

## SEPTEMBER 1968

Vol. III No. 9

## WHAT'S IN A NAME?

RETAILING TODAY is the new name for the old Client Memo. Over the years the mailing list had grown to almost 200 (I don't have 200 clients). Last year when I surveyed reader interest more than $90 \%$ replied that they wanted to continue to receive it.

But my old Ditto machine is limited to about 200 copies - and even then we may have pages that don't come out fully legible.
Finally, the 10 to 14 pages each month, printed on just one side, made a bulky package - certainly much bulkier than this format.
We hope that you will find this new format just as interesting and stimulating - but easier to handle. For example, you might slip it in your coat pocket to read when you have a few minutes. If you wish to keep past copies, this will fit nicely in a standard 3-ring binder. And finally, I hope the routing box in the upper right-hand corner will make it easier to pass on to others in your organization.

## WHAT'S IN A PRICE?

Don't let the $\$ 10$ subscription price in the heading frighten you. EVERYONE WHO IS RECEIVING THIS ISSUE WILL CONTINUE TO RECEIVE IT FREE.
However, having a subscription price will eliminate some of the embarrassment that has arisen in the past when people have asked if they could be put on the mailing list and yet they realized that they were not current or even prospective clients. In a few cases during the past year, persons have been kind enough to send checks to cover the cost of printing and mailing.

## COMMENTS WANTED

ould appreciate any comments - especially suggestions for improvements in RETAILING TODAY - that might come to mind as ${ }^{*}$ read this issue.

## OUR CHANGING POPULATION

We age slowly. We tend to see the same people around us each day. As we get a bit older we become conscious that friends are passing away at closer intervals. But standing on the inside of a small group we lose perspective on what is happening to the mix of population in the country as a whole.
The changing mix has implication on both our merchandising philosophy (what are the markets?) and our operating philosophy (where are the people to run our organization?). Let's look at the change in 8 years. Here is a breakdown of population by age groups IN MILLIONS OF PEOPLE and the change over an 8 -year period.

| AGE GROUP | $\mathbf{4} / \mathbf{1} / \mathbf{6 0}$ | $\mathbf{7} / \mathbf{1} / \mathbf{6 8}$ | CHANGE |
| :---: | ---: | :---: | :---: |
| $0-4$ | 20.3 | 18.5 | -1.8 |
| $5-9$ | 18.7 | 20.9 | 2.2 |
| $10-14$ | 16.8 | 20.2 | 3.4 |
| $15-19$ | 13.3 | 18.2 | 4.9 |
| $20-24$ | 11.1 | 15.8 | 4.7 |
| $25-29$ | 11.0 | 12.9 | 1.9 |
| $30-34$ | 12.0 | 11.1 | -0.9 |
| $35-39$ | 12.5 | 11.4 | -1.1 |
| $40-44$ | 11.6 | 12.3 | 0.7 |
| $45-49$ | 10.9 | 12.0 | 1.1 |
| $50-54$ | 9.6 | 10.9 | 1.3 |
| $55-59$ | 8.4 | 9.7 | 1.3 |
| $60-64$ | 7.1 | 8.2 | 1.1 |
| $65-69$ | 6.3 | 6.6 | 0.3 |
| $70-74$ | 4.7 | 5.2 | 0.5 |
| $75-79$ | 3.1 | 3.9 | 0.8 |
| $80-84$ | 1.6 | 2.2 | 0.6 |
| $85+$ | 0.9 | 1.2 | 0.3 |
| TOTAL | 180.0 | 201.2 | 21.2 |
| Median age |  |  |  |
| (years) | 29.5 | 27.7 |  |

First, let's look at some merchandising implications. With fewer babies in the under-5 group, and with the constant opening of new stores, can we expect the infants department to show growth? Should the infants department keep the space they now have? Should inventory investments be cut down?
On the other hand, with a $40 \%$ increase in the 10-19 group, are you kidding yourself when you look at $5 \%$ and $8 \%$ increases in depart catering to them and conclude that you are doing a good job? With a $40 \%$ increase in the number of teenagers combined with a $25 \%$ i. crease in prices and a $40 \%$ increase discretionary income over the 8 -year period YOU NEED AN INCREASE OF $135 \%$ just to maintain your position!
On the other hand, with 2 million fewer people in the $30-39$ group, and with more stores, have you wondered why unit sales in men's clothing don't grow?
Will the $30 \%$ increase in the 75 and older group mean that eventually we will cater to these people as a separate group? They have special needs in many areas.
Second, let's look at our need for operating personnel. Almost every store is looking for "a bright young man with 5 years or more experience". This brings us right into the $30-39$ group where we have already noted that there are 2 million ( $8 \%$ ) fewer people from whom to pick.
The constant increase in numbers living past 65 , (and especially the $33 \%$ increase in the $85+$ group against an $18 \%$ increase in total population) means constantly increasing pension costs as life expectancy tables used by actuaries reflect this factor.
Finally, there are special implications of the changing age structure. We saw some of it in the rebellion of the young people during the recent primary campaigns. Although the teenagers can't vote, as a group they are better educated than their parents and grandparents, more informed on current affairs because of our era of instant news dissemination, and they represent an increased percentage (from $16.7 \%$ to $19.2 \%$ ) of our population.
The $37 \%$ increase in the $15-19$ group and $42 \%$ increase in the $20-24$ group, the ages responsible for most crime in the United States, partially explains the figures we read so often of rising crime rates by relating the number of crimes to the slower growth in total population.

And just a word about "median age" (the mid-point where half the population is older and half is younger). We hear talk that soon half of America will be under 25 - as though this is a new situation. From 1960 the median age did drop from 29.5 to 27.7 - but you may not know that in 1900 the median age was only 22.9 - and going back even further to 1820 the median age was 16.7 years.
When one looks at our democratic republic as established in 1787 under the Constitution and when we realize that half of the population was under 17 and that all slaves and women were disenfranchised, the "electorate" of white males over 21 constituted a very, very small portion of our 3.9 million population.

## RETRACTION

Information received from Credit Data Corporation regarding the item that appeared in last month's Client Memo indicates that numerous merchants in this area are utilizing the computerized credit files of Credit Data Corporation and Credit Data Corporation advises me that they are finding them quite adequate for the purpose of granting credit. Credit Data Corporation further advises me that they serve three of the largest retailers in this area. I wish to correct the impression which may have been left from the August Client Memo that it would not be advisable for a merchant to utilize the services of a computerized credit operation such as run by Credit Data Corporation.

## CREDIT PRACTICES OF LEADING STORES

I sometimes wonder how much we should follow the leadership of the giants in retailing. For years I had a credit account with Sears although I haven't used it for two or three years. When a Sears freezer required service I called the store in our area. Since I could not locate my credit card I also called the Credit Office. They could not find any record of my former account. My name apparently was lost in the movement and expansion of the store. Second, when I asked if I could open a new account I was told that they did not have the facilities to open charge accounts over the phone (she said this to me over the phone, of course).
If such is the policy of Sears, then it confirms the wisdom of my advice to smaller stores (all retailers are smaller than Sears) to pay more attention to their own needs and objectives and less attention to copying the giants.

## RECOGNIZING THE TRUTH

The Sunday Times of London on May 23, 1968 contained the following item:
"There's a fifth column right in the enemy camp. The staff of the IBM office in Tokyo have put up this sign:

> MAN - Slow, Slovenly, Brilliant
> IBM - Fast, Accurate, Stupid

The challenge to management is still one of merging Brilliant Man with Speedy EDP. In many areas EDP is now and will remain for some years (perhaps forever) nothing more than the most powerful tool available to the Brilliant Man.
To maximize the power of data processing, Man, if he is to continue his brilliance, is going to have to see that systems do not dehumanize. We must combat the present age of brutal systems pounding people. We must find a way that the bruised man - in retailing's case the customer on which the store depends - does have a channel of communication with the computer. The Internal Revenue Service may get away with computer brutality - their "customer" doesn't have an alternative source of service. But the retail customer still has the ct of where he spends his money - and his decision is based on many factors, including the absence of computer brutality.
To maximize the power of data processing Man must always program a Man to analyse the output of the system. Studies by major management firms disclose that failure to analyse the reports and modify the reports so as to provide the key information necessary for decisions is one of the reasons why computer installations, in the majority of cases, have not paid off as anticipated by management.

And finally, in this day when computerized stores are asked to send tapes containing accounts receivable data and account rating information to central sources for further EDP processing and dissemination, we might consider whether we want to create a potential liability for slandering one of our customers through a mechanized account rating system. Senator Proxmire held hearings on this matter. We should not forget that Senator Proxmire was able to accomplish the passage of the Truth-in-Lending Bill after years of failure by Senator Douglas. Perhaps retailing should start working today to eliminate the objectionable practices before Congress passes another restrictive law. ${ }_{\text {WeI }}$ DTE NO ON PROPOSITION 9
Proposition 9 is another of a continuing series of attempts by monied interests to use the initiative as a means of amending the State Constitution to provide a limited group with a windfall financial benefit.

In basic terms the appeal of Proposition 9 is to cupidity with the hopes that there is matching stupidity.
Let's look at the basic facts. 1967-68 property taxes raised approximately $\$ 4.2$ billion. Of this amount, $\$ 2.9$ billion will, within 5 years, have to be raised from alternate sources. Based on a maximum of $1 \%$ of market value the property taxes, to provide "property related services" (defined simply as "all other costs than people related services" - which is not much of a definition), the remaining $\$ 1.3$ billion tax burden could be increased by taxing authorities to $\$ 2.0$ billion plus the cost of servicing bond debt.
To put the $\$ 2.9$ billion in perspective, each $1 \%$ of the sales tax raises $\$ 480$ million. To provide the funds to continue operating schools, hospitals, welfare, and other people related services ON THE SAME LEVEL as we now have them, it would be necessary to raise the present sales tax from $5 \%$ to $11 \%$. If the present exemptions for food and gasoline were eliminated - that is, if we collected sales tax on both food and gasoline - the rate would still have to be $9 \%$ to produce the extra $\$ 2.9$ billion.

As retailers, are you interested in being a collection agency for a $9 \%$ or $11 \%$ sales tax? Might this adversely affect your sales?
To raise $\$ 2.9$ billion from Personal Income and Corporate Franchise Taxes would require an increase of $125 \%$ - ON TOP of the doubling or tripling that went into effect this year with the new tax rates.
All of the miscellaneous taxes outside of property, sales, income and gasoline (committed to road construction) total only $\$ 880$ million so they don't represent a significant source of funds.
There is some talk about an "oil severance tax". The local press has quoted one Jeremy Ets-Hokin, "We should have an oil serverance tax in California. The tax provides $30 \%$ of the state revenues in Louisiana and $17 \%$ in Texas." The implication is that this could replace the lost property tax.
However, Ets-Hokin fails to point out that Louisiana produces $90 \%$ MORE oil than we do and Texas produces $210 \%$ MORE ( 1966 figures). Thus they have more oil to tax and a smaller state budget to fund. Both states raise about $\$ 260$ million per year. If California used the higher (Louisiana) rate it would produce only $\$ 100$ million - or less than $4 \%$ of the property tax to be eliminated.
Proposition 9 also sets an overall limit on bonds, which might make it impossible to provide needed facilities in rapidly growing communities.
Finally, we have to look and wee who would benefit from Proposition 9.
ban Land Institute reported in 1966, for regional shopping centers in the Far West, that real estate taxes represented (based on median figures) $19.5 \%$ of rental income and $15.6 \%$ of total operating receipts. The comparative figures do not show the profit - because of wide variances in the methods of handling depreciation, investment credit, etc. However, it is obvious that if roughly $2 / 3$ rds of the property taxes can be eliminated, this would mean a drop in expenses of about $13 \%$ of rentals!
Your landlord, who was most insistent that your lease include a "tax increase clause" where you pay the tax increases over a base year either as extra rent or recoverable from rent overages, didn't include a provision reducing your rent if taxes go BELOW THE BASE YEAR.
This has further ramifications. Suppose you are renting at $\$ 2.00$ per square foot against $3 \%$ of sales. If Proposition 9 passes your landlord could build an addition right next to you and rent it at $\$ 1.75$ per square foot against $2.6 \%$ - and produce the same profit he anticipated when he got you to sign up at $\$ 2.00$ against $3 \%$.
A check of the impact on homeowners shows that a person with a $\$ 15,000$ income and a family of four, living in a $\$ 25,000$ home, would have to pay more in either income tax or sales tax than he will save in property taxes (this was based on the Lafayette tax rates of $\$ 11.50$ against a $23 \%$ assessed valuation). At higher incomes and higher house values the net EXTRA TAX COST is much greater if income tax is used as a replacement, and about even if sales tax is used as a replacement.

Those who occupy rental units are not likely to see rents drop (especially in the current period of housing shortage produced by the long shortage of mortgage money) - yet they will have to pay any increase in income or sales tax.

The group that will benefit the most is those who hold land for speculation. Their costs of holding land will drop materially (although they may be surprised that after Proposition 9 cripples our education system and other functions of government and our population growth stops, the value of their land may drop more than the tax savings).
I urge all retailers to do some serious thinking about this problem. Try to be smarter than those who refuse to analyse this issue - and respond emotionally to the great idea of cutting property taxes by fiat. Talk to your friends and employees - let your employees know that a doubling of sales tax or further $150 \%$ increase in income and franchise taxes is likely to have serious disruptive effects on our entire economy that won't be offset by the property tax savings.

## WATCH YOUR WITHHOLDING

In a recent case involving a legal stenographer that worked in 62 offices on 104 occasions in a single year, a substantial number of employers did not withhold income and social security taxes. When IRS camé after her for self-employment taxes, claiming she was an
dependent contractor, the Tax Court held that she was an employee because the law office controlled and directed her both as to on , rk to be done and how it was to be done.
Although the case involved the employee, the employers became liable for penalties because of failure to withhold and to collect Social Security taxes.

## CREDIT OFFICE RATING

The performance is improving - with the average time dropping to 6.7 days. Of the stores rated both months, 15 showed improvement, 3 were unchanged and 6 were worse.

HONOR ROLL IS ALSO LONGER:

STORE
Wineman'
Podesta-Baldocchi
Roos/Atkins
Shreve \& Co.
Wallach's (NYC)
Holman's
Levy Bros.
Rhodes
Simon's
Paul Elder
*Indicates CLIENT

AVERAGE DAYS
2.8*
3.0
3.5
4.0
4.0
4.2*
4.4*
4.5
5.0*
5.0

## BALANCE AT RISK

The condition of outstanding accounts (measured by the percentage of balances represented by accounts on which no payment has been made for two cycles) began, during August, to reflect the impact of the $10 \%$ income tax surcharge.
In July 6 stores showed a SMALLER balance at risk (better position) and 2 showed higher. During August this switched to 4 stores showing a smaller balance (better position) and 3 showing a higher balance at risk.

CREDIT OFFICE RATING

AUGUST 1968

| \# | AVERAGE | RANGE |
| :---: | :---: | :---: |
| 3 | 5.3 | $4-7$ |
| 4 | 13.5 | $12-16$ |
| 6 | 9.8 | $6-13$ |
| 1 | 5.0 | 5 |
| 2 | 10.5 | $10-11$ |
| 1 | 8.0 | 8 |
| 1 | 12.0 | 12 |
| 2 | 25.0 | $21-29$ |
| 4 | 5.3 | $4-8$ |
| 7 | 4.2 | $3-5$ |
| 1 | 8.0 | 8 |
| 16 | 4.4 | $2-7$ |
| 1 | 11.0 | 11 |
| 1 | 16.0 | 16 |
| 4 | 5.3 | $5-6$ |
| 6 | 5.3 | $5-6$ |
| 2 | 10.0 | $7-13$ |
| 1 | 6.0 | 6 |
| 1 | 3.0 | 3 |
| 2 | 4.5 | $4-5$ |
| 2 | 3.5 | $3-4$ |
| 1 | 4.0 | 4 |
| 1 | 8.0 | 8 |
| 2 | 5.0 | 5 |
| 1 | 6.0 | 6 |
| 3 | 11.0 | 11 |
| 1 | 4.0 | 4 |
| 4 | 2.8 | $2-3$ |
| 89 | 6.7 | $2-29$ |

JULY 1968

| $\#$ | AVERAGE | RANGE |
| :---: | :---: | :---: |
| 2 | 7.0 | 7 |
| 3 | 15.0 | $14-16$ |
| 1 | 9.0 | 9 |
| - | - | - |
| 3 | 12.0 | $10-13$ |
| 1 | 8.0 | 8 |
| - | - | - |
| 4 | 21.5 | $5-28$ |
| 1 | 6.0 | 6 |
| 6 | 4.2 | $3-5$ |
| 1 | 11.0 | 11 |
| 8 | 6.0 | $4-7$ |
| - | - | - |
| 1 | 14.0 | 14 |
| 3 | 7.0 | $6-8$ |
| 8 | 4.5 | $4-5$ |
| 1 | 9.0 | 9 |
| 1 | 6.0 | 6 |
| 1 | 5.0 | 5 |
| 2 | 5.5 | $5-6$ |
| 4 | 3.8 | $3-4$ |
| 2 | 6.5 | $6-7$ |
| 1 | 6.0 | 6 |
| 2 | 6.0 | $5-7$ |
| 1 | 9.0 | 9 |
| 2 | - | - |
| 4 | 6.0 | $5-7$ |
| 4.8 | $3-4$ |  |
| 66 | 7.5 | $3-28$ |

## CREDIT OFFICE RATING

The performance is improving - with the average time dropping to 6.7 days. Of the stores rated both months, 15 showed improvement, 3 were unchanged and 6 were worse.

