monday through Friday, the index does not reflect the lower weekend and holiday pricing, when 40% of store sales occurs Bureau shoppers do not report weekend prices.

RThought: This table shows what has been expressed so often in the press: there has been a relatively small increase in real income for ethnic groups. You and I both know our customers are smart enough to take advantage of lower prices on weekends and holidays.

SOME FACTS ABOUT SOCIAL SECURITY YOU MAY NOT KNOW

It is often assumed that people who have just begun to receive their Social Security benefits will have collected, within a few years, everything they have contributed and that after that point Uncle Sam will tax some young kid, who may just be starting a family, in order for those older people to receive their monthly payments.

There are three major faults with that conclusion:

1. One may add up the amount that he or she has paid and forget that some employer paid an equal amount (excepting if one is self-employed).
2. One may forget that now that the Social Security Trust is currently taking in more than it pays out, the excess is lent to the federal government at a substantial rate of interest.
3. Some people may die before collecting any Social Security benefits (and the deceased estate does not receive a refund).

On March 14, 1993, *The New York Times* ran a letter from Stephan Zneimer, a CPA from Dallas, Pennsylvania. Zneimer analyzed the situation much better than do the analysts who argue that within a few years a person will have collected all that he or she has contributed. Let's follow his logic.

In his letter, Zneimer created a model taxpayer who first paid Social Security tax January 1, 1948, at the age of 20, and assumed that his typical taxpayer drew Social Security starting January 1, 1993, at the age of 65. He then hypothesized that this individual always earned the maximum amount subject to tax ($3,600 was subject to a 4.5% tax in 1948; by 1991, the maximum during that period was $55,000 at 12.4%). To simplify the example, Zneimer disregarded the tax that supports Medicare.

The contributions in this individual's name would total $84,365, half of which the person paid and half of which his employer(s) paid. Zneimer then calculated that each payment drew interest at the minimum yield on 30-year Treasury bonds, varying from 6% to 7.8% (since 1993, it has gone higher). The interest was also paid on the accumulated interest so that in 1992 the $84,365 had increased to $223,608.

Starting in January of 1993, this individual would receive $13,536 per year (assuming he or she were single). Zneimer then assumed that the Consumer Price Index (inflation) would increase 3% per year and that the "fund" would continue to earn interest at 7.8% of $17,441, which is more than the first year's payment of $13,536. The fund would continue to grow but, eventually, inflation would raise the payments to more than the interest on the $223,608 and the balance would start to drop. When our beneficiary was shown to reach 90, the principal of the fund shown was back down to about $223,000! It is true, however, that the tax on an individual does not cover provision for his or her spouse.

PRODUCTIVITY — HAS IT IMPROVED?

Much productivity is measured by using physical output per man-hour. For example, a car manufacturer is measured in the number of man-hours it takes to assemble a car and a steel mill is measured in the number of man-hours it takes to produce a ton of steel. It is harder to measure the productivity of a retail operation, so the common measure is the dollars of sales per employee corrected from year to year for any inflation. The U.S. Bureau of Labor tracks the unit price for hundreds of different items sold by different kinds of stores.

Thus, productivity for retailers is output (sales) adjusted for price changes which is then divided by the man-hours used.

Often, productivity is affected by the format of a store. For example, a self-service checkout store usually handles more dollars per man-hour than a full-service store. A discount department should have greater productivity than a full-service department store.

Productivity can be affected by the spread of knowledge regarding a product. For example, 15 years ago, salespeople in stores selling personal computers had to spend a great deal of time explaining (selling) their product to a customer. But, with a third of the homes now having a personal computer and the increased circulation of magazines dealing with personal computers, more people entering a computer store know exactly what they want and what they are willing to pay — and, sometimes, they know more about personal computers than does the salesperson.

The July 1995 issue of the *Monthly Labor Review* reported on the periodic revision of the measurement of labor productivity. One chart gave the productivity for 153 industries, which included 20 groups of retail stores. As part of the information, it included the average annual increase per year for 17 years, the period between 1973 and 1990. The various types of retail stores (by Standard Industrial Classification) are given below.

SIC Code	Type of Retailer	Average Change in Annual Output/Hour 1973-90 (17 years)	
573	Radio, TV and computer stores	+ 6.4	
572.3	Appliance, radio, TV and computer stores	+ 5.8	
572	Household appliance stores	+ 3.7	
562	Women's clothing stores	+ 3.6	
57	Home furniture, furnishings and equipment	+ 3.2	
554	Gas service stations	+ 3.2	
553	Auto and home supply stores	+ 2.8	
531	Department stores	+ 2.6	(1)
56	Women's apparel and accessory stores	+ 2.2	
525	Hardware stores	+ 1.7	
565	Family clothing stores	+ 1.7	
561	Men's and boys' stores	+ 1.6	
566	Shoe stores	+ 1.6	
571	Furniture and home furnishings	+ 1.3	
592	Liquor stores	+ .9	
591	Drug and proprietary stores	+ .7	
58	Eating and drinking establishments	- .4	
533	Variety	- .8	
54	Food stores	- .8	(2)
541	Grocery stores	- .8	(2)

(1) Includes conventional, national chain and discount department stores.
(2) Grocery stores are the supermarket segment of food stores.

It is important to understand how the SIC numbers work. A major grouping has a two-digit number. A three-digit number means a breakout within the two-digit number which includes the first two numbers in the three digits. A decimal point followed by a number is a further breakout. Here is one such group:

57	Home furniture, furnishings and equipment
571	Furniture and home furnishings
572	Household appliance stores
572.3	Appliance, radio, TV and computer stores
573	Radio, TV and computer stores

All of the above are part of SIC 57.

Looking at the chart, the type of retailers with the greatest improvement are the radio, TV and computer stores, with an improvement of 6.4% per year for 17 years! If computer stores were broken out, the SIC would be 572.1, with radio and TV stores being 573.2. Computer stores would have shown much more than +6.4% per year.

Computer stores are not a big portion of the retail field, but it's a different situation for food stores. Over the past 17 years, the average productivity change of food stores (which includes grocery stores that are essentially the supermarket stores) DECLINED eight-tenths of 1% per year.

Within the food industry, there is talk of how efficient the industry is and that America has the most efficient food distribution in the world. Yet, Coca-Cola found, when the total volume of grocery stores was about $360 billion, that there was $30 billion of waste — unnecessary expense. Coca-Cola's finding led to the industry's effort to fulfill a public relation firm's program: ECR (Efficient Consumer Response). However, as I watch this movement, or lack thereof, I am not sure that progress is being made.

When supercenters are given a separate SIC number, which will probably happen soon because there are now about 500 supercenters and there probably will be 1,000 by the year 2000, we will find that supercenters are increasing their productivity and supermarkets are continuing to decline.

If discount stores (SIC 531pt) were separate from conventional and national chain department stores, the discount stores would have shown a gain of more than 2.6% and conventional and national chains would have shown less.

RThought: Absolute productivity is absolutely necessary. There is little such information in the retail industry, except some measures of the efficiency of distribution centers and warehouses. Most important of all, there is little regarding the sales floor where most woman-hours take place.

