Should management assume that this will not continue? Four years ago cereals dropped off in sales in a certain section of the country. Investigation showed that an oversupply of eggs had lowered the price to twenty-five cents per dozen. Eggs and bacon displaced cereals for a short time. However, it might have been for a long period of time, depending on instances apparently beyond our control. The cereal company did not sit back, however, and assume that consumer wants for particular goods were limited. An aggressive company finally remedied the situation and today the demand for the product continues to grow. It was discovered that the proper attack upon mothers and nursemaids was the way to secure the dependence of children upon a particular food. It must not be forgotten that the change in individual habit of using a particular food from once a day to twice a day, or from three times a week to every day in the week, just doubles the consumption.

In accordance with Dr. Nystrom's statement, it is true that the stomach can hold only a fixed amount of food; let us say twenty ounces. Management, however, does not worry in the least about the capacity of the stomach. What it is interested in is the variety that may be introduced into that stomach which will produce a dollar meal instead of a fifty cent meal. The management which does not believe in demand creation, is bound to lose out in competition with the aggressive management distributing the same article or something similar.

Ford sells millions of cars each year. So does Chevrolet. Ford's production and distribution has increased this year. Chevrolet's has not. Ford's market will not be limited even if it displaces all Chevrolet's, Star's and other cars in that class. Ford will then sell his car to every owner of a Rolls Royce, an Isotta Fraschini, a Minerva and even a Buick. Statistics show that sales in all the stores in the New York district fell off 6 per cent during a certain period. A very few of these stores, however, increased their volume during the same period. They were able to overcome the general tendency downward. To what extent this contrary movement might be carried, not even our economists can tell us.

Some years ago, two hats a year would satisfy our wives. Now, three, four and five, and even more, are required. Some change may vary this upward or downward. We do not know the actual limit until the season is finished and until our sales have been established and even our returns deducted.

The short dress put hosiery on the map. Feminine vanity demanded sheer, delicately-colored hose, short-lived because of texture and numerous because of required color combinations. It came about through the ensemble movement. Even suntan color and seamless hose had to be produced in order to counteract the bare-legged fad, but just let the dress to the boot-top still gain acceptance and the hosiery business will be fatally injured unless management can ingeniously counteract it.

Today yeast is sold in greater quantities as a medicine than as an ingredient for making bread, which was its original use. One bathtub in a home is no longer adequate; even three, four and five are necessary to satisfy a family of three. What is the consumer limit in this case? How far should management respect consumer limits? What is a high limit today is a low one tomorrow. Aggressive, progressive, dynamic, competitive management will always find a way. Some managements have long histories of uninterrupted progress. Others have allowed alibis, excuses and consumer limits to stagnate them. Neither management nor economists know whether consumer wants are satiable or insatiable until a trial has been made to overcome any obstacles that might arise in the attempt to increase consumption by encroaching on income or by surmounting physical limitations, living conditions, fashions and competition. However, it is good management policy to be dynamic and not static.

J. B. Swinney.[1] When I was first handed a copy of Dr. Nystrom's paper, the subject seemed to me hardly suitable for discussion, because the answer appeared fairly obvious. In my opinion the paper gave the only answer to the question. Now I find that my neighbor, Mr. Donaldson, has found a very different and very logical answer, though I still feel that Dr. Nystrom's conclusions are the weightier. Looking at the question from the point of view of one interested in a group of stores scattered from coast to coast, I find myself in agreement with Dr. Nystrom. There is, I think, more

[1]Director, Specialty Stores Association, New York.

to be said on the other side of the question developed by Mr. Milner.

Those of us who are handling dresses in fairly large numbers in a variety of territories have been interested in this matter of the effect of the change of silhouette on our fall business, and as a result of our studies have come to very much the same conclusions as Dr. Nystrom. There are, however, some points relating to this whole question of the satiability of demand that I should like to add to Dr. Nystrom's. The first is in the field of psychology. Though I hesitate to talk on that subject, I think we all realize that there is no stronger advertising influence than that of the fireside. And it has played a particularly important role this fall. When a dozen women gathered together all begin to say that they cannot wear the new dresses, the one woman who has one on is embarrassed. If you multiply this by all the fireside discussions that are going on throughout the country, you undoubtedly have an important influence in reducing the sale of this merchandise, though it is difficult to estimate its extent. In any discussion of the insatiability of demand for particular goods we have to consider the ways of the human mind.

Dr. Nystrom touched indirectly on budgetary control. In spite of the fact that most of us do not like to budget our expenses, I think there has been a great increase in the last ten or fifteen years in the tendency to budget personal expenditures. It seems to me incredible that the common sense attitude of the average family that only a certain percentage of its income should go into certain things could be broken down. This has its influence on attempts to make the demand for any particular goods insatiable.

I realize that a number of outside influences are brought to bear on manufacturers. Among these are the advertising agencies and the advertising departments of the newspapers and magazines. I sometimes wonder if we realize how much influence these high pressure organizations have in settling our merchandise problems. I think we could all find instances in our own experience of outside organizations, without responsibility for our balance sheets, that have had an undue amount of enthusiasm over the possibilities of developing a demand without limit for our product. The cases cited this morning have illustrated how often this overenthusiasm has led to a great deal of grief.

Turning to the other paper, I doubt if a week goes by in which I am not approached by someone representing the founders' group that Mr. Milner has mentioned. They have the notion that it would be a fine idea to take my dozen stores and consolidate them into one big organization. Every time this comes up a number of serious factors come to my mind. My stores are women's specialty stores carrying the better grade of merchandise. They are usually operated by two or three principals who have built up the business, and who have what we call a flair for the merchandising of garments. They have put into these businesses a tremendous amount of work as well as their flair and their personalities. If all these stores were merged and operated by some central office in New York the individual initiative of these principals would be destroyed. Many years ago someone said that any business was the lengthened shadow of some individual. I think this is particularly true of many comparatively small organizations. If we are considering mergers we must also consider the probability that they will involve a loss of initiative of some individual or group of individuals within each of these organizations. The results would, I am sure, be disastrous.

In consolidations we have also to guard against the lack of balance which is apt to be brought about by listening to the overenthusiasm of outside agencies that are not directly concerned with the profits of the business.

The problems involved in building the organizations for these consolidations are also important. In order to build up strong central organizations it is customary to attract the best men away from other organizations with large salaries. I have in mind a particular case. We have a store in one of our cities doing three to four millions of dollars worth of business a year—not a large store but a very successful one. Recently a merger took four people out of that organization in six months. Salaries approximately 50 per cent above what this store had paid were offered. Homes were disrupted and moved to New York. In six months all four people were out of these jobs. Some found other openings and some did not. Our store was disrupted also, and the whole thing was very questionable from the standpoint of the good of the country as a whole. I lived through such a merger about ten years ago. Three hundred stores were to be opened