HONOR ROLL IS ALSO LONGER:

STORE
Wineman's
Podesta-Baldocchi
Roos/Atkins
Shreve \& Co.
Wallach's (NYC)
Holman's
Levy Bros.
Rhodes
Simon's
Paul Elder

AVERAGE DAYS
2.8*
3.0
3.5
4.0
4.0
4.2*
4.4*
4.5
5.0*
5.0
*Indicates CLIENT

## BALANCE AT RISK

The condition of outstanding accounts (measured by the percentage of balances represented by accounts on which no payment has been made for two cycles) began, during August, to reflect the impact of the $10 \%$ income tax surcharge.
In July 6 stores showed a SMALLER balance at risk (better position) and 2 showed higher. During August this switched to 4 stores showing a smaller balance (better position) and 3 showing a higher balance at risk.

CREDIT OFFICE RATING

AUGUST 1968

| \# | AVERAGE | RANGE |
| :---: | :---: | :---: |
| 3 | 5.3 | $4-7$ |
| 4 | 13.5 | $12-16$ |
| 6 | 9.8 | $6-13$ |
| 1 | 5.0 | 5 |
| 2 | 10.5 | $10-11$ |
| 1 | 8.0 | 8 |
| 1 | 12.0 | 12 |
| 2 | 25.0 | $21-29$ |
| 4 | 5.3 | $4-8$ |
| 7 | 4.2 | $3-5$ |
| 1 | 8.0 | 8 |
| 16 | 4.4 | $2-7$ |
| 1 | 11.0 | 11 |
| 1 | 16.0 | 16 |
| 4 | 5.3 | $5-6$ |
| 6 | 5.3 | $5-6$ |
| 2 | 10.0 | $7-13$ |
| 1 | 6.0 | 6 |
| 1 | 3.0 | 3 |
| 2 | 4.5 | $4-5$ |
| 2 | 3.5 | $3-4$ |
| 1 | 4.0 | 4 |
| 1 | 8.0 | 8 |
| 2 | 5.0 | 5 |
| 1 | 6.0 | 6 |
| 3 | 11.0 | 11 |
| 1 | 4.0 | 4 |
| 4 | 2.8 | $2-3$ |
| 89 | 6.7 | $2-29$ |

JULY 1968

| $\#$ | AVERAGE | RANGE |
| :---: | :---: | :---: |
| 2 | 7.0 | 7 |
| 3 | 15.0 | $14-16$ |
| 1 | 9.0 | 9 |
| - | - | - |
| 3 | 12.0 | $10-13$ |
| 1 | 8.0 | 8 |
| - | - | - |
| 4 | 21.5 | $5-28$ |
| 1 | 6.0 | 6 |
| 6 | 4.2 | $3-5$ |
| 1 | 11.0 | 11 |
| 8 | 6.0 | $4-7$ |
| - | - | - |
| 1 | 14.0 | 14 |
| 3 | 7.0 | $6-8$ |
| 8 | 4.5 | $4-5$ |
| 1 | 9.0 | 9 |
| 1 | 6.0 | 6 |
| 1 | 5.0 | 5 |
| 2 | 5.5 | $5-6$ |
| 4 | 3.8 | $3-4$ |
| 2 | 6.5 | $6-7$ |
| 1 | 6.0 | 6 |
| 2 | 6.0 | $5-7$ |
| 1 | 9.0 | 9 |
| 2 | - | - |
| 4 | 6.0 | $5-7$ |
| 4.8 | $3-4$ |  |
| 66 | 7.5 | $3-28$ |

## BALANCE AT RISK

| MONTH | $A^{(1)}$ |  |  | B 3 ) |  |  | C(3) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 7.0 | 5.5 | 4.8 | 7.0 |  |  | 5.0 |  | 6.2 |
| Feb. | 6.0 | 5.6 | 4.8 | 7.6 | 11.1 |  | 6.7 | 8.0 | 6.5 |
| Mar. | 5.6 | 5.3 | 4.6 | 8.5 | 10.6 | 13.2 | 8.0 | 6.0 | 6.5 |
| Apr. | 5.1 | 4.2 | 3.3 | 8.9 | 8.9 | 10.5 | 7.0 | 5.9 | 5.2 |
| May | 4.7 | 3.6 | 3.6 | 7.9 | 8.4 | 9.4 | 6.0 | 7.3 | 5.5 |
| June | 5.6 | 3.8 | 4.9 | 8.9 | 8.9 | 9.2 | 6.0 | 6.5 | 5.0 |
| July | 5.7 | 4.2 | 5.7 | 8.7 | 9.1 |  | 6.0 | 6.8 | 4.9 |
| Aug. | 6.5 | 4.5 | 6.0 | 9.8 |  | 8.7 | 6.0 | 7.0 | 5.7 |
| Sept. | 6.1 | 4.3 |  | 9.9 | 9.5 |  | 5.5 | 5.7 |  |
| Oct. <br> Nov. <br> Dec. | 6.1 | 4.4 |  | $\begin{array}{r} 9.9 \\ 12.1 \end{array}$ |  |  | 5.5 | $\begin{aligned} & 6.2 \\ & 5.7 \end{aligned}$ |  |
|  | $\begin{aligned} & 6.0 \\ & 6.2 \end{aligned}$ |  |  |  |  |  | 5.5 |  |  |
|  |  |  |  |  |  |  | 4.2 |  |  |
|  | E(1) |  |  |  | F ${ }^{(2)}$ |  |  | G(3) |  |  |
| MONTH | 1966 |  | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 4.5 | 7.8 | 4.2 | 6.4 |  |  | 6.8 | 6.7 | 7.1 |
| Feb. | 5.6 | 6.0 | 5.1 | 7.7 |  |  | 8.3 | 7.6 | 6.9 |
| Mar. | 6.7 | 6.8 | 5.0 | 7.5 | 8.9 | 6.7 | 8.1 | 6.6 | 5.7 |
| Apr. | 7.5 | 7.2 | 5.4 | 7.6 | 8.3 | 7.1 | 5.6 | 5.9 | 6.0 |
| May | 5.6 | 4.3 | 5.4 | 6.8 |  | 5.5 | 6.9 | 4.1 | 5.3 |
| June | 6.9 | 4.1 | 6.4 | 7.2 | 7.9 | 4.8 | 6.3 |  | 4.4 |
| July | 6.0 | 4.9 | 5.6 | 7.1 | 8.7 |  | 5.9 | 6.6 | 5.5 |
| Aug. | 6.0 | 4.6 | 5.8 | 7.8 | 6.1 |  | 6.1 | 5.1 | 5.8 |
| Sept. | 6.8 | 4.3 |  | 8.0 | 5.4 |  | 6.3 | 5.5 |  |
| Oct. | 6.8 | 4.1 |  | 8.0 | 6.9 |  | 6.3 | 5.4 |  |
| Nov. | 7.0 |  |  |  | 6.0 |  | 4.5 | 4.2 |  |
| Dec. | 5.6 |  |  | 6.1 |  |  | 4.7 |  |  |
|  | H (1) |  |  | $\mathrm{I}^{(1)}$ |  |  |  |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | NOTES: |  |  |
| Jan. | 9.9 | 13.7 | 13.7 | 4.7 | 4.2 | 2.1 | (1) Annual write-off <br> (2) Quarterly write-off <br> (3) Monthly write-off |  |  |
| Feb. | 8.8 | 11.7 | 8.6 | 3.9 | 5.4 | 3.6 |  |  |  |  |
| Mar. | 8.9 | 11.8 | 8.8 | 3.9 | 4.7 | 3.9 |  |  |  |  |
| Apr. | 8.1 | 11.0 | 8.7 | 3.4 | 4.6 | 3.1 |  |  |  |
| May | 12.8 | 12.4 | 11.2 | 3.7 | 4.2 | 3.0 |  |  |  |
| June | 13.9 | 11.6 | 10.6 | 3.9 | 4.7 | 3.1 |  |  |  |
| July | 13.0 | 10.9 | 10.2 | 5.3 | 4.7 | 3.2 | PREPARED BY: <br> Robert Kahn <br> Business Counselor <br> P.O. Box 343 |  |  |
| Aug. |  | 14.3 | 8.9 | 4.2 | 4.3 | 3.4 |  |  |  |  |
| Sept. |  | 14.4 |  | 4.2 | 3.7 |  |  |  |  |  |
| Oct. |  | 15.6 |  | 4.6 | 4.0 |  | Lafayette, Calif. 94549 |  |  |
| Nov. | 11.0 | 13.2 |  | 3.9 | 3.2 |  |  |  |  |  |
| Dec. | 12.6 |  |  | 4.5 |  |  |  |  |  |

Copyright 1968. Quotation or reproduction, in whole or in part, only by written permission. Published Monthly. $\$ 10$ per year.

## WHERE IS THE CHECKLESS SOCIETY?

Give an EDP man or a banker a relaxed surrounding and he will dream out loud about the coming "checkless society." Find a quiet corner with an economist and he will discuss the tremendous increase in outstanding consumer debt. And put a spokesman for the consumer in front of an audience and he will harangue on the dangers of consumer credit.

But what are the facts?

I was struck by a coincidence recently. I had just finished an lysis of a small store operated by one of my clients. The study -owed that we had a declining percentage of our sales on credit - even when including the bank credit cards as credit sales. And then in looking through the Sears annual report for their year ending January 31, 1968, I noted that the percentage of business done on credit had DECLINED from $58.0 \%$ to $56.6 \%$. Although revolving charge sales increased slightly from $29.9 \%$ to $30.7 \%$, easy payment sales declined from $28.1 \%$ to $25.9 \%$.

I asked several of my clients and other stores if they could provide me with their charge sales percentage by months starting with February 1965. Those who honor bank credit cards included this volume as part of the credit sales.

Eight firms provided information, although not all stores had information for all months. These stores range in volume from $\$ 2,000,000$ to over $\$ 25,000,000$. They include firms operating 1 , 2 or 3 stores as well as firms operating 15 or more stores.

In order to summarize the trend I have expressed the summary as the percentage of stores showing equal or lower percentage of charge sales when compared with the corresponding month of the prior year. Thus a figure of $100 \%$ indicates that ALL stores showed a lower credit sales percentage. If the trend is downward
stores would consistently show more than $50 \%$ with a lower dit percentage. If the trend is level the stores would show percentages fluctuating around the $50 \%$ figure. And if the trend was toward an increased use of credit the figures would range below 50\%.

## THE RETAILER'S PERFECT GIFT

Christmas is around the corner - and you have a gift shopping problem. I, as a merchant, know that we should introduce a new product (RETAILING TODAY on a subscription basis) with a special promotion or a sale.

If you have enjoyed RETAILING TODAY, why not send a subscription as a Christmas present?

The sale? A reduced price (this is pretty conventional for a sale) of $\$ 8.00$ per subscription on lists of two or more names, accompanied by a check. All recipients will receive a card or letter conveying your good wishes and advising of their good luck. All subscriptions will start immediately and will run through December 1969.

## PERCENTAGE REPORTED LOWER CREDIT PROPORTION

| MONTH | 1966 v | 1967 v | 1968 v |
| :--- | :---: | :---: | :---: |
|  | 1965 | 1966 | 1967 |
| January |  |  |  |
| February | $87 \%$ | $75 \%$ | $67 \%$ |
| March | 55 | 86 | 67 |
| April | 78 | 100 | 56 |
| May | 67 | 72 | 67 |
| June | 100 | 100 | 78 |
| July | 78 | 58 |  |
| August | 89 | 86 |  |
| September | 87 | 83 |  |
| October | 87 | 69 |  |
| November | 75 | 37 |  |
| December | 100 | 50 |  |

Out of 29 months, only one month showed less than $50 \%$ with a lower credit percentage and one month with an even $50 \%$.

Summarized another way, we see the distribution of months by range and year:

| COMPARISON | $0-30 \%$ | $31-50 \%$ | $51-80 \%$ | $81-100 \%$ |
| :--- | :---: | :---: | :---: | :---: |
| 1966 v 1965 | 0 | 0 | 5 | 6 |
| 1967 v 1965 | 0 | 2 | 5 | 5 |
| 1968 v 1967 to June | 0 | 0 | 6 | 0 |

## CREDIT OFFICE RATING

Almost half (13 out of 27) of the stores are on the Honor Roll - a tremendous accomplishment:

## HONOR ROLL

## AVERAGE DAYS <br> TO BILL

STORE

## AVERAGE DAYS TO BILL

| Podesta-Baldocchi | 3.0 | Kushins | 4.0 |
| :--- | :--- | :--- | :--- |
| Robert Kirk, Inc. | 3.0 | Ross Dept. Store | $4.0^{*}$ |
| Sears | 3.7 | Rhodes | 4.3 |
| Roos/Atkins | 4.0 | Wineman's | $4.3^{*}$ |
| Hinks | 4.0 | Macy's | 5.0 |
| Holman's | $4.0^{*}$ | Penney's | 5.0 |

*Indicates client
A compliment was paid to the Credit Office Rating. The San Francisco CHRONICLE of October 23, 1968 in reporting on annual earnings of J. Magnin stated, "Last year's profits were reduced, (Cyril Magnin) said, by expense of new equiipment to the billing cycle from 14 to 4 days..." CREDIT OFFICE RATING

| SEPTEMBER 1968 |  |
| :--- | :---: |
| NO. OF | DAYS TO BILL |
| REPORTS | AVERAGE RANGE |


| AUGUST 1968 |  |
| :--- | :---: |
| NO. OF | DAYS TO BILL |
| REPORTS | AVERAGE RANGE |


| Brown-Mahin | 2 | 9.0 | 7-11 | 3 | 5.3 | 4-7 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Capwell's | 4 | 16.0 | 14-18 | 4 | 13.5 | 12-16 |
| City of Paris | 3 | 11.7 | 9-15 | 6 | 9.8 | 6-13 |
| Emporium | 1 | 13.0 | 13 | 2 | 10.5 | 10-11 |
| Grodin's | 1 | 11.0 | 11 | 1 | 12.0 | 12 |
| Hink's | 1 | 4.0 | 4 | 4 | 5.3 | 4-8 |
| Holman's | 4 | 4.0 | 4 | 7 | 4.2 | 3-5 |
| ' bert Kirk, Ltd. $^{\text {d }}$ | 1 | 3.0 | 3 | - | -- | -- |
| shins | 1 | 4.0 | 4 | 1 | 8.0 | 8 |
| -evy Bros. | 16 | 5.7 | 4-8 | 16 | 4.4 | 2-7 |
| Livingston Bros. |  | 14.5 | 13-16 | 1 | 16.0 | 16 |
| Macy's (NYC) | 1 | 11.0 | 11 | - | -- | -- |
| Macy's | 3 | 5.0 | 4-6 | 4 | 5.3 | 5-6 |
| I. Magnin |  | 5.5 | 5-6 | 6 | 5.3 | 5-6 |
| J. Magnin | 1 | 5.0 | 5 | - | -- | -- |
| Montgomery Ward | 2 | 10.5 | 10-11 | 2 | 10.0 | 7-13 |
| Penney's |  | 5.0 | 5 | 1 | 6.0 | 6 |
| Podesta Baldocchi |  | 3.0 | 3 | 1 | 3.0 | 3 |
| Rhodes | 3 | 4.3 | 4-5 | 2 | 4.5 | 4-5 |
| Roos/Atkins | 1 | 4.0 | 4 | 2 | 3.5 | 3-4 |
| Ross Dept. Store |  | 4.0 | 3-5 | 6 | 4.2 | 4-5 |
| Sears | 3 | 3.7 | 3-4 | 1 | 4.0 | 4 |
| Shreve \& Co. | 1 | 11.0 | 11 | 1 | 8.0 |  |
| Simon's | 2 | 5.5 | 5-6 | 2 | 5.0 | 5 |
| United Factors | 2 | 15.5 | 15-16 | 3 | 11.0 | 11 |
| Wallach's (NYC) | 2 | 5.5 | 5-6 | 1 | 4.0 | 4 |
| Wineman's | 4 | 4.3 | 3-5 | 4 | 2.8 | 2-3 |
| TOTAL | 73 | 6.9 | 3-18 | 81 | 6.2 | 2-16 |

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

WHAT HAPPENED - THEN AND SINCE? Initially I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established from the beginning, at 5 working days between cycle closing date and postmark date. Many stores have reported pride - both to management and credit and data processing personnel in ing listed on the Honor Roll.
.OW IS TIME COMPUTED? We do NOT count the cycle closing date but do count the postmark date, and then deduct Sundays and those holidays observed by the preponderance of stores.