SHORT SHORT

I was embarrassed by the retail industry. In a two-page ad donated by *Business Week* in its June 12, 1995, issue, 229 firms and their CEOs were listed, saluting the members of the Disability 2000-CEO Council. BUT there were only five retailers listed:

Avon Products, Inc.
Kmart Corporation
R.H. Macy and Co., Inc.
The May Department Stores Company
Woolworth Corporation

RThought: I know for a fact that more than five retailers are providing good jobs for disabled people, jobs which contribute to the success of a company and which assist the disabled employee toward self-support.

If you have misplaced your invitation to join the CEO Council of the National Organization on Disability, contact Martin Walsh, CEO Council Director, N.O.D., 910 16th Street, N.W., Washington, D.C. 20006; telephone 202-293-1944; fax 202-293-7999. Do it TODAY!

FEATURE REPORT

WHERE TO SEND OUR SONS AND DAUGHTERS TO BUSINESS SCHOOL

Ratings for business schools are often published, with the business schools at Harvard and Stanford universities usually competing for first place. In contrast, *Success* magazine (September 1995) gave its top rating to Babson College Graduate School of Business in a list of "The 25 Best Business Schools for Entrepreneurs."

The list that follows should give enough identification. By happenstance, Babson leads the alphabetic order. The tuition figures are for out-of-state students, when applicable, who take at least 30 credits in one year:

School	Tuition
Babson College, Graduate School of Business	$18,500
Ball State University, School of Business	9,876
Baylor University, Hakamer School of Business	9,288
Boston University, School of Management	19,420
Brigham Young University, Marriott School of Management	6,300
Carnegie Mellon University, Graduate School of Industrial Administration	20,500
Cornell University, S.C. Johnson Graduate School of Business	20,400
DePaul University, Charles H. Kellstadt Graduate School of Business	15,400
The George Washington University, School of Business and Public Management	14,400
Georgetown University, School of Business	19,584
Harvard University, Graduate School of Business Administration	22,700
New York University, Stern School of Business	20,210
Rensselaer Polytechnic Institute, School of Management	16,200
University of California at Berkeley, Haas School of Business	14,792
University of California at Los Angeles, The John E. Anderson Graduate School of Management	16,723
University of Colorado at Boulder, College of Business/College of Engineering	13,014
University of Georgia, Terry College of Business	6,150
University of Maryland at College Park, College of Business and Management	12,000
University of Minnesota, Carlson School of Management	12,618
University of Pennsylvania, Wharton School of Business	21,050
University of St. Thomas, Graduate School of Business	13,944
University of South Carolina, College of Business Administration	8,324
University of Southern California, School of Business Administration	6,746
University of Texas at Austin, College of Business Administration	8,580
University of Wisconsin-Whitewater, College of Business and Economics	4,500

In addition, *Success* listed "Up and Comers: 25 Schools to Watch."

School	Tuition
Birmingham-Southern College, Graduate Program	$ 9,200
California State Polytechnic University at Pomona, College of Business	4,000
California State University at Hayward, School of Business and Economics	$ 6,718
Canisius College, Wehle School of Business	21,671
Case Western Reserve University, Weatherhead School of Management	17,600
Columbia University, School of Business	22,700
Fairleigh Dickinson University, Samuel Silverman College of Business Administration	12,690
Indiana University at Bloomington, Graduate School of Business	13,680
James Madison University, College of Business	6,535
Kennesaw State College, Coles School of Business	4,449
Massachusetts Institute of Technology, Sloan School of Management	21,690
Northwestern University, Kellogg Graduate School of Management	20,634
St. Louis University, School of Business and Administration	12,000
Samford University, School of Business	7,200
San Francisco State University, College of Business	7,380
Stanford University, Graduate School of Business	21,189
Thunderbird, The American Graduate School of International Management	17,900
University of Arizona, College of Business and Public Administration	5,606
University of Illinois at Chicago, Graduate Professional Business Programs	13,178
University of Iowa, College of Business	9,922
University of Nebraska at Lincoln, College of Business Administration	4,400
University of Oregon, Charles H. Lundquist College of Business	7,890
University of Washington, School of Business	11,436
Wichita State University, W. Frank Barton School of Business	11,436
Xavier University, College of Business	10,140

RThought: Note the spread of tuition. I believe a school with a good program toward entrepreneurship depends more upon faculty than upon facilities and tuition.

RThought: *Success* was founded in 1890 by Orison Swett Marden after his business was destroyed by fire. Marden set out to champion the ideal of individual achievement. He published *Success* until his death in 1924. The magazine continued thereafter with reprints of the prolific Marden's articles until it was taken over in 1931 by Napoleon Hill, author of the best-seller, *Think and Grow Rich*. Hill wrote articles for the magazine on the "Law of Success," based upon interviews with noted entrepreneurs. Hill was joined in the 1950s by W. Clement Stone, who was a superb salesman and who was extremely successful in developing his insurance companies. (Often, his articles inspired me.) In 1984, *Success* was bought by another entrepreneur, Dale Lang.

Orison Swett Marden inspired many entrepreneurs, one of whom was James Cash Penney. (Once again, my story unexpectedly gets back to the history of retailing!)

SHORT SHORTS

The U.S. Postal Service, according to Postmaster General Marvin Runyon, lost 35% of its first-class mail to business-to-business electronic mail; i.e., e-mail, fax, satellite, and expanded networks. (It baffles me why people sometimes send me a one-page communication which requires an envelope and a 32-cent stamp when a fax costs 10-25 cents for one page from most of the U.S. And a fax arrives immediately!) The NSM *[Non-Store Marketing]* Report ($275; published 24 times a year by Maxwell Sroge Publishing, Inc., 522 Forest Avenue, Evanston, IL 60202; Telephone 708-866-1890; Fax 708-866-1899) warns direct marketers of further price increases of third-class mail. **RThought:** Stick-on, fax-routing info is available from most stationery stores. The Postal Service has a high fixed cost and, with less mail, all classes — including first class — are bound to suffer price increases while, we are told, the cost of telephone calls will come down as the result of competition and improved technology.

Do you utilize all of the available space on your cash register receipts? In an airport at a Host TBCY frozen yogurt stand (I had a chocolate!), the receipt handed to me was headed:

HOST
SERVING AMERICA
TBCY 1
PART-TIME JOBS
WITH HOST
CALL 646-HIRE

The itemization followed, as did the receipt number, register number, time, and date.

RThought: There is much that could be put on a register receipt — the next sale date, a special in a department near the register, a telephone number to open a charge account, an 800 number to call if there is a compliment, suggestion, or complaint to be registered — IF you just modify your register and apply some thought.

Many individuals die before collecting any Social Security benefits. Based upon life expectancy in 1991(1994 Statistical Abstract of the U.S., Table 115), we could expect the following people to be alive for each 1,000 live births:

	Men	Women
At age 20	989	986
At age 40	938	971
At age 50	899	950
At age 65	743	852

What this means is that roughly 25% of the men, who were alive at age 20, will have died before they reach 65. What they contributed goes toward the payment of Social Security benefits to someone's wife or widow who may have never earned income subject to Social Security.