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

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

It is apparent that the downward trend was greater in 1966 v 1965 and in 1967 v 1966 - though the current 1968 v 1967 trend shows a continuation downward.

One client sent a report on 6 men's stores located in 4 different towns, each doing roughly $\$ 500,000$ volume - and these showed a slightly better trend.

|  | 1966 v | 1967 v | 1968 v |
| :--- | :--- | :--- | :--- |
|  | 1965 | 1966 | 1967 |
| February |  |  |  |
| March | $67 \%$ | $67 \%$ | $33 \%$ |
| April | 67 | 83 | 17 |
| May | 83 | 33 | 67 |
| June | 50 | 50 | 67 |
| July | 50 | 83 | 0 |
| August | 50 | 33 | 50 |
| September | 83 | 0 |  |
| October | 50 | 50 |  |
| November | 50 | 67 |  |
| December | 50 | 50 |  |
| January | 50 | 33 |  |
|  | 83 | 50 |  |

Out of 30 months, 12 showed $50 \%, 11$ showed more than $50 \%$ and 7 showed less than $50 \%$ with 2 months showing zero - which indicates that all 6 stores showed an increase.

WHAT DOES THIS MEAN? It can mean several things. First, with continued prosperity more and more customers may be becoming more conservative (i.e., paying cash for their purchases). Second, it might mean that continued discussion of Truth-in-Lending may be awakening customers to the high cost of service charges and thus causing a moderate - but continuing trend toward greater use of cash.

If this trend continues there are long-term implications. The tendency to "trade-up" may stop (this assumes that greater use of credit permits the purchase of higher price units). It certainly may reduce the capital required to finance business (accounts receivable are the largest asset group - considerably larger than inventory in most department stores and often in other retail establishments).

## TAKING INVENTORY - BETTER AND CHEAPER

For many years store folk have argued about how much of the inventory to double-count in order to obtain accuracy. The argument has always missed the point.

People do the counting. Therefore, a test for accuracy should be a test of people rather than of merchandise.

In order to test people, certain strict rules must be applied to inventory taking. The cardinal rules for counting are: count from left to right, from top to bottom, from front to back. List each logical unit of merchandise separately - and in counting sequence (even if the same item must be listed on a sheet several times). Record the cound for EACH "logical unit."

For example, if a shirt fixture, on the top shelf, has, from LEFT TO RIGHT six stacks of shirts consisting of: 5 @ \$4.95,6@ \$5.95,3@\$5.95,7@\$4.95,4@\$6.95 and 5@\$7.95, the inventory sheet should read:

Shirt \$4.95-5
Shirt \$5.95-6-3
Shirt \$4.95-7
Shirt \$6.95-4
Shirt \$7.95-5
This method of recording will use some extra paper, but it . produce a more accurate inventory, and usually at a lower cost.

When sheets are laid out they should ALWAYS be laid out on the left hand side of the fixture, shelf, section, etc. Use one sheet per shelf, drawer, bin, etc. When counting is complete the finished sheet should be placed on the right hand side. Checkers, from any point in the department, can quickly spot where there are finished sheets.

The checking process should consist of picking up the sheet, going back to the left of the fixture or shelf, counting a certain number of stacks, determining the merchandise in the stack, and then checking the entry on the inventory sheet. In our sample sheet, suppose the checker counts the 4th stack - which contains 7 shirts at $\$ 4.95$. Looking at the sheet the 4 th stack (reading the COUNTS ONLY of $5,6,3$, and 7) is recorded correctly - as 7 shirts at $\$ 4.95$. The checker will initial the entry.

The checker should have a list of all inventory personnel. Each checker should verify a fixed number ( 50 to 100 is reasonable) of counting units (in our example, this would be a stack of shirts). The Controller should establish error limits ( 2 or 3 should be the maximum allowed in 100 certifications). ANY ERROR should immediately be called to the attention of the person(s) making the error.

If the errors for a person or team exceeds the allowable stand GET THEM OFF THE INVENTORY IMMEDIATELY. Se them home or put them in a team with an accurate person. Once you have purged your inventory crew of inaccurate people, you can proceed with normal testing as desired with confidence in the basic accuracy of the personnel.

## THE CHECKERS SHOULD BE ABLE TO CONFIRM THE ACCURACY OF ALL INVENTORY PERSONNEL WITHIN THE FIRST HOUR OF INVENTORY TAKING.

It should be obvious that the better the job that is done in preparing the department for inventory (neat stacks, merchandise sorted into stacks by price, rows clearly established on tables) the fewer the lines of writing on the sheets and the faster the inventory. By using a precise sequence of entry on the inventory sheet it is often possible to re-check problem sheets one or two days later, particularly if the question is about a recorded price.

The verification method outlined is critical to an accurate inventory - but there are other steps that should not be overlooked.

An accurate diagram of the fixtures in the department is absolutely necessary. Sheets should be laid out the night before. Sheets should be laid out in numeric sequence following a pattern and the fixture map should show the sheet numbers placed on each fixture shown on the diagram. Pick-up of sheets should done with the diagram as a guide.

Experience should have produced a list of "problems" that must be checked carefully. Typical items are:

## BALANCE AT RISK

It appears that the impact of the sur-tax and the slow-down of the economy is showing up in the increased percentage of accounts on which no payment has been made for two cycles. The trend is shown by the figures below for the past three months.

| \% Balance at | Risk vs |  |  | Last Year |
| :---: | :---: | :---: | :---: | :---: |
| Lower | Same | Higher |  |  |
| 6 | 0 | 2 |  |  |
| 4 | 0 | 3 |  |  |
| 2 | 0 | 5 |  |  |

There are problems ahead. Management should carefully review collection procedures and policies to be sure they are being followed.
BALANCE AT RISK

| MONTH | $A^{(1)}$ |  |  | B 3 ) |  |  | C(3) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 7.0 | 5.5 | 4.8 | 7.0 |  |  | 5.0 |  | 6.2 |
| Feb. | 6.0 | 5.6 | 4.8 | 7.6 | 11.1 |  | 6.7 | 8.0 | 6.5 |
| Mar. | 5.6 | 5.3 | 4.6 | 8.5 | 10.6 | 13.2 | 8.0 | 6.0 | 6.5 |
| Apr. | 5.1 | 4.2 | 3.3 | 8.9 | 8.9 | 10.5 | 7.0 | 5.9 | 5.2 |
| May | 4.7 | 3.6 | 3.6 | 7.9 | 8.4 | 9.4 | 6.0 | 7.3 | 5.5 |
| June | 5.6 | 3.8 | 4.9 | 8.9 | 8.9 | 9.2 | 6.0 | 6.5 | 5.0 |
| July | 5.7 | 4.2 | 5.7 | 8.7 | 9.1 |  | 6.0 | 6.8 | 4.9 |
| Aug. | 6.5 | 4.5 | 6.0 | 9.8 |  | 8.7 | 6.0 | 7.0 | 5.7 |
| Sept. | 6.1 | 4.3 | 6.4 | 9.9 | 9.5 | 9.1 | 5.5 | 5.7 | 5.8 |
| Oct. <br> Nov. <br> Dec. | 6.1 | 4.4 |  | $\begin{array}{r} 9.9 \\ 12.1 \end{array}$ |  |  | 5.5 | 6.2 |  |
|  | 6.0 |  |  |  |  |  | 5.5 | 5.7 |  |
|  | 6.2 |  |  |  |  |  | 4.2 |  |  |
|  | E(1) |  |  | F ${ }^{(2)}$ |  |  | G(3) |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 4.5 | 7.8 | 4.2 | 6.4 |  |  | 6.8 | 6.7 | 7.1 |
| Feb. | 5.6 | 6.0 | 5.1 | 7.7 |  |  | 8.3 | 7.6 | 6.9 |
| Mar. | 6.7 | 6.8 | 5.0 | 7.5 | 8.9 | 6.7 | 8.1 | 6.6 | 5.7 |
| Apr. | 7.5 | 7.2 | 5.4 | 7.6 | 8.3 | 7.1 | 5.6 | 5.9 | 6.0 |
| May | 5.6 | 4.3 | 5.4 | 6.8 |  | 5.5 | 6.9 | 4.1 | 5.3 |
| June | 6.9 | 4.1 | 6.4 | 7.2 | 7.9 | 4.8 | 6.3 |  | 4.4 |
| July | 6.0 | 4.9 | 5.6 | 7.1 | 8.7 |  | 5.9 | 6.6 | 5.5 |
| Aug. | 6.0 | 4.6 | 5.8 | 7.8 | 6.1 |  | 6.1 | 5.1 | 5.8 |
| Sept. | 6.8 | 4.3 | 6.3 | 8.0 | 5.4 |  | 6.3 | 5.5 | 6.0 |
| Oct. | 6.8 | 4.1 |  | 8.0 | $\begin{aligned} & 6.9 \\ & 6.0 \end{aligned}$ |  | 6.3 | 5.4 |  |
| Nov. | 7.0 |  |  |  |  |  | 4.5 | 4.2 |  |
| Dec. | 5.6 |  |  | 6.1 |  |  | 4.7 4.2 |  |  |
|  | H (1) |  |  | $\mathrm{I}^{(1)}$ |  |  | NOTES: |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |  |  |  |  |  |
| Jan. | 9.9 | 13.7 | 13.7 | 4.7 | 4.2 | 2.1 | (1) Annual write-off <br> (2) Quarterly write-off <br> (3) Monthly write-off |  |  |
| Feb. | 8.8 | 11.7 | 8.6 | 3.9 | 5.4 | 3.6 |  |  |  |  |  |
| Mar. | 8.9 | 11.8 | 8.8 | 3.9 | 4.7 | 3.9 |  |  |  |  |  |
| Apr. | 8.1 | 11.0 | 8.7 | 3.4 | 4.6 | 3.1 |  |  |  |
| May | 12.8 | 12.4 | 11.2 | 3.7 | 4.2 | 3.0 |  |  |  |
| June | 13.9 | 11.6 | 10.6 | 3.9 | 4.7 | 3.1 |  |  |  |
| July | 13.0 | 10.9 | 10.2 | 5.3 | 4.7 | 3.2 | PREPARED BY: <br> Robert Kahn <br> Business Counselor |  |  |
| Aug. |  | 14.3 | 8.9 | 4.2 | 4.3 | 3.4 |  |  |  |  |  |
| Sept. |  | 14.4 | 10.7 | 4.2 | 3.7 | 4.1 |  |  |  |  |  |
| Oct. |  | 15.6 |  | 4.6 | 4.0 |  | Lafayette, Calif. 94549 |  |  |
| Nov. | 11.0 | 13.2 |  | 3.9 | 3.2 |  |  |  |  |  |  |
| Dec. | 12.6 |  |  | 4.5 |  |  |  |  |  |

WHAT IS "BALANCE AT RISK"? "Balance at Risk" is the PERCENTAGE representing the relationship of the outstanding accounts receivable balances ON WHICH NO PAYMENT HAS BEEN RECEIVED FOR TWO CYCLES to the total of outstanding account balances.

WHY USE "BALANCE AT RISK"? With the development of revolving accounts conventional aging procedures proved unworkable. Stores attempted, often by hand, to age cycles at least once a year. Even the aging formula proved unworkable. At the same time customers, when charged additional service charge for the month in which payments were skipped, were not prone to catch up. Since most stores using a billing machine - cycle posting system "flagged" accounts with two or more payments missed, it was simple to run an adding machine tape of "flagged" accounts for each tray on each billing date. Thus it was possible to have a complete QUALITY report every month, with considerably less cost than sampling each cycle once a year.

ARE THERE PROCEDURE RULES? Yes. The amount paid is disregarded (tests show that few customers make token payments). A single payment $\boldsymbol{r}$ ANY AMOUNT classifies the account as current (since it indicates acceptance of the amount billed and confirms the creditor's address). If no payment made for two cycles the ENTIRE BALANCE (rather than the skipped payments) is considered at risk. Since no judgment is involved, any two clerks should get exactly the same total.

HOW CAN ONE INTERPRET THESE FIGURES? First, recognize that there is a seasonal pattern. Second, there is a build-up between write-off periods. Third, a store with 6 -month revolving terms should have a lower "balance at risk" percentage than one offering 24 -month revolving terms. Finally, variations between years, ON A COLLECTIVE BASIS, is a sensitive measure of changing credit climate.

HOW ARE REPORTS OBTAINED? Volunteer stores (largely clients) submit a SINGLE PERCENTAGE FIGURE once a month on a post card. YOU CAN VOLUNTEER.

# ROBERT KAHN AND ASSOCIATES BUSINESS COUNSELORS <br> P. O. BOX 343, LAFAYETTE, CALIFORNIA 94549 <br> (415) 254-4434 

| Memo to: | Bob Kahn |
| :--- | :--- |
| Subject: | RETAILING TODAY |

We like RETAIIING TODAY---and want to subscribe for the following issues at $\$ 10.00$ for a single subscription and $\$ 8.00$ per subscription for two or more subscriptions.

We understand that all subscriptions will run through December 1969.
Please send to the following people:
Name Address City ZIP
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$

These will be Christmas gifts so please send a notice to each person that they are receiving it with our compliments.

Company $\qquad$
Address $\qquad$

Authorized by

1. Multiple pricing ( $39 \mathrm{c}, 3 / \$ 1.00$ )
2. Pricing in "sets" - such as wardrobes, furniture suites
3. Merchandise out for repair or replacement
4. Trade-in merchandise
5. Informal layaways or holds
6. Merchandise where manufacturer's excise tax is quoted separately.
7. Merchandise where warranties are sold separately
8. Consignment merchandise
9. Pre-charged special order merchandise

The problems should be known, from experience, BY DEPARTMENT and specific people should be assigned to verify the accuracy of recording procedures.

Each department should have a check list on which they show the applicable inventory sheets used (or enter "none" if that category of merchandise does not exist) to record the merchandise:

1. Out for repair
2. Returned - hold for vendor's credit
3. In advertising department
4. In display department or windows
5. Out on loan - or displayed outside store

Department managers should submit lists showing the last number used before inventory for:

1. Markdowns
2. Transfers
3. Claims or returns to vendor

For merchandise in process in the receiving department one should make separate lists showing, if possible, vendor, department, invoice number, cost value, number of cases, and
-Rec number for the following conditions of merchandise:

1. Merchandise received but unmarked
2. Invoices received but no merchandise
3. Partially marked shipments (shortage, damage, etc.) showing items not put into stock
4. Returns not yet shipped

Use of Key-Rec system for recording merchandise proves its value at inventory time when making the cut-off.

All shipments RETAILED after inventory should be clearly stamped "after inventory." Invoices, after checking with receiving documents, should be clearly marked "Before Inventory" or "After Inventory," as the case may be.

I have always found it helpful to post invoices dated before your fiscal year end but received after the physical inventory as a "13th month," thus creating the in-transit figure for the year-end balance sheet. For identification you can use a "January 32nd" date.

## SHORTCUTS IN EXTENDING INVENTORY

I am indebted to Sam Kasdan of SMITH'S OF CALIFORNIA (Largest Men's and Boys' Store West of Chicago) for a short-cut in extending inventory. Smith's generally lists the following columns of information on their sheets:

1. Classification (more than one on a sheet)
2. Noun description
3. Quantity
4. Unit price

Immediately after the inventory, office clerks merely TOTAL columns 3 and 4.

The inventory sheets are then processed through a two-total Addo-X adding machine with movable carriage and linked to a punched paper tape. The carriage is programmed to shuttle between three columns. In the first column the classification number is entered but not recorded in one of the totals. Then quantity and unit price are entered in the second and third columns and entered into the individual totals.

At the end of each sheet a total is printed for the quantity and the unit price columns to check with the pre-totalled inventory sheet. If they agree the sheet is passed. Thus the accuracy of the recording of quantity and unit price is proven - but not the pick-up of the classification code.

A service bureau then completes the processing from the punched paper tape which includes extending the line items AND SORTING by classification code.

## SUCCESSFUL NEWSPAPERS KILL DOWNTOWN RETAILING

Some months ago I addressed the California Newspaper Advertising Executives Association and startled them with a discussion about how SUCCESSFUL newspapers are killing downtown retailing.

As a central city grows and spreads to the suburbs the SUCCESSFUL central city newspaper grows. With the growth in circulation comes a growth in advertising rates. Yet the circulation now covers an increasing number of readers who NEVER shop in the central city.
In the meantime, the smaller (non-branch) stores located in the central city can no longer afford the advertising rates for the successful central city newspaper. And there is no substitute media that covers just the market within a radius of 2 or 3 miles of downtown - the trading area for the smaller downtown stores. Thus these stores go out of business, often at the end of their lease.
In the meantime, let's follow the analysis of an entrepreneur who has enough capital to finance a $\$ 300,000$ a year apparel operation. He sees a big market in the downtown area that he could serve - but no way of communicating with them regularly at a cost he can afford. He may be able to plan $\$ 9,000(3 \%)$ a year on advertising - but a $\$ 15$ per inch rate would mean only 12 " a week, not enough to tell the story.
When he is offered a suburban location, often in a newer building, usually with better parking, and always with an advertising media with a lower rate (at $\$ 2$ per inch he can use 90 " a week), the choice becomes obvious - he opens in the suburb.

When there are enough store vacancies the successful newspaper begins to editorialize on what the central city should do to "revive downtown" without ever suggesting that the newspaper will do its share by providing a supplemental media at $\$ 2$ per inch to reach the immediate population around the downtown area. Until a way is found to provide such a media, downtown central city will continue to polarize around major units supplemented by branch or chain store units that cover the trading area of successful newspapers, interspersed with declining quality convenience and traffic stores. But the innovating, aggressive independent will be gone.

## REVIEW YOUR COMMUNICATIONS

American Telephone and Telegraph has made two rule changes that can mean potential savings to many retailers. First, they will now allow (with proper protective devices) non-Bell equipment to be connected with their lines. More recently AT\&T has announced they will allow interconnection with private communications systems.

Over the years I have seen many situations where a privately owned switchboard and internal phone system would be cheaper than the same set-up using Bell equipment - but could not be installed because of restrictions. In other cases it would have been cheaper to use micro-wave communications instead of tie-line, but the terminals of the micro-wave circuit could not be connected to Bell telephone systems.

If you wonder about the size of your phone bill each month, you might start investigating some of the private exchange companies. Check your telephone directory, see "Telephone Planning Service" for consultants. Check "Intercommunication Systems and Equipment" for the local representative of such companies as Stromberg-Carlson, Ericsson (originators of Sweda cash registers), Webster, and others. You will find that these private systems have many features not included in the Bell system - or if included, not merchandised as aggressively.

## NEED AN EMPLOYEE HANDBOOK?

The hardest part of writing an Employee Handbook is outlining what you want to include. The Small Business Administration in Management Aids 197 (August 1968) (obtainable free from any SBA office or SBA, Washington, D.C. 20416) includes a suggested "Table of Contents." Actually, you can write your own Handbook in easy steps by writing short, complete and accurate paragraphs to fit the following table, eliminating those items that don't apply to you.

## EMPLOYEE HANDBOOK: Table of Contents

1. Welcome Message
2. History of the Company
3. This is Our Business
4. You and Your Future
5. What You Will Need to Know
a. Working Hours
b. Reporting to work on time
c. "Time Clock"
d. Rest Periods
e. Absence from Work
f. Reporting Absences
g. Employment Record
h. Pay Period
i. Night Premiums or Supper Money
j. Safety and Accident Prevention
k. Use of Telephones
6. How to Air Complaints
m. Dress Regulations
7. These Are Your Benefits
a. Vacations
b. Holidays
c. Group Life and Accident Insurance
d. Hospitalization and Surgical Benefits
e. Free Parking
f. Training Program
g. Christmas Bonuses
h. Pension or Profit Sharing Plan
i. Jury Duty
j. Military Leave
k. U.S. Old Age Benefits
8. Unemployment Compensation
9. These Special Services Are For You
a. Credit Union
b. Payment for Educational Courses
c. Employee Discount
d. Lunchroom Facilities
e. Employees' Association
f. Annual Outing
g. Bowling League
h. Employee Charge Accounts

## COMPUTER ABUSE - REVISITED

A form letter from The Macmillan Company, a major book publisher, to one of my clients in regard to a $\$ 2.54$ credit, reads as follows:

> Gentlemen:
> Please refer to your letter of recent date requesting a refund in the amount of $\$ 2.54$. Upon further review, your claim will be forwarded to our Credit Department for approval. Due to our computer system, it will take approximately three weeks for your check to be processed. We appreciate your patience and cooperation.

On top of the silliness of the entire subject (computers represent an advance)? I note that distribution calls for copies to go to two other people plus the file!

## COMPUTER ABUSE - REVISITED II

The New York Better Business Bureau reported a marked increase in complaints on incorrect billing or crediting of accounts, promised by unfulfilled adjustments and claims, and claims of non-delivery and loss of merchandise while a drop-off in complaints on defective merchandise, unsatisfactory workmanship and default on contracts.

## MOVE OVER - P\&G AND GM

Proctor and Gamble, General Motors and other major TV advertisers had best look to their laurels - and retailers had best look at their problems - because Sears is moving into TV advertising on a broad scale. A recent article in DEPARTMENT STORE MANAGEMENT covered the facts - but an analysis that they missed in reporting a study of 75 major markets was that the Sears spots have increased from $20 \%$ of all department store spots to $41 \%$ ! Comparing the first six months of 1968 with the same period in 1966, department stores OTHER THAN Sears increased the number of spots by 4,981 while Sears alone increased their spots by almost double that number $-8,778$.

I wonder what will happen when Sears starts sponsoring some show like Laugh In or Bonanza? This is entirely practical - since Sears has increased their coverage from about 36 of the 75 major markets to over 60 in just two years.

## WATCH OUT FOR RECEIVABLE PROBLEMS

Please be sure to read the "Balance at Risk" portion of the Statistical Supplement. Problems are developing in this area.


## WHERE IS THE CHECKLESS SOCIETY?

Give an EDP man or a banker a relaxed surrounding and he will dream out loud about the coming "checkless society." Find a quiet corner with an economist and he will discuss the tremendous increase in outstanding consumer debt. And put a spokesman for the consumer in front of an audience and he will harangue on the dangers of consumer credit.

But what are the facts?
' was struck by a coincidence recently. I had just finished an analysis of a small store operated by one of my clients. The study showed that we had a declining percentage of our sales on credit - even when including the bank credit cards as credit sales. And then in looking through the Sears annual report for their year ending January 31, 1968, I noted that the percentage of business done on credit had DECLINED from $58.0 \%$ to $56.6 \%$. Although revolving charge sales increased slightly from $29.9 \%$ to $30.7 \%$, easy payment sales declined from $28.1 \%$ to $25.9 \%$.

I asked several of my clients and other stores if they could provide me with their charge sales percentage by months starting with February 1965. Those who honor bank credit cards included this volume as part of the credit sales.

Eight firms provided information, although not all stores had information for all months. These stores range in volume from $\$ 2,000,000$ to over $\$ 25,000,000$. They include firms operating 1 , 2 or 3 stores as well as firms operating 15 or more stores.

In order to summarize the trend I have expressed the summary as the percentage of stores showing equal or lower percentage of charge sales when compared with the corresponding month of the prior year. Thus a figure of $100 \%$ indicates that ALL stores showed a lower credit sales percentage. If the trend is downward he stores would consistently show more than $50 \%$ with a lower credit percentage. If the trend is level the stores would show percentages fluctuating around the 50\% figure. And if the trend was toward an increased use of credit the figures would range below 50\%.

## THE RETAILER'S PERFECT GIFT

Christmas is around the corner - and you have a gift shopping problem. I, as a merchant, know that we should introduce a new product (RETAILING TODAY on a subscription basis) with a special promotion or a sale.

If you have enjoyed RETAILING TODAY, why not send a subscription as a Christmas present?

The sale? A reduced price (this is pretty conventional for a sale) of $\$ 8.00$ per subscription on lists of two or more names, accompanied by a check. All recipients will receive a card or letter conveying your good wishes and advising of their good luck. All subscriptions will start immediately and will run through December 1969.

## PERCENTAGE REPORTED LOWER CREDIT PROPORTION

| MONTH | 1966 v | 1967 v | 1968 v |
| :--- | :---: | :---: | :---: |
|  | 1965 | 1966 | 1967 |
| January |  |  |  |
| February | $87 \%$ | $58 \%$ | $67 \%$ |
| March | 55 | 86 | 67 |
| April | 78 | 100 | 56 |
| May | 67 | 72 | 67 |
| June | 100 | 100 | 78 |
| July | 78 | 58 |  |
| August | 89 | 86 |  |
| September | 87 | 83 |  |
| October | 87 | 69 |  |
| November | 75 | 37 |  |
| December | 100 | 50 |  |

Out of 29 months, only one month showed less than $50 \%$ with a lower credit percentage and one month with an even $50 \%$.

Summarized another way, we see the distribution of months by range and year:

## COMPARISON

$0-30 \% \quad 31-50 \% \quad 51-80 \%$

| 1966 v 1965 | 0 | 0 | 5 | 6 |
| :--- | :--- | :--- | :--- | :--- |
| 1967 v 1965 | 0 | 2 | 5 | 5 |
| 1968 v 1967 to June | 0 | 0 | 6 | 0 |

1. Multiple pricing ( $39 \mathrm{c}, 3 / \$ 1.00$ )
2. Pricing in "sets" - such as wardrobes, furniture suites
3. Merchandise out for repair or replacement
4. Trade-in merchandise
5. Informal layaways or holds
6. Merchandise where manufacturer's excise tax is quoted separately.
7. Merchandise where warranties are sold separately
8. Consignment merchandise
9. Pre-charged special order merchandise

The problems should be known, from experience, BY DEPARTMENT and specific people should be assigned to verify the accuracy of recording procedures.

Each department should have a check list on which they show the applicable inventory sheets used (or enter "none" if that category of merchandise does not exist) to record the merchandise:

1. Out for repair
2. Returned - hold for vendor's credit
3. In advertising department
4. In display department or windows
5. Out on loan - or displayed outside store

Department managers should submit lists showing the last number used before inventory for:

1. Markdowns
2. Transfers
3. Claims or returns to vendor

For merchandise in process in the receiving department one should make separate lists showing, if possible, vendor, department, invoice number, cost value, number of cases, and Sey-Rec number for the following conditions of merchandise:

1. Merchandise received but unmarked
2. Invoices received but no merchandise
3. Partially marked shipments (shortage, damage, etc.) showing items not put into stock
4. Returns not yet shipped

Use of Key-Rec system for recording merchandise proves its value at inventory time when making the cut-off.

All shipments RETAILED after inventory should be clearly stamped "after inventory." Invoices, after checking with receiving documents, should be clearly marked "Before Inventory" or "After Inventory," as the case may be.

I have always found it helpful to post invoices dated before your fiscal year end but received after the physical inventory as a "13th month," thus creating the in-transit figure for the year-end balance sheet. For identification you can use a "January 32nd" date.

## SHORTCUTS IN EXTENDING INVENTORY

I am indebted to Sam Kasdan of SMITH'S OF CALIFORNIA (Largest Men's and Boys' Store West of Chicago) for a short-cut in extending inventory. Smith's generally lists the following columns of information on their sheets:

1. Classification (more than one on a sheet)
2. Noun description
3. Quantity
4. Unit price

Immediately after the inventory, office clerks merely TOTAL columns 3 and 4.

The inventory sheets are then processed through a two-total Addo-X adding machine with movable carriage and linked to a punched paper tape. The carriage is programmed to shuttle between three columns. In the first column the classification number is entered but not recorded in one of the totals. Then quantity and unit price are entered in the second and third columns and entered into the individual totals.

At the end of each sheet a total is printed for the quantity and the unit price columns to check with the pre-totalled inventory sheet. If they agree the sheet is passed. Thus the accuracy of the recording of quantity and unit price is proven - but not the pick-up of the classification code.

A service bureau then completes the processing from the punched paper tape which includes extending the line items AND SORTING by classification code.

## SUCCESSFUL NEWSPAPERS KILL DOWNTOWN RETAILING

Some months ago I addressed the California Newspaper Advertising Executives Association and startled them with a discussion about how SUCCESSFUL newspapers are killing downtown retailing.
As a central city grows and spreads to the suburbs the SUCCESSFUL central city newspaper grows. With the growth in circulation comes a growth in advertising rates. Yet the circulation now covers an increasing number of readers who NEVER shop in the central city.
In the meantime, the smaller (non-branch) stores located in the central city can no longer afford the advertising rates for the successful central city newspaper. And there is no substitute media that covers just the market within a radius of 2 or 3 miles of downtown - the trading area for the smaller downtown stores. Thus these stores go out of business, often at the end of their lease.
In the meantime, let's follow the analysis of an entrepreneur who has enough capital to finance a $\$ 300,000$ a year apparel operation. He sees a big market in the downtown area that he could serve - but no way of communicating with them regularly at a cost he can afford. He may be able to plan $\$ 9,000(3 \%)$ a year on advertising - but a $\$ 15$ per inch rate would mean only 12 " a week, not enough to tell the story.
When he is offered a suburban location, often in a newer building, usually with better parking, and always with an advertising media with a lower rate (at $\$ 2$ per inch he can use 90 " a week), the choice becomes obvious - he opens in the suburb.
When there are enough store vacancies the successful newspaper begins to editorialize on what the central city should do to "revive downtown" without ever suggesting that the newspaper will do its share by providing a supplemental media at $\$ 2$ per inch to reach the immediate population around the downtown area. Until a way is found to provide such a media, downtown central city will continue to polarize around major units supplemented by branch or chain store units that cover the trading area of successful newspapers, interspersed with declining quality convenience and traffic stores. But the innovating, aggressive independent will be gone.

It is apparent that the downward trend was greater in 1966 v 1965 and in 1967 v 1966 - though the current 1968 v 1967 trend shows a continuation downward.

One client sent a report on 6 men's stores located in 4 different towns, each doing roughly $\$ 500,000$ volume - and these showed a slightly better trend.

|  | $\begin{aligned} & 1966 \mathrm{v} \\ & 1965 \end{aligned}$ | $\begin{aligned} & 1967 \mathrm{v} \\ & 1966 \end{aligned}$ | $\begin{aligned} & 1968 v \\ & 1967 \end{aligned}$ |
| :---: | :---: | :---: | :---: |
| February | 67\% | 67\% | 33\% |
| March | 67 | 83 | 17 |
| April | 83 | 33 | 67 |
| May | 50 | 50 | 67 |
| June | 50 | 83 | 0 |
| July | 50 | 33 | 50 |
| August | 83 | 0 |  |
| September | 50 | 50 |  |
| October | 50 | 67 |  |
| November | 50 | 50 |  |
| December | 50 | 33 |  |
| January | 83 | 50 |  |

Out of 30 months, 12 showed $50 \%$, 11 showed more than $50 \%$ and 7 showed less than $50 \%$ with 2 months showing zero - which indicates that all 6 stores showed an increase.

WHAT DOES THIS MEAN? It can mean several things. First, with continued prosperity more and more customers may be becoming more conservative (i.e., paying cash for their purchases). Second, it might mean that continued discussion of Truth-in-Lending may be awakening customers to the high cost of service charges and thus causing a moderate - but continuing trend toward greater use of cash.

If this trend continues there are long-term implications. The tendency to "trade-up" may stop (this assumes that greater use of credit permits the purchase of higher price units). It certainly may reduce the capital required to finance business (accounts receivable are the largest asset group - considerably larger than inventory in most department stores and often in other retail establishments).

## TAKING INVENTORY - BETTER AND CHEAPER

For many years store folk have argued about how much of the inventory to double-count in order to obtain accuracy. The argument has always missed the point.

People do the counting. Therefore, a test for accuracy should be a test of people rather than of merchandise.

In order to test people, certain strict rules must be applied to inventory taking. The cardinal rules for counting are: count from left to right, from top to bottom, from front to back. List each logical unit of merchandise separately - and in counting sequence (even if the same item must be listed on a sheet several times). Record the cound for EACH "logical unit."

For example, if a shirt fixture, on the top shelf, has, from LEFT TO RIGHT six stacks of shirts consisting of: 5 @ \$4.95,6@ \$5.95,3@\$5.95,7@\$4.95,4@\$6.95 and 5@\$7.95, the inventory sheet should read:

```
Shirt $4.95 - 5
Shirt $5.95-6-3
Shirt $4.95-7
Shirt $6.95-4
Shirt $7.95 - 5
```

This method of recording will use some extra paper, but it will produce a more accurate inventory, and usually at a lower cost.

When sheets are laid out they should ALWAYS be laid out on the left hand side of the fixture, shelf, section, etc. Use one sheet per shelf, drawer, bin, etc. When counting is complete the finished sheet should be placed on the right hand side. Checkers, from any point in the department, can quickly spot where there are finished sheets.

The checking process should consist of picking up the sheet, going back to the left of the fixture or shelf, counting a certain number of stacks, determining the merchandise in the stack, and then checking the entry on the inventory sheet. In our sample sheet, suppose the checker counts the 4 th stack - which contains 7 shirts at $\$ 4.95$. Looking at the sheet the 4 th stack (reading the COUNTS ONLY of 5, 6,3 and 7) is recorded correctly - as 7 shirts at $\$ 4.95$. The checker will initial the entry.