RThought: I hope the above will convince you that you will not collect within a few years after having reached the age of 65 all that you have put into Social Security and that from that point on the next generations will have to support you.

Because Social Security existed for many years without being on a funded basis, it will take some years and some adjustment of rate to arrive at a funded basis. When it happens, most of the public debt will be owed to the Social Security Trust Fund rather than to foreigners, corporations, banks, individuals, IRAs, or 401K funds.

HOW IMPORTANT ARE INTANGIBLES?

Financial World (September 12, 1995) rated 67 financial companies (banks, investment bankers, savings and loan institutions, and insurance companies) using a Hidden Value Index. The Hidden Value categories consisted of:

A. Concern for and relations with [the company's] employees.
B. Ability to reduce costs.
C. Ability to avoid regulatory problems.
D. Ability to increase revenue.
E. Customer satisfaction and loyalty.
F. The brand equity of the company and its products.
G. Ability to increase productivity.
H. R&D, intellectual capital, and ability to innovate.

Of particular interest are A and E because they are common to retailing as well as to banking.

The article also reported the highest and the lowest hidden values for each of the 67 companies.

Only six institutions had their highest rating in Category A:

Allbank Financial
Barnett Banks
Lincoln National Life
Safeco
Standard Federal Bank (tied)
Wachovia (tied)

Ten institutions had their lowest rating in Category A:

H.F. Ahmanson & Co.
BankAmerica
Boatmen's Bancshares
First Bank System
Mellon Bank
Merrill Lynch & Co.
NBD Bancorp
State Street Boston
Travelers
Wells Fargo

And what about Category E? For customer satisfaction and loyalty, seven institutions had their highest rating, or were tied for the highest, in this category:

H.F. Ahmanson & Co. (tied)
American Family Life Assurance Company (tied)
CSF Holdings
Greater New York Savings Bank (tied)
Northwestern Mutual Life (tied)
Wachovia
Washington Mutual Savings Bank

The seven which had the lowest rating, or were tied for the lowest, in Category E were:

Equitable Variable Life Insurance
Fifth Third Bancorp (tied)
First Union (tied)
ITT
NationsBank
PNC Bank (tied)
Western National Life Insurance (tied)

RThought: Roughly 10% of the 67 "better" financial companies rated either top or bottom on concern and relations with their employees and either top or bottom on customer satisfaction and loyalty.

Do you know of stores or banks that hang large signs on the outside of their buildings stating, "SATISFACTION *NOT* GUARANTEED," or who tell their associates, "Don't worry about keeping a customer; there is another one waiting outside"?

When did you last read an annual report where the chief executive officer's letter to the shareholders closed with: "Our associates are not important; it is the decisions that I, the CEO, make that are of importance"? (Of course, we all know that some CEOs pay themselves as though this is what they truly believe.)

HOW PROBLEMS WITH LAWS ARE HANDLED IN OTHER COUNTRIES

The following excerpt was taken from the *Retail Trader,* the monthly publication of The Retail Traders' Association of New South Wales, the state in Australia in which the major city is Sydney:

> **Since the inception of the new federal unfair dismissal law in March 1994, your association and other employer groups have sought to bring to the attention of both federal and state politicians the difficulties employers were experiencing in complying with these laws.**
>
> **Just recently the executive director of the association, in conjunction with two other state-based employer associations, brought to the attention of the NSW premier several issues concerning the federal unfair dismissal legislation and the dampening effect the legislation was having on employment.**
>
> **When these changes become law, we will advise members through *Retail Trader.***

RThought: Note that no mention was made of a political party and that the state premier was made accessible to the head of the trade association. The law is a federal one and the top administrative officer of the federal government is able to commit to make logical and reasonable changes. The top officer of the state is accessible and, with reference to party, the state premier has undertaken to make changes in a federal law.

The association is able to bring about changes based upon facts and logic without reference to a political party.

This type of "legislation," by common sense, also takes place in New Zealand, Canada, and South Africa, as well as other countries once comprising the British Commonwealth.

IS OUR DEMOCRACY DISAPPEARING WHILE WE DIDDLE?

We have devoted time, lives, and dollars in attempting to bring democracy to many countries around the world. But while doing so, are we losing our own democracy? It certainly appears to be the end result of the November 1994 election, with a majority of both houses willing and trying to end ours.

How serious is it?

The Pew Charitable Trusts in Philadelphia, Pennsylvania, believes we are losing our democracy: It has phased out its support for strengthening democracy in Eastern and Central Europe and is now focusing its $10 million public-policy program in Western Europe and is establishing a similar effort to support democracy in the United States.

The Pew foundation is not the only foundation that is worried. Some foundations are making grants to stimulate voter registration and grass-root efforts are under way to increase participation in elections. Other foundations are supporting reform of campaign-finance laws. The Pew foundation is increasing grants to Pew Center for Civic Journalism with the hope of improving standards in writing. The Kettering Foundation is attempting to stimulate forums in which public issues will be discussed (discussed, I presume, more constructively and with less animosity than in what is occurring everyday in the U.S. Congress).

The Democracy Network is receiving support from the Carnegie Corporation, in addition to the Mary Reynolds Babcock, Nathan Cummings, Walter Alexander Gerbode, Joyce, James Irvine, and John D. and Catherine T. MacArthur foundations.

Project Vote Smart was founded by Senators Bill Proxmire (a classmate of mine at Harvard Business School, Class of 1940) and Barry Goldwater (a classmate of mine at the Army Air Corps Supply School, 1941), both of whom I am proud to have known and admire!

RThought: Sometimes I can almost hear the voices of our nation's fathers — Ben Franklin, George Washington, John Adams, Alexander Hamilton, Thomas Jefferson, Benjamin Morris, Tom Paine, and even Abraham Lincoln — cry out from their graves: For this we fought England for our independence; for this we sacrificed 365,000 souls in the battle between the states!

RThought: We once took pride in reciting: "We hold these Truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain inalienable rights, among these are Life, Liberty, and the Pursuit of Happiness...that to secure these Rights, Governments are instituted among Men, deriving their just Powers from the Consent of the Governed, that whenever a form of Government becomes destructive of these Ends, it is the Right of the People to alter or abolish it, and to institute new Government, laying its Foundation on such principles, and organizing its Powers in such Form, as to them shall seem most likely to effect their Safety and Happiness."

In Washington today, efforts are being made to abandon what was set forth to the unhappiness of the majority of the people, just as King George brought unhappiness to the majority of the colonists.

RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON (Unadjusted $ millions)

SIC Code	Category	JULY 1995	JULY 1994	Percentage Change	Year-to-Date Seven Months 1995	Year-to-Date Seven Months 1994	Percentage Change
52	*Bldg Matl Group	$ 10,922	$ 10,868	+ 0.5%	$ 71,468	$ 69,238	+ 3.2%
57	*Furniture Group	10,288	9,547	+ 7.1	69,128	62,618	+10.4
571	Furniture Stores	5,208	4,999	+ 4.2	34,415	32,472	+ 6.0
572	Appl, TV, Radio Stores	4,251	3,746	+13.5	29,066	24,871	+16.9
5941	*Sporting Goods Stores	1,773	1,618	+ 9.6	11,206	10,413	+ 7.6
5942	*Book Stores	667	641	+ 4.1	5,084	4,834	+ 5.2
5944	*Jewelry Stores	1,216	1,149	+ 5.8	8,319	7,704	+ 8.0
531Pt	Conventional Dept Stores	3,788	3,702	+ 2.3	26,433	25,699	+ 2.9
531Pt	Natl Chain Dept Stores	3.175	2,995	+ 6.0	20,525	20,068	+ 2.3
	Subtotal	6,963	6,697	+ 4.0	46,958	45,767	+ 2.6
531Pt	Discount Stores	11,073	10,115	+ 9.5	72,199	65,678	+ 9.9
531	*Department Stores	18,036	16,812	+ 7.3	119,157	111,445	+ 6.9
539	*Misc General Mdse Stores	4,676	4,435	+ 5.4	31,202	29,771	+ 4.8
541	*Grocery Stores	33,333	32,555	+ 2.4	222,207	215,942	+ 2.9
56	*Apparel Stores	8,284	8,399	- 1.4	56,253	55,852	+ 0.7
561	Men's & Boys' Stores	819	875	- 6.4	6,048	6,135	- 1.4
562,3,8	Women's Stores	2,516	2,569	- 2.1	17,849	18,261	- 2.3
565	Family Clothing Stores	2,900	2,886	+ 0.5	18,663	17,967	+ 3.9
566	Shoe Stores	1,484	1,492	- 0.5	9,927	9,867	+ 0.6
591	*Drug Stores	6,676	6,538	+ 2.1	47,993	46,099	+ 4.1
596	*Nonstore Retail	4,820	4,378	+10.1	36,144	33,163	+ 7.5
5961	Mail Order	3,380	3,012	+12.2	25,036	23,307	+ 7.4
	Retailing Today Total Store Retailing†	100,691	96,940	+ 3.9	678,161	647,079	+ 4.8
	**GAF TOTAL	47,854	45,420	+ 5.4	319,187	300,803	+ 6.1

†Excludes car dealers, auto supply stores, eating and drinking places, service stations, and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**General, Apparel, and Furniture.

For further information on these figures, contact Irving True at the Business Division, Bureau of Census, Washington, D.C. 20233, or call 301-457-2706/2708. (Irving has been very helpful to me over the years.)

\ Customer Service Case Study

"Our family entered into the Great Depression with a seven-passenger LaSalle sedan, which was driven by four people," said Robert Kahn, publisher of Retailing Today. "Considering the weight of the car (4,500 pounds) and the miles we drove, it is obvious that we very quickly wore out tires. I still recall when, in 1930, I drove the car across San Francisco to Sears, Roebuck to purchase new tires for the first time. Mother believed in buying Sears' All-State tires because they had the longest guaranty (24 months). Then, about 12 months later, I again drove to Sears for replacements. I showed the guaranty and received new tires for half price, no questions asked, and they were balanced on the wheel, without charge for balancing or weights."

"From then until sometime in the late '70s or early '80s, every tire I purchased came from Sears, until one time when it came time to replace two front tires (one ruined by a road hazard). After explaining the road-hazard damage, I was told that road hazards had been excluded from the guaranty for a decade or ore. (I suddenly realized that I had not read the Sears tire guaranty since 1930!) I said, 'OK,' and asked for an appointment the next day. I was then told that Sears no longer made appointments, but it opened at 8:00 AM, and if I showed up at about 7:15 AM, I would have a good chance of being first. I said, 'No thanks.'"

"The drive home took me past the Big O Tire store. I pulled in and was immediately greeted. I explained what I wanted and asked if I could make an appointment, and he replied, 'If you have 20 minutes to spare, we can take care of you now.' In approximately 20 minutes, I was handed the bill for the work and was surprised again — the tire price was about the same as the Sears price and there was no charge for balancing or weights. I have not been back to Sears with any of our three cars since I learned about Big O Tire."

"I thought of that history the other day when my wife and I took one of our cars into Big O. As we got out of the car, an employee approached me and called me by my first name. I explained that had a slow leak and told him to do whatever was necessary to fix it. We were told that it would be ready in about 45 minutes, so we ran errands. When we returned about an hour later and asked, 'How much?' I was told, 'It was a bad valve stem. We don't charge for replacing them.'"

"Little has changed in 65 years," said Kahn. "Good service and a good guaranty kept me a Sears customer for 40 years, but poor service and a poor guaranty lost a customer to someone with both a better guaranty and better service. And that relationship has lasted 25 years!"

Robert Kahn, Retailing Today, Box 249, Lafayette, CA 94549 (510)254-4434. fax, (510)284-5612.

Beyond The Annual Survey: 7 Tips For Getting Meaningful Subscriber Feedback And Great Testimonials

Happy subscribers lead to high conversion and renewal rates. One obvious way to find out what makes them happy is through annual subscriber surveys. But a number of other techniques yield feedback that can be priceless for planning editorial schedules, fine-tuning marketing copy, creating new products and obtaining targeted testimonials.

1. After launching a new newsletter, include a brief postcard, fax or e-mail survey with the third or fourth issue (this allows time for sub-

Tips From communication briefings

* Before you buy a computer or software, call the maker's toll-free help numbers. *Reason:* If you can't get through or must hold a long time, you'll be better able to decide which companies you don't want to deal with.

* When designing a form that you might be faxing, fax the form to yourself to see if the design is working. If it is difficult to read any of the form after it has been faxed, you should rework it.

communication briefings, 1101 King Street, Suite 110, Alexandria, VA 22314 (703)548-3800, fax, (703)684-2136.

RETAILING TODAY

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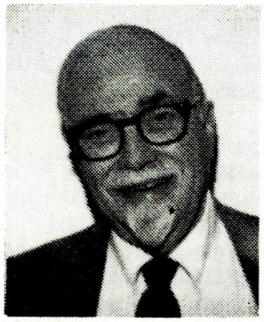

THOUGHTS ON BUSINESS FAILURES

There is always an explanation for a retail failure. And the retailer who fails is always ready to recite his or her version of the cause, often placing the blame on "big box" retailers.

Had we never wasted all of the newsprint used to place blame on Wal★Mart Stores, we might be enjoying the primary forests which were growing at the end of the Civil War! We can presume that more than half of the hardware stores no longer in business blamed their demise on Home Depot or Lowe's and that neighborhood or even downtown consumer electronics stores blame Best Buy, Circuit City, Good Guys, or the like.

There is *always* a reason, however, for the failure of a longtime retail business. The point was best put in an explanation of why a principal wholesaler to an established single-store retailer took out credit insurance:

1. The store didn't change with the times. It didn't have a market niche.
2. The store was not positioned to market against its competitors.
3. The store's deteriorating sales and poor service were the result of a reduction in staff.