The checker should have a list of all inventory personnel. Each checker should verify a fixed number ( 50 to 100 is reasonable) of counting units (in our example, this would be a stack of shirts). The Controller should establish error limits ( 2 or 3 should be the maximum allowed in 100 certifications). ANY ERROR should immediately be called to the attention of the person(s) making the error.

If the errors for a person or team exceeds the allowable standard, GET THEM OFF THE INVENTORY IMMEDIATELY. Send them home or put them in a team with an accurate person. Once you have purged your inventory crew of inaccurate people, you can proceed with normal testing as desired with confidence in the basic accuracy of the personnel.

## THE CHECKERS SHOULD BE ABLE TO CONFIRM THE ACCURACY OF ALL INVENTORY PERSONNEL WITHIN THE FIRST HOUR OF INVENTORY TAKING.

It should be obvious that the better the job that is done in preparing the department for inventory (neat stacks, merchandise sorted into stacks by price, rows clearly established on tables) the fewer the lines of writing on the sheets and the faster the inventory. By using a precise sequence of entry on the inventory sheet it is often possible to re-check problem sheets one or two days later, particularly if the question is about a recorded price.

The verification method outlined is critical to an accurate inventory - but there are other steps that should not be overlooked.

An accurate diagram of the fixtures in the department is absolutely necessary. Sheets should be laid out the night before. Sheets should be laid out in numeric sequence following a pattern and the fixture map should show the sheet numbers placed on each fixture shown on the diagram. Pick-up of sheets should $k$ done with the diagram as a guide.

Experience should have produced a list of "problems" that must be checked carefully. Typical items are:

## RETAILING TODAY - STATISTICAL SUPPLEMENT

## CREDIT OFFICE RATING

Almost half (13 out of 27) of the stores are on the Honor Roll - a tremendous accomplishment:
HONOR ROLL

|  | AVERAGE DAYS <br> STO BILL | STORE | AVERAGE DA |
| :--- | :---: | :--- | :---: |
| STORE |  |  | TO BILL |
| Podesta-Baldocchi | 3.0 | Kushins | 4.0 |
| Robert Kirk, Inc. | 3.0 | Ross Dept. Store | $4.0^{*}$ |
| Sears | 3.7 | Rhodes | 4.3 |
| Roos/Atkins | 4.0 | Wineman's | $4.3^{*}$ |
| Hinks | 4.0 | Macy's | 5.0 |
| Holman's | $4.0^{*}$ | Penney's |  |

*Indicates client
A compliment was paid to the Credit Office Rating. The San Francisco CHRONICLE of October 23, 1968 in reporting on annual earnings of J. Magnin stated, "Last year's profits were reduced, (Cyril Magnin) said, by expense of new equíipment to the billing cycle from 14 to 4 days ..."

## CREDIT OFFICE RATING

## SEPTEMBER 1968

NO. OF
REPORTS


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

WHAT HAPPENED - THEN AND SINCE? Initially I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established from the beginning, at 5 working days between cycle closing date and postmark date. Many stores have reported pride - both to management and credit and data processing personnel in being listed on the Honor Roll.
HOW IS TIME COMPUTED? We do NOT count the cycle closing date but do count the postmark date, and then deduct Sundays and those holidays observed by the preponderance of stores.

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

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

## BALANCE AT RISK

It appears that the impact of the sur-tax and the slow-down of the economy is showing up in the increased percentage of accounts on which no payment has been made for two cycles. The trend is shown by the figures below for the past three months.

| \% Balance at Risk vs | Last Year |  |
| :---: | :---: | :---: |
| Lower | Same | Higher |
| 6 | 0 | 2 |
| 4 | 0 | 3 |
| 2 | 0 | 5 |

There are problems ahead. Management should carefully review collection procedures and policies to be sure they are being followed.
BALANCE ATRISK

|  | A(1) |  |  | B $(3)$ |  |  | C(3) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 7.0 | 5.5 | 4.8 | 7.0 |  |  | 5.0 |  | 6.2 |
| Feb. | 6.0 | 5.6 | 4.8 | 7.6 | 11.1 |  | 6.7 | 8.0 | 6.5 |
| Mar. | 5.6 | 5.3 | 4.6 | 8.5 | 10.6 | 13.2 | 8.0 | 6.0 | 6.5 |
| Apr. | 5.1 | 4.2 | 3.3 | 8.9 | 8.9 | 10.5 | 7.0 | 5.9 | 5.2 |
| May | 4.7 | 3.6 | 3.6 | 7.9 | 8.4 | 9.4 | 6.0 | 7.3 | 5.5 |
| June | 5.6 | 3.8 | 4.9 | 8.9 | 8.9 | 9.2 | 6.0 | 6.5 | 5.0 |
| July | 5.7 | 4.2 | 5.7 | 8.7 | 9.1 |  | 6.0 | 6.8 | 4.9 |
| Aug. | 6.5 | 4.5 | 6.0 | 9.8 |  | 8.7 | 6.0 | 7.0 | 5.7 |
| Sept. | 6.1 | 4.3 | 6.4 | 9.9 | 9.5 | 9.1 | 5.5 | 5.7 | 5.8 |
| Oct. | 6.1 | 4.4 |  | $\begin{array}{r} 9.9 \\ 12.1 \end{array}$ |  |  | 5.5 | $\begin{aligned} & 6.2 \\ & 5.7 \end{aligned}$ |  |
| Nov. | 6.0 |  |  |  |  |  | 5.5 |  |  |
| Dec. | 6.2 |  |  |  |  |  | 4.2 |  |  |
|  | E(1) |  |  | F (2) |  |  | G(3) |  |  |
| MONTH | 1966 |  | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 4.5 | 7.8 | 4.2 | 6.4 |  |  | 6.8 | 6.7 | 7.1 |
| Feb. | 5.6 | 6.0 | 5.1 | 7.7 |  |  | 8.3 | 7.6 | 6.9 |
| Mar. | 6.7 | 6.8 | 5.0 | 7.5 | 8.9 | 6.7 | 8.1 | 6.6 | 5.7 |
| Apr. | 7.5 | 7.2 | 5.4 | 7.6 | 8.3 | 7.1 | 5.6 | 5.9 | 6.0 |
| May | 5.6 | 4.3 | 5.4 | 6.8 |  | 5.5 | 6.9 | 4.1 | 5.3 |
| June | 6.9 | 4.1 | 6.4 | 7.2 | 7.9 | 4.8 | 6.3 |  | 4.4 |
| July | 6.0 | 4.9 | 5.6 | 7.1 | 8.7 |  | 5.9 | 6.6 | 5.5 |
| Aug. | 6.0 | 4.6 | 5.8 | 7.8 | 6.1 |  | 6.1 | 5.1 | 5.8 |
| Sept. | 6.8 | 4.3 | 6.3 | 8.0 | 5.4 |  | 6.3 | 5.5 | 6.0 |
| Oct. | 6.8 | 4.1 |  | 8.0 | 6.9 |  | 6.3 | 5.4 |  |
| Nov. | 7.0 |  |  |  | 6.0 |  | 4.5 | 4.2 |  |
| Dec. | 5.6 |  |  | 6.1 |  |  | 4.7 |  |  |
|  | $\mathrm{H}(1)$ |  |  | I 1 ( |  |  |  |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | NOTES: |  |  |
| Jan. | 9.9 | 13.7 | 13.7 | 4.7 | 4.2 | 2.1 | (1) Annual write-off <br> (2) Quarterly write-off <br> (3) Monthly write-off |  |  |
| Feb. | 8.8 | 11.7 | 8.6 | 3.9 | 5.4 | 3.6 |  |  |  |  |  |
| Mar. | 8.9 | 11.8 | 8.8 | 3.9 | 4.7 | 3.9 |  |  |  |  |  |
| Apr. | 8.1 | 11.0 | 8.7 | 3.4 | 4.6 | 3.1 |  |  |  |
| May | 12.8 | 12.4 | 11.2 | 3.7 | 4.2 | 3.0 |  |  |  |
| June | 13.9 | 11.6 | 10.6 | 3.9 | 4.7 | 3.1 |  |  |  |
| July | 13.0 | 10.9 | 10.2 | 5.3 | 4.7 | 3.2 | PREPARED BY: <br> Robert Kahn Business Counselor P.O. Box 343 Lafayette, Calif. 94549 |  |  |
| Aug. |  | 14.3 | 8.9 | 4.2 | 4.3 | 3.4 |  |  |  |  |  |
| Sept. |  | 14.4 | 10.7 | 4.2 | 3.7 | 4.1 |  |  |  |  |  |
| Oct. |  | 15.6 |  | 4.6 | 4.0 |  |  |  |  |  |  |
| Nov. | 11.0 | 13.2 |  | 3.9 | 3.2 |  |  |  |  |  |  |
| Dec. | 12.6 |  |  | 4.5 |  |  |  |  |  |  |  |

WHAT IS "BALANCE AT RISK"? "Balance at Risk" is the PERCENTAGE representing the relationship of the outstanding accounts receivable balances ON WHICH NO PAYMENT HAS BEEN RECEIVED FOR TWO CYCLES to the total of outstanding account balances.

WHY USE "BALANCE AT RISK"? With the development of revolving accounts conventional aging procedures proved unworkable. Stores attempted, often by hand, to age cycles at least once a year. Even the aging formula proved unworkable. At the same time customers, when charged additional service charge for the month in which payments were skipped, were not prone to catch up. Since most stores using a billing machine - cycle posting system "flagged" accounts with two or more payments missed, it was simple to run an adding machine tape of "flagged" accounts for each tray on each billing date. Thus it was possible to have a complete QUALITY report every month, with considerably less cost than sampling each cycle once a year.

ARE THERE PROCEDURE RULES? Yes. The amount paid is disregarded (tests show that few customers make token payments). A single payment of ANY AMOUNT classifies the account as current (since it indicates acceptance of the amount billed and confirms the creditor's address). If no payment is made for two cycles the ENTIRE BALANCE (rather than the skipped payments) is considered at risk. Since no judgment is involved, any two clerks should get exactly the same total.

HOW CAN ONE INTERPRET THESE FIGURES? First, recognize that there is a seasonal pattern. Second, there is a build-up between write-off periods. Third, a store with 6 -month revolving terms should have a lower "balance at risk" percentage than one offering 24-month revolving terms. Finally, variations between years, ON A COLLECTIVE BASIS, is a sensitive measure of changing credit climate.

HOW ARE REPORTS OBTAINED? Volunteer stores (largely clients) submit a SINGLE PERCENTAGE FIGURE once a month on a post card. YOU CAN VOLUNTEER.

|  | ROUTE TO | INITIAL |
| :---: | :---: | :---: |
|  |  |  |
| Prepared by Robert Kahn and Associates, Business Counselors. P.O. Box 343, Lafayette, California 94549 (415) 254-4434 |  |  |
| Copyright 1968 Robert Kahn. Quotation or reproduction, in whole or in part, only by written permission. Published Monthly. $\mathbf{\$ 1 0}$ per year. |  |  |

NOVEMBER 1968

## BUSINESS INTERRUPTION LOSSES

Business interruption insurance does not require physical interruption of operation. Recently I assisted a client in settling two business interruption losses based on burglaries. In neither case did the store close.

One theft involved a significant part of the stock of men's suits. These goods could not be replaced, the regular sources cut only to orders placed months in advance. The loss was settled on the basis of comparing the actual sales during the months following the theft with an agreed projection of what sales would have been if the inventory had not been depleted.

The other case involved imported goods that could not be replaced.

The burglary policy covered the cost of the merchandise stolen and the business interruption policy covered the loss of gross margin. Obviously, this will not apply in the case of merchandise that can be immediately replaced. I would suspect that many a retail store has had reimbursable claims they have not collected because they didn't understand their coverage.

## SOME SURPRISES ABOUT POSTAL RATES

I was interested in reading a speech by James H. Rademacher, Vice President of the National Association of Letter Carriers because it contained much information that is not available in the general press.

Mr. Rademacher points out that newspaper and magazines seldom report that second class mail pays only $21 \%$ of its allocated costs while third class mail pays $63 \%$. Of course, low second class rates are vital to the economic success of newspapers and magazines yet the same newspapers and magazines often attack, in editorials and articles, the use of third class mail by merchants.

Ever wonder why you get your Wall Street Journal promptly every morning while your own advertising may require 2 weeks to be delivered? Yet the Wall Street Journal pays substantially less for the same weight. Let me quote: "Certainly I have never read in any magazine or newspaper the admission that certain publications - and particularly the Wall Street Journal - receive "red tag" treatment - a special consideration costing the Post Office Department tens of millions of dollars a year - AND WHICH GIVES THOSE PUBLICATIONS PREFERENTIAL TREATMENT CONSIDERABLY SUPERIOR TO THAT WHICH IS AFFORDED FIRST CLASS AND AIR MAIL." (Emphasis added)

## YOU CAN'T SPECULATE IN INVENTORY

Retailers read business publications - and often they read stories about inventory planning. For example, there may be a report that industry is buying copper or steel in advance of their requirements because of an anticipated price increase. This is "inventory speculation."

Too often retailers feel that this is a practice for them to follow. They buy in advance of needs to protect themselves from a price increase. Unfortunately, a retailer cannot make this system work. The reason? He price-marks his goods.

Let's demonstrate why "inventory speculation" always equals "speculation loss" for the retailer. Let us assume that you are currently buying a staple item - the Swing Collar Shirt - that costs $\$ 3.60$ and sells for $\$ 6.00$. You have heard that the price of cotton, thread, buttons and labor are all going up. Rumor has it that prices will be $10 \%$ higher next year - which would indicate a $\$ 6.60$ shirt that costs $\$ 3.96$. So you rush in a big order at the old prices.

The shirts come in with the $\$ 6.00$ price either printed on the package or you put on your own price ticket. You are now over-stocked - and incurring interest cost, extra warehousing costs, and probably extra mark-downs resulting from damage and soiling.

But shortly you are pleased when you hear that prices have gone up - your "inventory speculation" has produced a profit. But then you find that the shirt manufacturer has changed the name of the "Swing Collar Shirt" to the "Twirling Collar Shirt" and it is pre-marked at $\$ 6.60$. It might be exactly the same shirt as before - but the customer is being exposed to intensive advertising that proclaims that it is different.

If your shirts were pre-priced by the manufacturer (perhaps in response to pressure from the stores who want to reduce marking costs) you have no way of taking advantage of the higher replacement cost. If you have marked it yourself, you are faced with the cost of removing the price ticket (and we are using more and more tickets and labels that are difficult to remove), putting new tickets on the merchandise, and are still left with soiled merchandise that will probably require excessive mark-downs in the future.

A retailer, with rare exception, must make his profit on his trading margin (buy for $\$ 3.60$ and sell for $\$ 6.00$, buy for $\$ 3.96$ and sell for $\$ 6.60$ ). If you want to speculate in inventory, consult a broker about buying futures in pork bellies - but don't hurt your business by fooling with your inventory.

## DID YOU DO YOUR SHARE?

The United Crusade campaign is probably over in your community - and most retailers did just a so-so job. It will remain that way until the boss becomes motivated. Here is what other stores did (and which you could have done) in the United Bay Area Crusade.
. . Montgomery Ward Serramonte $-66 \%$ of employees made Fair-Share gifts ( 1 day's pay for hourly people, $1 \%$ of salary for others) with an average gift of $\$ 28.00$.
. . . Grodin's of California had 72\% Fair-Share givers with an average gift of $\$ 35.25$.

## ... Simon Stores had 98\% Fair-Share donors.

But certain other firms rated even higher than these top retailers.
... Redwood National Bank had 100\% Fair Share givers witl an average gift of $\$ 70$.
... Richmond City Manager's Office averaged \$78.28.
... City of Pittsburg Building Department was $100 \%$ with an average of $\$ 62.25$.
.. . San Francisco Chamber of Commerce had 80\% Fair Share donors and an average of $\$ 64.45$.

## MATCH YOUR ATTITUDES

The Stanford Business School Bulletin recently questioned 160 MBA candidates (ages 22 to 34), 28 members of the Young Presidents Organization (YPO) (ages 34 to 40) and 65 students in the Stanford Executive Program (SEP) (ages 34 to 58). The questions and the percentage of each group agreeing follows check yourself on your attitude.

1. A businessman is first a responsible citizen and second a corporate member responsible to his stockholders. Agree: YPO 86\%, SEP 84\%, MBA 75\%.
2. It is not enough for businessmen just to make financial contributions to charitable organizations and provide salaried personnel for philanthropic work; they must put more of their efforts into correcting societal problems. YPO 72\%, SEP 78\%, MBA $70 \%$.
3. The tremendous problems created by our industrial society requires the businessman to give more consideration to the social results of his actions and less to the criterion of profitability than has been true in the past. YPO $54 \%$, SEP $63 \%$, MBA $80 \%$.
4. A responsible businesman must subject every decision he makes to the test of its long-run profitability to the firm. YPO $79 \%$, SEP $69 \%$, MBA $49 \%$.
5. Businessmen should consider stockholders' interests first, and only after that consideration may they be interested in society's problems. YPO $72 \%$, SEP $48 \%$, MBA $20 \%$.
6. Our system can best operate when private enterprise seeks to make a reasonable profit and lets other institutions remedy social problems. YPO $50 \%$, SEP $81 \%$, MBA $24 \%$.
7. We actually can do more harm than good by helping others without their working for the aid - they become dependent and lose their self-respect. YPO $50 \%$, SEP $81 \%$, MBA $64 \%$.
8. In the final analysis, people have to be accountable for making their own way in this world. YPO $89 \%$, SEP $71 \%$, MBA $66 \%$.