RThought: It's my hunch that at one time the people who ran the single store were in sync with their patrons, filled a niche, had good service, and a *good credit standing.*

WHAT HAPPENED AT THE ICSC CONVENTION?

Each year, I wait for the answer to this question from my favorite reporter, Ted Kraus, in his column, "My Way," in his publication, *The Dealmakers.*

Let me share with you a portion of his column regarding this year's International Council of Shopping Centers meeting.

> **I was talking to one friend who is the real estate rep for a retail chain. I asked how business was and was told, "Horrible." I replied, "WRONG, they want 80 new stores in the next 12 months." I asked why his company was expanding if they aren't making money and was told they need the *cash flow* (profit is no longer an important word). He felt that as long as his paycheck clears on Friday, he'll stay around, but he was not optimistic about the company's future.**

RThought: I thought I could identify the company from the dozens of ads that appear to me to be "cash flow" sales for companies in trouble, but there was no way to pick the one that wanted 80 more stores in 12 months. It appeared as though they all did!

CUSTOMERS ARE AWARE OF THE NEW FOOD LABELS, BUT ARE YOU?

A random survey of 1,000 adult consumers found that:

- Forty-four percent have seen the new food labels.
- About half have changed their choice of foods as a result of them.
- Seventy percent cited fat content as the reason for the change.
- About 20% cited sodium content.
- About 70% said the new format was "more clear and understandable."

RThought: If your pattern of sales for food products has changed, look at the labels:

- The new label may be the reason why your customers buy a product or avoid it.
- Your shelf allocation may be wrong. (Don't rely on out-of-date category-management decisions.)
- You may be wasting money on advertising products your customers no longer want.
- You may not carry some items your customers do want.

THE FINANCIAL WORLD IS MIXED UP!

Fortune (August 21, 1995) featured an article, entitled "Surprise! Quarterly Earnings are Full of Good News," which stated, "Some 50% of the companies followed by Wall Street have already announced their numbers.... According to Baseline Financial Services, a sturdy 55% beat analysts' expectations...16% performed as expected while 29% disappointed the prognosticators."

Such a statement implies that the analysts really do know something about the businesses they analyze!

I, on the other hand, would have written it differently, saying, "The analysts following 55% of the companies should retire because they do such a poor job of forecasting the earnings of companies about which they profess to be experts and to which the companies slip inside information, hoping to keep the analysts within a respectable range of the final figure. Twenty-nine percent will hurt all of the stockholders in the companies they follow by being significantly

Continued

below the final figure." My logic is just as valid as that of the *Fortune* article's author, John Wyatt.

RThought: Wyatt should have had the freedom to comment on the injury caused by 84% of the analysts upon which thousands of investors and dozens of investment bankers, for lack of more skilled analysts (or more leaks by companies), depend. If only 16% (one out of six) is going to be correct, of what value is an analyst? Wouldn't one out of six be correct if analysts threw darts at a revolving wheel???

I am interested to know what you, my readers, think. Please write and let me know.

WHY IS IT THAT PEOPLE WHO KNOW EVERYTHING CAN SET FORTH ONLY FOUR PRINCIPLES AT A TIME?

In just *one* day, I was offered *four* reasons for success in *two* different situations.

During the day, I attended a seminar on the selection of successful store locations and was told that to be successful you MUST have these four factors:

1. good location
2. good timing
3. good information
4. good management

RThought: But nothing was mentioned about having the right merchandise (unless it would come under "good management") or having good customer service so that customers will come back again and again and again.

Then, in the evening, I received a fax from *Direct Marketing Magazine* which said that effective telemarketing operations are based upon four primary elements:

1. good planning
2. good people
3. good process
4. good tools

RThought: Isn't it necessary to have a good product that is wanted by a substantial number of people? Or is merchandise part of "good tools"?

HOW TO ACQUIRE A CUSTOMER — IT HASN'T CHANGED IN 65 YEARS

Our family entered into the Great Depression with a seven-passenger LaSalle sedan with a 144-inch wheel base, weighing 4,500 pounds, which was driven by four people, after I taught my older sister and younger brother to drive (my parents were divorced, so there was just Fran, my mother, as the head of the household). Considering the weight of the car and the miles we drove, it is obvious that we very quickly wore out tires. I still recall when, in 1930, I drove the car across San Francisco to Sears, Roebuck on Mission Street (the only Sears in the city) to purchase new tires for the first time. Mother believed in buying Sears' All-State tires because they had the longest guaranty (in those days, it was in terms of months, not miles; the longest, I believe, was for 24 months). Then, about 12 months later, I again drove to Sears for replacements. I showed the guaranty and received new tires for half price, no questions asked, and they were balanced on the wheel, without charge for balancing or weights.

From then until sometime in the late '70s or early '80s, every tire I purchased came from Sears. At about that time, my son had become interested in cars — and professed a degree of expertise. He urged me to purchase Michelin steel-belted radials but I explained that Michelin was making the tires I bought from Sears and that I wanted the Sears guaranty.

When it came time to replace two front tires (one ruined by a road hazard), I headed to the Sears store in Concord. After explaining the road-hazard damage, I was told that road hazards had been excluded from the guaranty for a decade or more. (I suddenly realized that I had not read the Sears tire guaranty since 1930!) I said, "OK," and asked for an appointment the next day. I was then told that Sears no longer made appointments but it opened at 8 A.M., and if I showed up at about 7:15 or 7:30 in the morning, I would have a good chance of being first! I said, "No thanks."

The drive home took me past the Big O Tire store with the Michelins that my son had wanted me to buy. I pulled in and was immediately greeted. I explained what I wanted and that I was there at my son's urging. As it turned out, the salesman knew my son!

I then asked if I could make an appointment, and he replied, "If you have 20 minutes to spare, we can take care of you now." In approximately 20 minutes, I was handed the bill for the work and was surprised again: the tire price was about the same as the Sears price and there was no charge for balancing or weights.

I have not been back to Sears with any of our three cars since I learned about Big O Tire. And it is closer to home!

I thought of that history the other day when my wife and I took one of our cars into Big O. As we got out of the car, an employee approached me, called me by my first name and said, as a statement, "Left front tire." I explained that it had a slow leak and told him to do whatever was necessary to fix it. We were told that it would be ready in about 45 minutes, so my wife and I went about our other business. When we returned about an hour later, I asked, "How much?" I was told, "It was a bad valve stem. We don't charge for replacing them."

RThought: Little has changed in 65 years. Good service and a good guaranty kept me a Sears customer for 40 years, but poor service and a poor guaranty lost a customer to someone with both a better guaranty and better service. And that relationship has lasted 25 years!

ONE VIEW OF SMOKING

The following are excerpts from an article in the March 6, 1995, issue of *Convenience Store News:*

> **The battle to maintain cigarettes as a solid, reliable moneymaker for retailers rages inside stores as suppliers fight for space and more than 360 brands vie for a piece of the market-share pie.... You might come to the conclusion that maybe the weather on the c-store cigarette front isn't all that bad.... Cigarette sales are up 30% over last year at the Winnsboro Petroleum Company's 18 stores.**

RThought: If cigarette sales fall off, there is always a profit to be made by providing a convenient source of handguns and ammunition, an alternate cause of deaths which also generates income for the health-maintenance industry while increasing expenses of a local government for people who do not have health insurance.

RThought: In 1992 (the most recent data available), deaths from handguns were many fewer than deaths from lung cancer: handguns were used in 30,200 suicides (up 28% from 1970), 22,540 murders (up 3% from 1980), and 1,441 gun accidents (down 40% from 1970), for a combined total of 54,181 deaths, while deaths from lung cancer in 1992 totaled 155,000.

I SOMETIMES WONDER ABOUT RETAILERS

Let me review some common knowledge:

1. We have more female than male shoppers, so we try to please females.

2. We are subject (at least at the time of this writing) to legislation called "Equal Opportunity Employment" (the laws have not yet been repealed by the Republicans).

3. We employ more females than males.

4. Studies by Dr. Lawrence Pfaff on gender differences as managers reported that more often than not employees rated women as better managers than men; bosses rated women managers under them as better than men; and men and women managers amongst themselves rated women better than men. (See *RT*, April 1995, "For Retailers with Few or No Women Among Their Top Officers....")

5. Discrimination against females has caused many retailers to lose suits and to pay penalties in the millions of dollars.

Why do I bring up these points when every retailer already knows them?

One of our small local papers, the *Valley Herald*, ran an Associated Press story out of Miami about the Wal★Mart store in Miramar, Florida, which purchased 204 baby T-shirts emblazoned with the image of Margaret from the cartoon strip "Dennis the Menace," captioned, "Someday a woman will be President."

Because one person complained (the nature of the complaint was not revealed) after two-thirds of the T-shirts had been sold, the remaining T-shirts were pulled from the floor.

The 70-year-old creator of the T-shirt, Ann Moliver Ruben, after calling Wal★Mart headquarters, reported that Sharon Higginbotham, a buyer for women's clothing, told her that the store would not carry the shirt nationwide because the message "goes against Wal★Mart's family values."

"...GOES AGAINST WAL★MART'S *FAMILY VALUES*"???

I was associated with Wal★Mart for 15 years, and during that time, I never heard of a "family value" opposing the idea of a woman becoming president. In fact, I don't recall any formalized "code" of family values. Were there such a code, why would it even address the question of a woman becoming president of the United States? (Our present first lady served on the Wal★Mart Board of Directors for five years!)

RThought: Almost all retailers have loyal employees who try on their own initiative to pre-empt what they believe will be adverse publicity for their store when they ought to defer the matter to senior management. By not doing so, employees frequently make a situation worse rather than better. When a reporter calls, as reporters do, *all personnel* should be instructed to say, "I do not know about the situation, but I will be happy to report it to someone who does, and I am sure he [or she] will get back to you." The employee must be certain to write down the reporter's name and telephone number.

The employee should then bring the matter to the attention of his or her supervisor, who, if unable to give a complete answer, should, in turn, report the matter to the next level. The procedure of turning it over to a superior supervisor should continue until it reaches someone in the organization who is qualified to deal with the press.

All personnel should be aware that reporters are not always interested in getting the facts: they thrive on getting something spectacular, even if they suspect that the statement is not factually correct, particularly if they think what has been said will make an attention-gathering headline which can be attributed to someone within your store.

At a minimum, all companies should require that *all reporters are to be referred to XYZ department within the company.*

RThought: I have tried to figure out why the Pleasanton, California, *Valley Herald* ran the Associated Press story from Florida. If I queried the *Herald*, it would probably expand on the story, so I can only guess.

First, I have seen many stories within the trade press criticizing Wal★Mart for distributing its own tabloids. The position often taken is that Wal★Mart, as a major retailer, has a responsibility to *support hometown newspapers, especially in small towns,* as do local retailers. Many newspapers do not accept the fact that part of Wal★Mart's ability to offer low prices is because Wal★Mart does not spend as high a percentage of its sales on advertising, as do other discounters. (Although Wal★Mart's sales are several times that of Kmart's, its total advertising expenditures are a fraction of Kmart's.) This argument is against the consumer's interest because it argues that efficiency should be less in order to help a newspaper.

Second, a Wal★Mart store opened in the *Herald's* trading area about the time this story ran. It may be that local retailers expressed concern about Wal★Mart's impact on their stores. The retailers, the Chamber of Commerce, and the journalists all know each other.

Third, the newspaper may have wanted to attract readership amongst independent women, especially those who resent discrimination against women in any form, even as remote as removing a child's T-shirt from a sales floor.

RThought: The question is not why the *Herald* and so many other publications picked up the story. The question is: What can retailers do to stop inaccurate, damaging stories from coming into existence in the future?

RThought: This event took me back more than 20 years to the time a store manager of a client made uninformed statements to an investigator from the California Fair Employment Practices Commission and converted a simple error into a serious charge against my client. The situation was saved by an unusually objective commissioner.

SHORT SHORT

US West has confirmed what *RT* has said. A recent article began, "Two years ago, starry-eyed executives of US West looked into a television set and saw a 21st century gold mine. Their vision was to cash in on the emerging world of interactive television — to beam real-time movies-on-demand, on-line gaming, and interactive shopping opportunities directly into the homes of consumers. But after spending millions on studying the interactive services market, US West recently cast doubt on the industry it was going to help create." **RThought:** US West could have saved millions had it subscribed to *RT*! (*RT* arrived at the same conclusion when US West and many retailers were starry-eyed.)

RETAIL CEOs TALK ABOUT PLEASING THE CUSTOMER, BUT WHAT DO THEY DO?

One of my friends and readers has a chain of 13 stores that would be classified as closeout stores. (When I first visited him years ago, he had only three.) I never asked how much he does in sales, but if I had to guess, I would say between $100 million and $200 million.

In a recent letter to me, he said, "I solicit and receive a LOT of customer mail. Most of it is complimentary; all of it is helpful. It's one of the most important things that we do."

There are not many people around who appreciate the significance of a satisfied customer.

Isn't that a sad commentary on retailing? When we complain that one of our competitors is pushing us into a loss situation and finally into Chapter 11, we seldom say that he (or she) pleased more customers than we did and so he (or she) has earned the right to have higher sales and greater profits.

My friend also shared with me a letter from a customer that will give you some insight into his operation.

The letter began: "I was pleased and surprised to receive a letter from you, asking for feedback on my recent buying experience. [Do you send out such letters? Or are you too busy to want to know if your customers had a "pleasant shopping experience"?] I have never received such a letter and I shop in a lot of stores."

The letter continued: "I visited your store to buy something that Office Depot also carried — but Office Depot was out of stock! Did Office Depot deserve to lose the sale? I think so." [Should a customer hold it against a store because it was out of stock on an item? Office Depot is probably annoyed because the customer would not wait until the next shipment came in at some indefinite time in the future!]