Which group do you identify with most closely? The Young Presidents - usually successful aggressive entrepreneurs. The Stanford Executive Program - usually more mature middle-management executives working for someone else. The MBAs - the students of today and the owners or executives of tomorrow but perhaps still unknowledgeable about the "hard facts of business."

## THE HUNGRY I.R.S.

The Internal Revenue Service, more often than not, approaches the administration of the income tax laws from the point of raising the most money for the government. The Code is replete with references to acceptable accounting procedures. This means little in actual practice - and, unfortunately, the courts have accepted principles for determining income that are at variance with sound accounting procedures.

Some years ago the I.R.S. challenged the accounting for unredeemed gift certificates. They claimed that because the store h ad the unrestricted right to use the money as of the date the gift certificate was sold, it was income at the time of sale. The income was the FACE AMOUNT of the gift certificate - not the expected gross margin. When the certificate was honored, th store had a deduction. The I.R.S. won.

Just recently the Tax Court ruled that advance payments received by a furniture manufacturer for the construction of custom furniture was income in the year received even if the cost of building the furniture fell in the following year. The key point was that the manufacturer was not LEGALLY obligated to refund any portion of the pre-payment although the company had consistently refunded all except the cost of the materials used if the customer refused delivery.

Stores that record prepayment of special order merchandise as deposits and do not include the transaction in sales until the merchandise is delivered are likely to find a smart I.R.S. agent trying to accelerate some income.

## SOCIAL SECURITY TAX INCREASE

Effective January 1, 1969, the rate goes up to $4.8 \%$ for both employee and employer - from the present $4.4 \%$. The maximum subject to the tax remains at $\$ 7,800$.

The present schedule reaches a maximum rate of $5.9 \%$ on each party by 1987. In the past economists have pointed out that $10 \%$ ( $5 \%$ on each party) is about the maximum that can be impose without massive public resistance. Congress is already studyin methods of financing some benefits from general revenues.

## LOOKING AT THE LOCAL SCENE EDUCATION AND THE ECONOMY

alifornia has created a spectacular new economy - the 6th largest in the world. It is the first one based upon a resource that is intangible - education. Already many states and foreign countries are attempting to copy us.

At the root of the California economy is the interplay between new ideas developed in our universities and the industries located nearby that turn the ideas into commercial products. One of the oldest such liaisons is the concentration of chemical research in the East Bay area (Standard Oil, Shell, Dow, etc.) and the chemistry department at University of California at Berkeley which has more Nobel Prize winners than any other Chemistry school. There is the entire electronic industry on the San Francisco peninsula - a direct product of Professors Ryan, Terman, Hansen and others at Stanford. In Southern California there is an equally old link between the aircraft-aerospace industry and Cal Tech.

Despite the brain-drain that California has perpetrated on the rest of the United States (just as the United States has drained the best brains from other countries), there has been a constant shortage of college trained people (but a growing surplus of unskilled workers). The spply would be much less but for the effort to provide schools for the growing college enrollment. Today California (Reagan) is trying to destroy its future by destroying the seed crop on which the economy is based. In the name of economy we are starting to restrict our supply of graduates - just when New York State, Illinois and others are expanding theirs.

The technically oriented industry that former built California . hear universities) is now looking elsewhere. Under today's educational climate the tremendous IBM development in San Jose would more likely be located in southern Illinois - as would the many other firms such as Philco, Fairchild, etc. With the present attitude in California toward supplying the natural resource for a technical economy, why should a prudent company gamble on putting brick-and-mortar in California when Illinois is holding out such enticements as "Build a research facility here and we will buy any university department you want and move it here."

The complete story is told in my article "Higher Education California's Most Valuable Asset." If you want a copy send a 12cent postage-paid envelope to "Higher Education," P.O. Box 343, Lafayette, California 94549.

## LOOKING AT THE LOCAL SCENE EDUCATION AND THE BLACKS

The problem of minority students, and particularly the blacks, is not fully understood. First you must understand that education is not a matter of dispensing so many cubic feet of knowledge - it is much more a matter of the capacity of individuals to absorb knowledge. Capacity is governed by three factors; basic intelligence of I.Q.; teaching environment; and home environment.

Many whites who protest the conduct of blacks are ones who come from home environments that made public school teaching effective. By this I mean a home with both parents literate, with parents capable of assisting the child with his work, with less sonomic pressure because of a steady job, and in a home that is ss crowded, better lighted and more suited to study.

When you realize that in 1960 the median number of school years completed by all blacks over 14 was just 8.6 years (not even a full year of high school) and for blacks over 35 it was only 7.3 years - you can understand the problem the young black student has in a system designed to utilize the interplay between home and
school. When you consider that unemployment among blacks has consistently been double the rate for whites - and that for those employed the family income is about $60 \%$ of the white home ( $70 \%$ outside the South), it becomes even more obvious that a negro child will accomplish far less than a white child with an identical I.Q.

Ghetto areas are in the older parts of town and usually have the older school plants. The very surroundings are not conducive to learning. The all-black school compares unfavorably with the all-white school within the same school district. It does not have the amount of supplemental equipment provided by the PTA or Parents Club for the all-white school. As to items provided by the district, a comparison will show fewer books per student in the library, fewer slide and movie projectors per 100 students. From the district's point of view they may argue that they originally provided the same equipment to both schools but that the students in the black school destroyed their equipment. This is probably true - but it doesn't change the fact that because of a lack of equipment the quality of education is lower. Finally, as teachers gain seniority (and presumably skill) they tend to seek more satisfying circumstances and get transfers to higher-income areas (which tend to have higher IQ children), lowering the quality of teaching in black schools.

But conditions are changing. If we look at the first age group after completion of normal education (ages 25 to 34) we find that in 1960 the blacks had completed a median of 10.3 years against 12.3 for the white - a 2 -year difference. Just 7 years later the gap had been cut to 12.5 vs 12.1 years. By $1967,5.6 \%$ of the blacks had completed 4 or more years of college compared with $15.0 \%$ of the whites.

The improved level of education among blacks in the 25-34 age group is both a sign of hope and the cause for concern. The hope is that the next generation of blacks will be reared in homes with a significantly different educational background. But the cause for concern is that the current generation of 25-34 year olds is far more aware than their parents of the low quality education that they have received - and that most are not prepared for college.

The under- 35 generation is pushing NOW for major reforms in the educational system - reforms designed to bring black education to the level of white education. Unfortunately, most blacks are concentrated in central cities that are facing serious financial problems and do not have the resources (nor will the electorate approve the necessary tax rate) to make the changes. The demand that the school authorities, lacking funds to provide quality education for BOTH white and black, cut down on expenditures for white schools obviously meets resistance from the white parents, the white press and the white administrators.

On the matter of college admission, many blacks are discovering at the age of 18-22 that college is necessary if they are to use the mental ability that they have. Unfortunately, the combination of family background, lower quality schools and lower quality teaching has delivered them at the end of high school in a condition where they do not qualify for admission to college. It does the present 18-22 year old no good to tell him that the white community will try to solve this problem over the next 10 or 20 years, IF the money becomes available. A black man of 20 wants to live his life up to the maximum of his mental ability (and basically the white community should want him to do so because an intelligent but uneducated and rejected black 20-yearold will be a problem to society for the next 50 years). This black man knows that the schools that have experimented with admission of "non-qualified" black students (which includes such schools as Harvard) have seen a high percentage of such students successful. In fact, there is now evidence that the "college board examinations" are not valid predictors of college performance. Soon we may see new (and better) testing methods.
(more)

Out of this knowledge that many "non-qualified" blacks can satisfactorily complete college has come the demand that California institutions admit every black that applies. Please note that THE DEMAND IS SOLELY THAT THEY BE ADMITTED; no demand has even been made that they be kept as students if they cannot do the work. Few blacks are going to apply for admission if they don't think they can do the work; probably those that do apply will, on balance, be more highly motivated than the typical white student. Going to college means a substantial sacrifice for the black student and his family - just as it does for the white student and his family.

There can be no question that the higher the percentage of college graduates among our black citizens, the less likely that black-white conflicts will exist and the more likely that blackwhite objectives will become similar. In a society that demands longer and longer educational preparation in order to find a useful place, the denial of that educational opportunity to a readily identifiable segment of our society can only produce great internal stress.

A problem again arises when one considers that our educational facilities are limited (and in California Governor Reagan's special committee has recommended deferral of new construction as an economy program). In the next 15 years we will have to provide for double the number of students. If more black students are admitted then fewer white students will be admitted. The whites cry "injustice!", particularly when the excluded whites are so-called "qualified" students and the admitted blacks are so-called "non-qualified" students.

## LOOKING AT THE LOCAL SCENE BLACKS AND VIOLENCE

There is no logical excuse in our society for violence as means of enforcing the demands of a minority on the majority. But logic also demands that a fair majority not deprive the black minority of their basic rights to education.

In the early attempts to attain their educational goals many black groups threatened violence and found an immediate "up-tight" reaction from the white community. When they actually perpetrated violence they found that the "up-tight" condition became worse - but that the white community did start acting on the demands and correcting situations that should have been changed decades ago. With this success, violence spread to more schools and became increasingly frequent.

With the rise of violence the white community has found a reason for retaliation (both with force and with defeat of election issues designed to solve the capacity problem.) It is obvious to the black community that the effectiveness of violence has been materially reduced. Since education is still the basic goal and since most of the black leaders are basically intelligent, it is my conviction that we are now passing the peak of black student violence. Black students would rather get the education they know they are entitled to than destroy the house in which education is conducted.

I think that the school year starting in September 1969 will see a marked reduction in such violence.

## LOOKING AT THE LOCAL SCENE THE RETAILER AND HIS COMMUNITY

The retailer prides himself on dealing directly with the community - one customer (citizen) at a time. He prides himself in being concerned about affairs in his local community. The leading retailers have always played a key part in the development of their community.

You are a leading retailer. You have the power to mold public opinion. You talk to friends, fellow executives, and employees. I hope that this discussion of "Looking at the Local Scene" will stimulate your own thoughts and analysis.

I would be most interested in hearing your comments.

## BANKRUPTCIES DECLINING

Although the number of BANKRUPTCY CASES COMPLETED during the year ending June 30, 1968 showed a slight increase ( 198,000 against 193,000 ), the number of PETITIONS FILED DECLINED from 208,000 to 198,000 . This is only the second decline since the end of World War II. The entire decline was in non-business bankruptcies as the business cases remained constant $(16,600)$. The use of Chapter XIII (Wage Earner Plan) increased to about $16 \%$ of personal bankruptcies.

## DANGERS IN UNIFORM ACCOUNTING

There is increasing pressure from the S.E.C. and others for the accounting profession to come up with uniform accounting practices for industries.

Retailers might reflect on this point now - before action is taken. Retailers usually think that they are all using the same accounting method. Yet let us look at some of the variances that exist within the industry:
... Most retailers use First-In, First-Out for determining inventory value; a smaller number use Last-In, First-Out (LIFO) Over the years since World War II consistent use of LIFO would materially reduce your valuation of the inventory and the net worth or retained earnings.
. . Many retailers are leasing a substantial part of their equipment, often on leases approximating the guide-line life of the asset. Some firms capitalize their leases and others do not. Some leases have termination clauses and others do not.

Some retailers take discounts on purchases into income at the time the purchase is entered - while others defer it until the goods are sold. The latter practice is recommended by NRMA but probably a minority of stores do this.
... Stores subject to union contracts can often accrue earned but unpaid vacation pay while stores without union contracts often cannot because of lack of a contractual obligation to pay.
... Growing stores that expand and remodel frequently may write off identically fixed assets much faster than do stores that may remodel every 15 to 25 years.
$\ldots$ Taxes are deferred by reporting revolving accounts on an installment basis or by use of accelerated depreciation.
... Some stores write off all display materials and mannequins while others capitalize portions.
... Stores follow (consistently) different practices on valuing old or shopworn merchandise for inventory purposes.

The prospects of ever gaining uniformity in accounting is slight. If it does come it will come on an arbitrary basis forced on the industry and will not accomplish what the proponents hope to gain.

## RETAILING TODAY - STATISTICAL SUPPLEMENT

CREDIT OFFICE RATING
The Honor Roll is still high - with 11 stores represented:

## HONOR ROLL

$\left.\begin{array}{lclc} & \begin{array}{c}\text { AVERAGE } \\ \text { DAYS }\end{array} & \text { AVERAGE } \\ \text { DAYS }\end{array}\right]$ TO BILL

Regular readers may not recognize the progress that stores have made over the years that the CREDIT OFFICE RATING has been issued - but in October 1966 - two years ago - the average was 7.5 days, a $12 \%$ improvement.

|  | SEPTEMBER 1968 |  |  | OCTOBER 1968 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | NO. OF REPORTS | AVERAGE | BILL <br> RANGE | $\begin{aligned} & \text { NO. OF } \\ & \text { REPORTS } \end{aligned}$ | AVER DA | RANGE |
| Bloomingdales (NYC) | 1 | 5.0 | 5 | - | - | -- |
| Books Inc. | 1 | 7.0 | 7 |  | - | - |
| Brown-Mahin | 2 | 5.5 | 5-6 | 2 | 9.0 | 7-11 |
| Bullock \& Jones | 1 | 6.0 | 6 |  |  |  |
| Capwell's | 5 | 11.4 | 3-16 | 4 | 16.0 | 14-18 |
| City of Paris | 2 | 10.0 | 8-12 | 3 | 11.7 | 9-15 |
| Emporium | 2 | 12.5 | 12-13 | 1 | 13.0 | 13 |
| ertz Dept. Store (NYC) | 1 | 7.0 | 7 | - | -- | -1 |
| Jrodin's | 1 | 12.0 | 12 | 1 | 11.0 | 11 |
| Gump's | 1 | 9.0 | 9 | - | - | -- |
| Hink's | 1 | 4.0 | 4 | 1 | 4.0 | 4 |
| Hinshaws | 1 | 5.0 | 5 | - | - | -- |
| Holman's | 5 | 3.8 | 3-4 | 4 |  | 4 |
| Levy Bros. | 16 | 5.3 | 3-9 | 16 | 5.7 | 4-8 |
| Livingston Bros. | 1 | 15.0 | 15 | 2 | 14.5 | 13-16 |
| Macy's (NYC) | 1 | 9.0 | 9 | 1 | 11.0 | 11 |
| Macy's | 4 | 6.5 | 6-7 | 3 | 5.0 | 4-6 |
| I. Magnin | 10 | 6.4 | 5-10 | 6 | 5.5 | 5-6 |
| J. Magnin | 2 | 4.5 | 4-5 | 1 | 5.0 | ${ }^{5}$ |
| Montgomery Ward | 2 | 9.5 | 8-11 | 2 | 10.5 |  |
| Penney's | 1 | 6.0 | 6 | 1 | 5.0 | 5 |
| Podesta Baldocchi | 2 | 4.0 | 3-5 | 1 | 3.0 | 3 |
| Rhodes | 2 | 4.5 | 4-5 | 3 | 4.3 | 4-5 |
| Ross Dept. Store | 1 | 4.0 | 4-6 | 4 | 4.0 | 3-5 |
| Sears | 3 | 4.0 | 3-6 | 3 | 3.7 | 3-4 |
| Frnklin Simon (NYC) | 1 | 8.0 | 8 | $\bar{\square}$ | - | - |
| Simon's | 1 | 7.0 | 7 | 2 | 5.5 | 5-6 |
| United Factors | 2 | 11.0 | 11 | 2 | 15.5 | 15-16 |
| Wallach's (NYC) | 1 | 5.0 | 5 | 2 | 5.5 | 5-6 |
| Wineman's (LA) | 4 | 4.3 | 4-5 | 4 | 4.3 | 3-5 |
| TOTAL | 78 | 6.6 | 3-15 | 69 | 7.0 | 3-18 |

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

WHAT HAPPENED - THEN AND SINCE? Initially I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established from the beginning, at 5 working days between cycle closing date and postmark date. Many stores have reported pride - both to management and credit and data processing personnel in being listed on the Honor Roll.