Again, the letter continued: "From the moment I arrived at the store 90 minutes before opening [I gather the item was advertised in the store's tabloid], I was overwhelmed by the way your staff handled the entire process. You get shiny gold stars for the following:

> "While the customers were waiting in line, a manager came outside and distributed numbered cards to guarantee our spot in line. [Did you ever do that?]
>
> "With an hour to go before opening, we were invited inside the store, where comfortable chairs awaited us. [Do you open your doors early, especially when it is cold outside? Apparently my friend has experienced a heavy response before to his honest advertising — not an exaggerated discount from phony 'regular' prices.]
>
> "The usual free coffee was supplemented by a generous supply of donuts. [Do you at least have hot coffee handy?]
>
> "About 15 minutes before opening, the manager showed us where the sale merchandise awaited, discussed the origin of the goods, and gave an overview of the merchandise that was being sold.
>
> "Customers were let into the shopping area in small groups to avoid overcrowding.
>
> "Efficient salespeople marked the merchandise we selected with our names on a 'sold' notice so that we could continue shopping.
>
> "Ample help awaited at registers to process our purchase as quickly as possible.
>
> "Friendly staffers stood by to help carry merchandise to the vehicles of customers who needed assistance.
>
> "I have told many of my friends and associates.
>
> "The fact that you send a follow-up letter is just further evidence of the commitment to customer service that you so clearly have. If the executives of such hoity-toity 'upscale' retailers as Nordstrom or Lord & Taylor wanted to really learn about satisfying the customer, I would send them to observe your store for a week or two. They'd be much the better for it.
>
> "Since time began, the Golden Rule works just as well in retailing as it does in general human relations. Treat the other person as you would want to be treated and you can't lose. I was flabbergasted to see that your entire organization — dumpy premises not withstanding — is practicing this philosophy up and down the line."

The letter ended: "I hope this letter goes to your head. You, and everybody who works for you, richly deserve it. May you continue to prosper."

RThought: I would put such a letter on every bulletin board. Wouldn't you?

How many services raised in this customer's letter do you perform? Do you spend all of your money on fancy premises and poor service rather than on good service and "dumpy premises" ("dumpy" is as good an adjective as any that I would have choosen)? Often, there are large companies described by others in their newsletters as having fancy premises, poor service, and being out of stock, but these companies probably don't know that they have the wrong combination.

And I'll let you in on a little secret: this combination of excellent, thoughtful service and dumpy premises has produced such good profits that some years ago my friend established a foundation which is now of substantial size — his way of doing a good job for the communities in which he does business.

The premises may be "dumpy" but they are clean and neat and you don't notice it when you are surrounded by outstanding service.

Just be glad this great merchant is not *your* competitor.

SHORT SHORT

BJ's Wholesale Club (subsidiary of Waban, Inc.) will co-brand a MasterCard with Beneficial National Bank USA. Although rebate rates were not disclosed, users will receive rebates good on purchases from BJ's. **RThought:** The new card will make it easy for small business members to purchase items. Rebates will apparently be granted even though the balance on an account is paid each month and the bank does not earn any interest. On that basis, I assume the value of the rebate will come entirely out of BJ's pocket.

PROOFREAD, PROOFREAD, PROOFREAD

Sloppy Writing, No. 1: Certainly, one would expect correct grammar in *Direct Marketing News,* but the July 31, 1995, issue contained, "This measure...would require the individual, corporate, and association lobbyists to register and file detailed reports about their income, expenditures, and *lobbying efforts with the Justice Department.*" I believe the writer meant, "The measure...would require the individual, corporate, or association lobbyists to register and file detailed reports with the Justice Department showing their income, expenditures, and lobbying efforts." I doubt that many "lobby" the Justice Department!

Sloppy Writing, No. 2: From a local weekly, "The Moraga police chief instructed his officers not to discuss the sexual assault of a 10-year-old girl with the public unless...." I believe the writer meant, "The Moraga police chief instructed his officers not to discuss with the public the assault of a 10-year-old girl unless...."

Sloppy Writing, No. 3: From the *Centre Daily Times,* "Wal★Mart...will unveil the chain's first-in-the-nation specialty shop [within a discount store] to sell computers and related merchandise on Saturday." Beside the fact that Wal*Mart always sells computers on Saturday, I believe the writer meant, "On Saturday, Wal*Mart will open the chain's first-in-the-nation specialty shop selling computers and related merchandise." It is unfortunate to have such an error in a newspaper which is published in a city named "State College," Pennsylvania.

THE FOOLISHNESS OF INCREASING MILITARY EXPENDITURES

When Congress, especially the Republicans, are crying out for a reduction in the cost of government, they, and some of the administration, insist upon increasing military expenditures beyond that which has been requested by the Defense Department. President Clinton said on June 29, 1995, "The good news is the Cold War is over and there's no serious threat to our security." So, why are we planning to spend *$1.6 trillion* through 2001? Our military budget is almost as large as the combined military budgets of all other nations. It is three times that of Russia, six times that of Japan, and eight times that of Germany. It is more than 17 times the combined military budgets of the six countries most often cited by the Pentagon as potential adversaries: Iran, Iraq, Syria, North Korea, Libya, and Cuba!

The Defense Monitor (the publication from which I extracted some of the above), is published by the Center for Defense Information, an organization formed by retired senior military officers because "political decisions" were interfering with informed disclosures of our military needs. It is led by Rear Admiral Gene R. LaRocque and includes Vice Admiral John J. Shanaham, Real Admiral Eugene J. Carroll, Navy Captain James T. Bush, Colonel James A. Donovan, Major General Jack Kidd, and a civilian board of advisors that lists people from all walks of life, including civilians from the Department of Defense.

Unfortunately, politicians, both Republicans and Democrats, when it comes to reducing military expenditures in their state or district, become supportive of military waste if it can be financed by the reduction of assistance to destitute people in someone else's state/district and/or the elimination of assistance to education.

RThought: If you want to keep abreast of what is happening with nearly half of the controllable federal government expenditures, send a contribution of $35 or more to the Center for Defense Information, 1500 Massachusetts Avenue, N.W., Washington, D.C. 20005 to receive its monthly publication of *The Defense Monitor.*

RThought: The Department of Defense does not want more B-2 bombers, which have not performed up to specifications. However, the senators/congressmen of states where B-2s and/or components are manufactured trade their votes in order to keep jobs at home and to help someone else receive equally unnecessary expenditures. There are few who lobby for education and fewer yet who lobby for the poor, the sick, and the children. Everyone knows that the poor, the sick, and the children do not send in $1,000 campaign contributions.

THE FTC HAS BECOME MORE ACTIVE

The Federal Trade Commission publishes a weekly one-page, two-sided report called *FTC News Notes.* Once, half of the publication was filled with announcements of talks given or to be given by commissioners or key staff. The headlines and article summaries below are samples from its "new" publication:

> **Walter Thompson Settles FTC Charges Over Jenny Craig Ads** (alleging that this advertising firm engaged in deceptive practices)
>
> **FTC Stays Proceedings Against New Balance** (ordering the manufacturer to answer the allegations that it made deceptive "Made in USA" claims for its footwear)
>
> **FTC to Conduct Comprehensive Review of "Made in USA" Claims** (by announcing a review of consumers' perceptions of such advertising claims)
>
> **Florida Company Agrees to Settle Charges** (a company deceptively pitched its mini, coin-operated television set business opportunity)
>
> **Central Supplies, Inc., to Return Checks, Post $400,000 Bond** (the company must return $44,000 in checks and post bond before re-entering the telemarketing business)
>
> **FTC Garners Strong Settlement with 900-Number Providers** (regarding the FTC's settlement agreed upon with two men and their companies)
>
> **Onkyo-USA to Pay $225,000 to Settle Price-Fixing Charges** (involving resale price maintenance of audio components)
>
> **Court Orders Debt Collector to Pay $550,000 Penalty** (a violation of the Fair Debt Collection Practices Act)

RThought: There are more and larger penalties being invoked by the FTC. Usually, major retailers are not involved. Those firms which are not charged by the FTC are those which, by policy and practice, *do not violate* laws which are enforced by the FTC, including those laws pertaining to *all forms of advertising.*

IF YOU SELL YOUR CHARGE ACCOUNT LIST, ARE YOU PREPARED FOR LITIGATION?

Most states have laws designed to protect celebrities from having their names, portraits, or pictures used for purposes of profit without their consent. And although you may say that most of your charge account customers are not celebrities, the laws don't define a "celebrity."

On October 10, 1995, *Hotline,* the newsletter of the Newsletter Publishers Association, headquarters in Arlington, Virginia, reported that a local man had sued *U.S. News & World Report* for $100 compensatory and $1,000 exemplary damages. Why? Because it rented his name to the Smithsonian Institute.

The Virginia Code (Section 8.01-40) states that no one can use another person's name, portrait, or picture "for advertising purposes or for the purposes of trade" without that person's written consent.

RThought: In reading *DM News,* I often see list brokers offering for rent the names of active charge account customers of prominent retailers.

Do you have a "written consent to sell" the names of the individuals who have charge accounts with you? If not, are you prepared for a class-action suit against your company?

FTC TO CLARIFY 'MADE IN USA'

The Federal Trade Commission has announced that it will hold a public workshop and will invite various industry and trade associations, consumer groups, and other government entities to participate in a comprehensive review of consumers' perceptions of "Made in USA" advertising claims. The FTC intends to review whether its long-standing standard that a product must be *wholly* domestic before a marketer can make an unqualified "Made in USA" claim is appropriate in today's global economy.

The workshop is the result of the commission having received over 150 comments from consumers, industry, and trade associations during the comment period involving a manufacturer who violated the present interpretation. FTC Chairman Robert Pitofsky noted that these comments highlight the difficulties of defining "Made in USA." He said "[d]eceptive 'Made in USA' *claims* might make a real difference to a large segment of American consumers. The public workshop will explore the best way to deal with this issue." [Emphasis added.]

RThought: Much of retailing is impacted by this upcoming decision. In the case of apparel, fabrics may be woven in one country, trimmed in another, cut in a third, and sewn in a fourth country. In the case of electronics, components may be made in several countries and assembled in one or more countries. And in the case of Japanese-labeled cars, many are assembled in the United States from parts manufactured not only here but in Japan, Canada, etc.

What are your customers thinking when they purchase an item bearing the "Made in USA" label?

SHORT SHORT

There's a new user of coupons. Factory outlet stores claim to have the lowest prices. As an example, Lenox, that fine old line of china, has outlet stores in two centers in the greater San Francisco Bay Area, Gilroy and St. Helena, each about 40-airline miles or 60-highway miles from Lafayette, where I live. If I purchase more than $30 of its seconds, overstocks, discontinued, limited editions, and special products (does this mean lower-quality items?), I will receive a 15% discount. The offer is good for two months. **RThought:** Does this offer indicate that Lenox manufactured too much merchandise (in an effort, perhaps, to keep its unit cost low)? Or does it mean that it picked factory outlet locations that don't pull enough customers to be profitable?

RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON (Unadjusted $ millions)

SIC Code	Category	AUGUST 1995	AUGUST 1994	Percentage Change	Year-to-Date Eight Months 1995	Year-to-Date Eight Months 1994	Percentage Change
52	*Bldg Matl Group	$ 11,204	$ 11,466	- 2.3%	$ 82,704	$ 80,704	+ 2.5%
57	*Furniture Group	11,020	10,121	+ 8.9	80,119	72,739	+10.1
571	Furniture Stores	5,520	5,313	+ 3.9	39,938	37,785	+ 6.7
572	Appl, TV, Radio Stores	4,579	3,987	+14.8	33,625	28,858	+16.5
5941	*Sporting Goods Stores	1,936	1,775	+ 9.1	13,156	12,188	+ 7.9
5942	*Book Stores	1,055	1,091	- 3.3	6,147	5,925	+ 3.7
5944	*Jewelry Stores	1,316	1,238	+ 6.3	9,619	8,942	+ 7.6
531Pt	Conventional Dept Stores	4,471	4,411	+ 1.4	30,904	30,110	+ 2.6
531Pt	Natl Chain Dept Stores	3,377	3.407	- 0.9	23.902	23,475	+ 1.8
	Subtotal	7,848	7,818	+ 0.4	54,806	53,585	+ 2.3
531Pt	Discount Stores	11.417	10,506	+ 8.7	83,610	76,184	+ 9.7
531	*Department Stores	19,265	18,324	+ 5.1	138,416	129,769	+ 6.7
539	*Misc General Mdse Stores	4,878	4,602	+ 6.0	36,062	34,373	+ 4.9
541	*Grocery Stores	33,004	31,973	+ 3.2	255,095	247,915	+ 2.9
56	*Apparel Stores	9,546	9,652	- 1.1	65,836	65,504	+ 0.5
561	Men's & Boys' Stores	884	924	- 4.3	6,926	7,059	- 1.9
562,3,8	Women's Stores	2,711	2,897	- 6.4	20,567	21,158	- 2.8
565	Family Clothing Stores	3,370	3,258	+ 3.4	22,039	21,225	+ 3.8
566	Shoe Stores	1,835	1,825	+ 0.5	11,765	11,692	+ 4.2
591	*Drug Stores	6,903	6,788	+ 1.7	54,900	52,887	+ 3.8
596	*Nonstore Retail	5,433	5,004	+ 8.6	41,523	38,167	+ 8.9
5961	Mail Order	3,689	3,469	+ 6.3	28,680	26,776	+ 7.1
	**Retailing Today* Total Store Retailing†	100,214	102,034	- 1.8	783,577	749,113	+ 4.6
	**GAF TOTAL	52,010	49,718	+ 4.6	371,144	350,521	+ 5.9

†Excludes car dealers, auto supply stores, eating and drinking places, service stations, and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**General, Apparel, and Furniture.

For further information on these figures, contact Irving True at the Business Division, Bureau of Census, Washington, D.C. 20233, or call 301-457-2706/2708. (Irving has been very helpful to me over the years.)