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

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

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

## BALANCE AT RISK

The trend toward poorer collection (higher percentage of balances "at risk" or 2 cycles without a payment) continued into October as shown below:

| LOWER \% | SAME \% | HIGHER \% |
| :---: | :---: | :---: |
| AT RISK | AT RISK | AT RISK |
| 6 | 0 | 2 |
| 4 | 0 | 3 |
| 2 | 0 | 5 |
| 2 | 0 | 4 |

BALANCEAT RISK

|  | $\mathrm{A}^{(1)}$ |  |  | B 3 ) |  |  | C(3) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 7.0 | 5.5 | 4.8 | 7.0 |  |  | 5.0 |  | 6.2 |
| Feb. | 6.0 | 5.6 | 4.8 | 7.6 | 11.1 |  | 6.7 | 8.0 | 6.5 |
| Mar. | 5.6 | 5.3 | 4.6 | 8.5 | 10.6 | 13.2 | 8.0 | 6.0 | 6.5 |
| Apr. | 5.1 | 4.2 | 3.3 | 8.9 | 8.9 | 10.5 | 7.0 | 5.9 | 5.2 |
| May | 4.7 | 3.6 | 3.6 | 7.9 | 8.4 | 9.4 | 6.0 | 7.3 | 5.5 |
| June | 5.6 | 3.8 | 4.9 | 8.9 | 8.9 | 9.2 | 6.0 | 6.5 | 5.0 |
| July | 5.7 | 4.2 | 5.7 | 8.7 | 9.1 |  | 6.0 | 6.8 | 4.9 |
| Aug. | 6.5 | 4.5 | 6.0 | 9.8 |  | 8.7 | 6.0 | 7.0 | 5.7 |
| Sept. | 6.1 | 4.3 | 6.4 | 9.9 | 9.5 | 9.1 | 5.5 | 5.7 | 5.8 |
| Oct. | 6.1 | 4.4 | 5.8 | 9.9 |  | 9.0 | 5.5 | 6.2 | 6.8 |
| Nov. | 6.0 |  |  | 12.1 |  |  | 5.5 | 5.7 |  |
| Dec. | 6.2 |  |  |  |  |  | 4.2 |  |  |
|  | E(1) |  |  | F ${ }^{(2)}$ |  |  | G(3) |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 4.5 | 7.8 | 4.2 | 6.4 |  |  | 6.8 | 6.7 | 7.1 |
| Feb. | 5.6 | 6.0 | 5.1 | 7.7 |  |  | 8.3 | 7.6 | 6.9 |
| Mar. | 6.7 | 6.8 | 5.0 | 7.5 | 8.9 | 6.7 | 8.1 | 6.6 | 5.7 |
| Apr. | 7.5 | 7.2 | 5.4 | 7.6 | 8.3 | 7.1 | 5.6 | 5.9 | 6.0 |
| May | 5.6 | 4.3 | 5.4 | 6.8 |  | 5.5 | 6.9 | 4.1 | 5.3 |
| June | 6.9 | 4.1 | 6.4 | 7.2 | 7.9 | 4.8 | 6.3 |  | 4.4 |
| July | 6.0 | 4.9 | 5.6 | 7.1 | 8.7 |  | 5.9 | 6.6 | 5.5 |
| Aug. | 6.0 | 4.6 | 5.8 | 7.8 | 6.1 |  | 6.1 | 5.1 | 5.8 |
| Sept. | 6.8 | 4.3 | 6.3 | 8.0 | 5.4 |  | 6.3 | 5.5 | 6.0 |
| Oct. | 6.8 | 4.1 | 5.6 | 8.0 | 6.9 | 7.5 | 6.3 | 5.4 | N.A. |
| Nov. | 7.0 |  |  |  | 6.0 |  | 4.5 | 4.2 |  |
| Dec. | 5.6 |  |  | 6.1 |  |  | 4.7 |  |  |
|  | H (1) |  |  | $\mathrm{I}^{(1)}$ |  |  | NOTES: |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |  |  |  |
| Jan. | 9.9 | 13.7 | 13.7 | 4.7 | 4.2 | 2.1 | (1) Annual write-off <br> (2) Quarterly write-off <br> (3) Monthly write-off |  |  |
| Feb. | 8.8 | 11.7 | 8.6 | 3.9 | 5.4 | 3.6 |  |  |  |
| Mar. | 8.9 | 11.8 | 8.8 | 3.9 | 4.7 | 3.9 |  |  |  |
| Apr. | 8.1 | 11.0 | 8.7 | 3.4 | 4.6 | 3.1 |  |  |  |
| May | 12.8 | 12.4 | 11.2 | 3.7 | 4.2 | 3.0 |  |  |  |
| June | 13.9 | 11.6 | 10.6 | 3.9 | 4.7 | 3.1 |  |  |  |
| July | 13.0 | 10.9 | 10.2 | 5.3 | 4.7 | 3.2 |  |  |  |
| Aug. |  | 14.3 | 8.9 | 4.2 | 4.3 | 3.4 |  |  |  |
| Sept. |  | 14.4 | 10.7 | 4.2 | 3.7 | 4.1 |  |  |  |
| Oct. |  | 15.6 | 7.0 | 4.6 | 4.0 | 3.6 |  |  |  |
| Nov. | 11.0 | 13.2 |  | 3.9 | 3.2 |  |  |  |  |
| Dec. | 12.6 |  |  | 4.5 |  |  |  |  |  |

WHAT IS "BALANCE AT RISK"? "Balance at Risk" is the PERCENTAGE representing the relationship of the outstanding accounts receivable balances ON WHICH NO PAYMENT HAS BEEN RECEIVED FOR TWO CYCLES to the total of outstanding account balances.

WHY USE "BALANCE AT RISK"? With the development of revolving accounts conventional aging procedures proved unworkable. Stores attempted, often by hand, to age cycles at least once a year. Even the aging formula proved unworkable. At the same time customers, when charged additional service charge for the month in which payments were skipped, were not prone to catch up. Since most stores using a billing machine -- cycle posting system "flagged" accounts with two or more payments missed, it was simple to run an adding machine tape of "flagged" accounts for each tray on each billing date. Thus it was possible to have a complete QUALITY report every month, with considerably less cost than sampling each cycle once a year.

ARE THERE PROCEDURE RULES? Yes. The amount paid is disregarded (tests show that few customers make token payments). A single payment of ANY AMOUNT classifies the account as current (since it indicates acceptance of the amount billed and confirms the creditor's address). If no payment is made for two cycles the ENTIRE BALANCE (rather than the skipped payments) is considered at risk. Since no judgment is involved, any two clerks should get exactly the same total.

HOW CAN ONE INTERPRET THESE FIGURES? First, recognize that there is a seasonal pattern. Second, there is a build-up between write-off periods. Third, a store with 6 -month revolving terms should have a lower "balance at risk" percentage than one offering 24 -month revolving terms. Finally, variations between years, ON A COLLECTIVE BASIS, is a sensitive measure of changing credit climate.

HOW ARE REPORTS OBTAINED? Volunteer stores (largely clients) submit a SINGLE PERCENTAGE FIGURE once a month on a post card. YOU CAN VOLUNTEER.

## ROBERT KAHN AND ASSOCIATES BUSINESS COUNSELORS <br> P. O. BOX 343, LAFAYETTE, CALIFORNIA 94549 (415) $254-4434$

Bob---here is my Christmas List_---Send RETAILING TODAY tome-
Name Address City ZIP
$\qquad$
$\qquad$
$\qquad$
$\qquad$

Enclosed is my check for \$ $\qquad$ (at $\$ 10$ for one, $\$ 8$ each for two or more)

Your faithful reader $\qquad$
Company

3repared by Robert Kahn and Associates, Business Counselors. P.O. Box 343, Lafayette, California 94549 (415) 254-4434

Copyright 1968 Robert Kahn. Quotation or reproduction, in whole or in part, only by written permission.
Published Monthly. $\$ 10$ per year.

## NOVEMBER 1968

VOL. III, NO. 11

## BUSINESS INTERRUPTION LOSSES

Business interruption insurance does not require physical interruption of operation. Recently I assisted a client in settling two business interruption losses based on burglaries. In neither case did the store close.

One theft involved a significant part of the stock of men's suits. These goods could not be replaced, the regular sources cut only to orders placed months in advance. The loss was settled on the basis of comparing the actual sales during the months following the theft with an agreed projection of what sales would have been if the inventory had not been depleted.

The other case involved imported goods that could not be replaced.

The burglary policy covered the cost of the merchandise stolen and the business interruption policy covered the loss of gross argin. Obviously, this will not apply in the case of merchandise it can be immediately replaced. I would suspect that many a ntail store has had reimbursable claims they have not collected because they didn't understand their coverage.

## SOME SURPRISES ABOUT POSTAL RATES

I was interested in reading a speech by James H. Rademacher, Vice President of the National Association of Letter Carriers because it contained much information that is not available in the general press.

Mr. Rademacher points out that newspaper and magazines seldom report that second class mail pays only $21 \%$ of its allocated costs while third class mail pays $63 \%$. Of course, low second class rates are vital to the economic success of newspapers and magazines yet the same newspapers and magazines often attack, in editorials and articles, the use of third class mail by merchants.

Ever wonder why you get your Wall Street Journal promptly every morning while your own advertising may require 2 weeks to be delivered? Yet the Wall Street Journal pays substantially less for the same weight. Let me quote: "Certainly I have never read in any magazine or newspaper the admission that certain publications - and particularly the Wall Street Journal - receive "red tag" treatment - a special consideration costing the Post -ffice Department tens of millions of dollars a year - AND

IICH GIVES THOSE PUBLICATIONS PREFERENTIAL , EATMENT CONSIDERABLY SUPERIOR TO THAT WHICH IS AFFORDED FIRST CLASS AND AIR MAIL." (Emphasis added)

## YOU CAN'T SPECULATE IN INVENTORY

Retailers read business publications - and often they read stories about inventory planning. For example, there may be a report that industry is buying copper or steel in advance of their requirements because of an anticipated price increase. This is "inventory speculation."

Too often retailers feel that this is a practice for them to follow. They buy in advance of needs to protect themselves from a price increase. Unfortunately, a retailer cannot make this system work. The reason? He price-marks his goods.

Let's demonstrate why "inventory speculation" always equals "speculation loss" for the retailer. Let us assume that you are currently buying a staple item - the Swing Collar Shirt - that costs $\$ 3.60$ and sells for $\$ 6.00$. You have heard that the price of cotton, thread, buttons and labor are all going up. Rumor has it that prices will be $10 \%$ higher next year - which would indicate a $\$ 6.60$ shirt that costs $\$ 3.96$. So you rush in a big order at the old prices.

The shirts come in with the $\$ 6.00$ price either printed on the package or you put on your own price ticket. You are now over-stocked - and incurring interest cost, extra warehousing costs, and probably extra mark-downs resulting from damage and soiling.

But shortly you are pleased when you hear that prices have gone up - your "inventory speculation" has produced a profit. But then you find that the shirt manufacturer has changed the name of the "Swing Collar Shirt" to the "Twirling Collar Shirt" and it is pre-marked at $\$ 6.60$. It might be exactly the same shirt as before - but the customer is being exposed to intensive advertising that proclaims that it is different.

If your shirts were pre-priced by the manufacturer (perhaps in response to pressure from the stores who want to reduce marking costs) you have no way of taking advantage of the higher replacement cost. If you have marked it yourself, you are faced with the cost of removing the price ticket (and we are using more and more tickets and labels that are difficult to remove), putting new tickets on the merchandise, and are still left with soiled merchandise that will probably require excessive mark-downs in the future.

A retailer, with rare exception, must make his profit on his trading margin (buy for $\$ 3.60$ and sell for $\$ 6.00$, buy for $\$ 3.96$ and sell for $\$ 6.60$ ). If you want to speculate in inventory, consult a broker about buying futures in pork bellies - but don't hurt your business by fooling with your inventory.

## DID YOU DO YOUR SHARE?

The United Crusade campaign is probably over in your community - and most retailers did just a so-so job. It will remain that way until the boss becomes motivated. Here is what other stores Crusade.
. Montgomery Ward Serramonte - $66 \%$ of employees made Fair-Share gifts ( 1 day's pay for hourly people, $1 \%$ of salary for others) with an average gift of $\$ 28.00$

Grodin's of California had $72 \%$ Fair-Share givers with an average gift of $\$ 35.25$.

## MATCH YOUR ATTITUDES

The Stanford Business School Bulletin recently questioned 160 MBA candidates (ages 22 to 34), 28 members of the Young Presidents Organization (YPO) (ages 34 to 40 ) and 65 students in the Stanford Executive Program (SEP) (ages 34 to 58). The questions and the percentage of each group agreeing follows check yourself on your attitude.

1. A businessman is first a responsible citizen and second a
corporate member responsible to his stockholders. Agree: corporate member responsible
YPO $86 \%$, SEP $84 \%$, MBA $75 \%$.
2. It is not enough for businessmen just to make financial contributions to charitable organizations and provide salaried personnel for philanthropic work; they must put more of their
efforts into correcting societal problems. YPO $72 \%$, SEP $78 \%$, efforts int
MBA $70 \%$.
3. The tremendous problems created by our industrial society requires the businessman to give more consideration to the profitability than has been true in the past. YPO 54\%, SEP $63 \%$, MBA $80 \%$.
4. A responsible businesman must subject every decision he makes to the test of its long-run profitability to the firm. YPO
$79 \%$, SEP $69 \%$, MBA $49 \%$.
5. Businessmen should consider stockholders' interests first, and only after that consideration may they be interested in society's problems. YPO $72 \%$, SEP $48 \%$, MBA $20 \%$
6. Our system can best operate when private enterprise seeks to make a reasonable profit and lets other institu
social problems YPO $50 \%$, SEP $81 \%$, MBA $24 \%$.
7. We actually can do more harm than good by helping others without their working for the aid - they become dependen
and lose their self-respect. YPO $50 \%$, SEP $81 \%$, MBA $64 \%$.

In the final analysis people have to be accountable for makin 8. In the final analysis, people have to be accountable for making
their own way in this world. YPO $89 \%$, SEP $71 \%$, MBA $66 \%$, Which group do you identify with most closely? The Young Presidents - usually successful aggressive entrepreneurs. The agement executives working for someone else. The MBAs - the students of today and the owners or executives of tomorrow but perhaps still unknowledgeable about the "hard facts of business.'

Simon Stores had 98\% Fair-Share donors
But certain other firms rated even higher than these top retailers. Redwood National Bank had $100 \%$ Fair Share givers with an average gift of $\$ 70$.
. Richmond City Manager's Office averaged $\$ 78.28$.
.. City of Pittsburg Building Department was $100 \%$ with an average of $\$ 62.25$.
. San Francisco Chamber of Commerce had $80 \%$ Fair Share donors and an average of $\$ 64.45$

## THE HUNGRY I.R.S.

The Internal Revenue Service, more often than not, approaches the administration of the income tax laws from the point of raising the most money for the government. The Code is replete with references to acceptable accounting procedures. This means
little in actual practice - and, unfortunately, the courts have little in actual practice - and, unfortunately, the courts have
accepted principles for determining income that are at variance with sound accounting procedures.

Some years ago the I.R.S. challenged the accounting for unredeemed gift certificates. They claimed that because the store h ad the unrestricted right to use the money as of the date the gif certificate was sold, it was income at the time of sale. The income
was the FACE AMOUNT of the gift certificate - not the expected gross margin. When the certificate was honored, the store had a deduction. The I.R.S. won.

Just recently the Tax Court ruled that advance payments received y a furniture manufacturer for the construction of custom building the furniture fell in the following year. The key point was that the manufacturer was not LEGALLY obligated to refund any portion of the pre-payment although the company had consistently refunded all except the cost of the materials used if the customer refused delivery.

Stores that record prepayment of special order merchandise as deposits and do not include the transaction in sales until the rying to accelerate some income.

## SOCIAL SECURITY TAX INCREASE

Effective January 1, 1969, the rate goes up to $4.8 \%$ for both mployee and employer - from the present $4.4 \%$. The maximum
ubject to the tax remains at $\$ 7,800$.

The present schedule reaches a maximum rate of $5.9 \%$ on each party by 1987. In the past economists have pointed out that $10 \%$
$(5 \%$ on each party) is about the maximum that can be imposed $5 \%$ on each party) is about the maximum that can be impose methods of financing some benefits from general revenues.

## LOOKING AT THE LOCAL SCENE

## EDUCATION AND THE ECONOMY

California has created a spectacular new economy - the 6th st in the world. It is the first one based upon a resource that tangible - education. Already many states and foreign

At the root of the California economy is the interplay between
new ideas developed in our universities and the industries located new ideas developed in our universities and the industries located nearby that turn the ideas into commercial products. One of the the East Bay area (Standard Oil, Shell, Dow, etc.) and the chemistry department at University of California at Berkeley which has more Nobel Prize winners than any other Chemistry school. There is the entire electronic industry on the San
Francisco peninsula - a direct product of Professors Ryan Terman, Hansen and others at Stanford. In Southern California there is an equally old link between the aircratt-aerospace there is an equally
industry and Cal Tech.

Despite the brain-drain that California has perpetrated on the rest of the United States (just as the United States has drained the best brains from other countries), there has been a constant shortage of college trained people (but a growing surplus of
unskilled workers). The spply would be much less but for the unskilled workers). The spply would be much less but for the
effort to provide schools for the growing college enrollment effort to provide schools for the growing college enrollment.
Today California (Reagan) is trying to destroy its future by destroying the seed crop on which the economy is based. In the name of economy we are starting to restrict our supply of graduates - just
expanding theirs.

The technically oriented industry that former built California (near universities) is now looking elsewhere. Under today's Id more likely be located in southern Illinois - as would the many other firms such as Philco, Fairchild, etc. With the present attitude in California toward supplying the natural resource for a technical economy, why should a prudent company gamble on such enticements as "Build a research facility here and we will buy any university department you want and move it here."
The complete story is told in my article "Higher Education 12 cent postage-paid envelope to "Higher Education," P.O. Box 343, Lafayette, California 94549

## LOOKING AT THE LOCAL SCENE <br> EDUCATION AND THE BLACKS

The problem of minority students, and particularly the blacks, is not fully understood. First you must understand that education is not a matter of dispensing so many cubic feet of knowledge - it
is much more a matter of the capacity of individuals to absorb knowledge. Capacity is governed by three factors; basic intelligence of I.Q.; teaching environment; and home environment.
Many whites who protest the conduct of blacks are ones who come from home environments that made public school teaching come from home environments that made public school teaching
effective. By this I mean a home with both parents literate, with parents capable of assisting the child with his work, with less omic pressure because of a steady job, and in a home that is
wnen you realize that in 1960 the median number of school years completed by all blacks over 14 was just 8.6 years (not even a full year of high school) and for blacks over 35 it was only 7.3 years in a system designed to utilize the interplay between home and
school. When you consider that unemployment among blacks has schooi. Whtly been double the rate for whites - and that for those
consistent employed the family income is about $60 \%$ of the white home ( $70 \%$ outside the South), it becomes even more obvious that a negro child w.
identical I.Q.

Ghetto areas are in the older parts of town and usually have the older school plants. The very surroundings are not conducive to learning. The all-black school compares unfavorably with the
all-white school within the same school district. It does not have the amount of supplemental equipment provided by the PTA or Parents Club for the all-white school. As to items provided by the district, a comparison will show fewer books per student in the
library, fewer slide and movie projectors per 100 students. library, fewer slide and movie projectors per 100 students. From
the district's point of view they may argue that they originally provided the same equipment to both schools but that the students in the black school destroyed their equipment. This is probably true - but it doesn't change the fact that because of a
lack of equipment the quality of education is lower. Finally, as leachers gain seniority (and presumably skill) they tend to seek more satisfying circumstances and get transfers to higher-income areas (which tend to have higher IQ children), lowering the
quality of teaching in black schools.

But conditions are changing. If we look at the first age group after completion of normal education (ages 25 to 34 ) we find that in 1960 the blacks had completed a median of 10.3 years
against 12.3 for the white - a 2 -year difference. Just 7 years later against 12.3 for the white - a 2 -year difference. Just 7 years later
the gap had been cut to 12.5 vs 12.1 years. By $1967,5.6 \%$ of the blacks had completed 4 or more years of college compared with $15.0 \%$ of the whites.
The improved level of education among blacks in the 25-34 age group is both a sign of hope and the cause for concern. The hope is that the next generation of blacks will be reared in homes with a significantly different educational background. But the cause more aware than their parents of the low quality education that they have received - and that most are not prepared for college. educational system - reforms designed to bring black education to the level of white education. Unfortunately, most blacks are problems and do not have the resources (nor will the electorate approve the necessary tax rate) to make the changes. The demand that the school authorities, lacking funds to provide quality education for BOTH white and black, cut down on expenditures
for white schools obviously meets resistance from the white parents, the white press and the white administrators.
On the matter of college admission, many blacks are discovering at the age of $18-22$ that college is necessary if they are to use the mental ability that they have. Unfortunately, the combination of teaching has delivered them at the end of high school in a condition where they do not qualify for admission to college. It
does the present $18-22$ year old no good to tell him that the white community will try to solve this problem over the next 10 or 20 years, IF the money becomes available. A black man of 20 wants to live his life up to the maximum of his mental ability because an intelligent but uneducated and rejected black 20 -yearold will be a problem to society for the next 50 years). This black man knows that the schools that have experimented with admission of "non-qualified" black students (which includes such schools as Harvard) have seen a high percentage of such students
successful. In fact, there is now evidence that the "college board examinations" are not valid predictors of college performance. Soon we may see new (and better) testing methods. (more)

Out of this knowledge that many "non-qualified" blacks can satisfactorily complete college has come the demand that California institutions admit every black that applies. Please note that THE DEMAND IS SOLELY THAT THEY BE ADMITTED; no demand has even been made that they be kept as students if they cannot do the work. Few blacks are going to apply for admission if they don't think they can do the work; probably those that do apply will, on balance, be more highly motivated than the typical white student. Going to college means a substantial sacrifice for the black student and his family - just as it does for the white student and his family

There can be no question that the higher the percentage of college graduates among our black citizens, the less likely that black-white conflicts will exist and the more likely that blackwhite objectives will become similar. In a society that demands longer and longer educational preparation in order to find a useful place, the denial of that educational opportunity to a readily identifiable segment of our society can only produce great internal stress.

A problem again arises when one considers that our educational facilities are limited (and in California Governor Reagan's special committee has recommended deferral of new construction as an economy program). In the next 15 years we will have to provide for double the number of students. If more black students are admitted then fewer white students will be admitted. The whites cry "injustice!", particularly when the excluded whites are so-called "qualified" students and the admitted blacks are so-called "non-qualified" students.

## LOOKING AT THE LOCAL SCENE BLACKS AND VIOLENCE

There is no logical excuse in our society for violence as means of enforcing the demands of a minority on the majority. But logic also demands that a fair majority not deprive the black minority of their basic rights to education.

In the early attempts to attain their educational goals many black groups threatened violence and found an immediate "up-tight" reaction from the white community. When they actually perpetrated violence they found that the "up-tight" condition became worse - but that the white community did start acting on the demands and correcting situations that should have been changed decades ago. With this success, violence spread to more schools and became increasingly frequent.

With the rise of violence the white community has found a reason for retaliation (both with force and with defeat of election issues designed to solve the capacity problem.) It is obvious to the black community that the effectiveness of violence has been materially reduced. Since education is still the basic goal and since most of the black leaders are basically intelligent, it is my conviction that we are now passing the peak of black student violence. Black students would rather get the education they know they are entitled to than destroy the house in which education is conducted.

I think that the school year starting in September 1969 will see a marked reduction in such violence.

## LOOKING AT THE LOCAL SCENE THE RETAILER AND HIS COMMUNITY

The retailer prides himself on dealing directly with the community - one customer (citizen) at a time. He prides himself in being concerned about affairs in his local community. The leading retailers have always played a key part in the development of their community.

You are a leading retailer. You have the power to mold public opinion. You talk to friends, fellow executives, and employees. I hope that this discussion of "Looking at the Local Scene" will stimulate your own thoughts and analysis.

I would be most interested in hearing your comments.

## BANKRUPTCIES DECLINING

Although the number of BANKRUPTCY CASES COMPLETED during the year ending June 30, 1968 showed a slight increase (198,000 against 193,000), the number of PETITIONS FILED DECLINED from 208,000 to 198,000 . This is only the second decline since the end of World War II. The entire decline was in non-business bankruptcies as the business cases remained constant $(16,600)$. The use of Chapter XIII (Wage Earner Plan) increased to about $16 \%$ of personal bankruptcies.

## DANGERS IN UNIFORM ACCOUNTING

There is increasing pressure from the S.E.C. and others for the accounting profession to come up with uniform accounting practices for industries.

Retailers might reflect on this point now - before action is taken. Retailers usually think that they are all using the same accounting method. Yet let us look at some of the variances that exist within the industry:
... Most retailers use First-In, First-Out for determining inventory value; a smaller number use Last-In, First-Out (LIFO). Over the years since World War II consistent use of LIFO would materially reduce your valuation of the inventory and the worth or retained earnings.
. . Many retailers are leasing a substantial part of their equipment, often on leases approximating the guide-line life of the asset. Some firms capitalize their leases and others do not. Some leases have termination clauses and others do not.
... Some retailers take discounts on purchases into income at the time the purchase is entered - while others defer it until the goods are sold. The latter practice is recommended by NRMA but probably a minority of stores do this.
... Stores subject to union contracts can often accrue earned but unpaid vacation pay while stores without union contracts often cannot because of lack of a contractual obligation to pay.
... Growing stores that expand and remodel frequently may write off identically fixed assets much faster than do stores that may remodel every 15 to 25 years.
.. . Taxes are deferred by reporting revolving accounts on an installment basis or by use of accelerated depreciation.
... Some stores write off all display materials and mannequins while others capitalize portions.
... Stores follow (consistently) different practices on valuing old or shopworn merchandise for inventory purposes.

The prospects of ever gaining uniformity in accounting is sligh it does come it will come on an arbitrary basis forced on the industry and will not accomplish what the proponents hope to gain.

## RETAILING TODAY - STATISTICAL SUPPLEMENT

## CREDIT OFFICE RATING

The Honor Roll is still high - with 11 stores represented

## HONOR ROLL

$\left.\begin{array}{lc} & \text { AVERAGE } \\ \text { DAYS }\end{array}\right\}$

|  | AVERAGE <br> DAYS |
| :--- | :---: |
| STORE | TO BILL |

Regular readers may not recognize the progress that stores have made over the years that the CREDIT OFFICE RATING has been issued - but in October 1966 - two years ago - the average was 7.5 days, a $12 \%$ improvement.

## SEPTEMBER 1968

NO. OF
REPORTS
DAYS TO BILL
AVERAGE
RANGE

OCTOBER 1968

| AVERAGE | RANGE | REPORTS |
| :---: | :---: | :---: |
| 5.0 | 5 | - |
| 7.0 | 7 | - |
| 5.5 | 5-6 | 2 |
| 6.0 | 6 | - |
| 11.4 | 3-16 | 4 |
| 10.0 | 8-12 | 3 |
| 12.5 | 12-13 | 1 |
| 7.0 | 7 | - |
| 12.0 | 12 | 1 |
| 9.0 | 9 | - |
| 4.0 | 4 | 1 |
| 5.0 | 5 | , |
| 3.8 | 3-4 | 4 |
| 5.3 | 3-9 | 16 |
| 15.0 | 15 | 2 |
| 9.0 | 9 | 1 |
| 6.5 | 6-7 | 3 |
| 6.4 | 5-10 | 6 |
| 4.5 | 4-5 | 1 |
| 9.5 | 8-11 | 2 |
| 6.0 | 6 | 1 |
| 4.0 | 3-5 | 1 |
| 4.5 | 4-5 | 3 |
| 4.0 | 4 | 4 |
| 4.0 | 3-6 | 3 |
| 8.0 | 8 | - |
| 7.0 | 7 | 2 |
| 11.0 | 11 | 2 |
| 5.0 | 5 | 2 |
| 4.3 | 4-5 | 4 |

DAYS TO BILL AVERAGE

RANGE

Bloomingdales (NYC)
Books Inc.
Brown-Mahin
Bullock \& Jones
Capwell's
City of Paris
Emporium
Gertz Dept. Store (NYC)
-odin's
p's
nunk's
Hinshaws
Holman's
Levy Bros.
Livingston Bros.
Macy's (NYC)
Macy's
I. Magnin
J. Magnin

Montgomery Ward
Penney's
Podesta Baldocch
Rhodes
Ross Dept. Store
Sears
Frnklin Simon (NYC)
Simon's
United Factors
Wallach's (NYC)
Wineman's (LA)
TOTAL

| 1 | 5.0 | 5 |
| :---: | :---: | :---: |
| 1 | 7.0 | 7 |
| 2 | 5.5 | $5-6$ |
| 1 | 6.0 | 6 |
| 5 | 11.4 | $3-16$ |
| 2 | 10.0 | $8-12$ |
| 2 | 12.5 | $12-13$ |
| 2 | 7.0 | 7 |
| 1 | 12.0 | 12 |
| 1 | 9.0 | 9 |
| 1 | 4.0 | 4 |
| 1 | 5.0 | 5 |
| 1 | 3.8 | $3-4$ |
| 5 | 5.3 | $3-9$ |
| 16 | 15.0 | 15 |
| 1 | 9.0 | 9 |
| 1 | 6.5 | $6-7$ |
| 4 | 6.4 | $5-10$ |
| 10 | 4.5 | $4-5$ |
| 2 | 9.5 | $8-11$ |
| 2 | 4.0 | 6 |
| 1 | 4.5 | $3-5$ |
| 2 | 4.0 | $4-5$ |
| 2 | 4.0 | $3-6$ |
| 1 | 7.0 | 8 |
| 3 | 1.0 | 7 |
| 1 | 5.0 | 11 |
| 1 | 4.3 | $4-5$ |
| 2 | 6.6 | $3-15$ |
| 1 |  |  |

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

WHAT HAPPENED - THEN AND SINCE? Initially I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established from the beginning, at 5 working days between cycle closing date and postmark date. Many stores have reported pride - both to management and credit and data processing personnel in being listed on the Honor Roll.

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

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

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

## BALANCE AT RISK

The trend toward poorer collection (higher percentage of balances "at risk" or 2 cycles without a payment) continued into October as shown below:

| LOWER \% | SAME \% | HIGHER \% |
| :---: | :---: | :---: |
| AT RISK | AT RISK | AT RISK |

July

| 6 | 0 | 2 |
| :--- | :--- | :--- |
| 4 | 0 | 3 |
| 2 | 0 | 5 |
| 2 | 0 | 4 |

BALANCE AT RISK

|  | $A^{(1)}$ |  |  | B 3 ) |  |  | C(3) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 7.0 | 5.5 | 4.8 | 7.0 |  |  | 5.0 |  | 6.2 |
| Feb. | 6.0 | 5.6 | 4.8 | 7.6 | 11.1 |  | 6.7 | 8.0 | 6.5 |
| Mar. | 5.6 | 5.3 | 4.6 | 8.5 | 10.6 | 13.2 | 8.0 | 6.0 | 6.5 |
| Apr. | 5.1 | 4.2 | 3.3 | 8.9 | 8.9 | 10.5 | 7.0 | 5.9 | 5.2 |
| May | 4.7 | 3.6 | 3.6 | 7.9 | 8.4 | 9.4 | 6.0 | 7.3 | 5.5 |
| June | 5.6 | 3.8 | 4.9 | 8.9 | 8.9 | 9.2 | 6.0 | 6.5 | 5.0 |
| July | 5.7 | 4.2 | 5.7 | 8.7 | 9.1 |  | 6.0 | 6.8 | 4.9 |
| Aug. | 6.5 | 4.5 | 6.0 | 9.8 |  | 8.7 | 6.0 | 7.0 | 5.7 |
| Sept. | 6.1 | 4.3 | 6.4 | 9.9 | 9.5 | 9.1 | 5.5 | 5.7 | 5.8 |
| Oct. | 6.1 | 4.4 | 5.8 | 9.9 |  | 9.0 | 5.5 | 6.2 | 6.8 |
| Nov. | 6.0 |  |  | 12.1 |  |  | 5.5 | 5.7 |  |
| Dec. | 6.2 |  |  |  |  |  | 4.2 |  |  |
|  | E(1) |  |  | F ${ }^{(2)}$ |  |  | G(3) |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 4.5 | 7.8 | 4.2 | 6.4 |  |  | 6.8 | 6.7 | 7.1 |
| Feb. | 5.6 | 6.0 | 5.1 | 7.7 |  |  | 8.3 | 7.6 | 6.9 |
| Mar. | 6.7 | 6.8 | 5.0 | 7.5 | 8.9 | 6.7 | 8.1 | 6.6 | 5.7 |
| Apr. | 7.5 | 7.2 | 5.4 | 7.6 | 8.3 | 7.1 | 5.6 | 5.9 | 6.0 |
| May | 5.6 | 4.3 | 5.4 | 6.8 |  | 5.5 | 6.9 | 4.1 | 5.3 |
| June | 6.9 | 4.1 | 6.4 | 7.2 | 7.9 | 4.8 | 6.3 |  | 4.4 |
| July | 6.0 | 4.9 | 5.6 | 7.1 | 8.7 |  | 5.9 | 6.6 | 5.5 |
| Aug. | 6.0 | 4.6 | 5.8 | 7.8 | 6.1 |  | 6.1 | 5.1 | 5.8 |
| Sept. | 6.8 | 4.3 | 6.3 | 8.0 | 5.4 |  | 6.3 | 5.5 | 6.0 |
| Oct. | 6.8 | 4.1 | 5.6 | 8.0 | 6.9 | 7.5 | 6.3 | 5.4 | N.A. |
| Nov. Dec. | 7.0 |  |  |  | 6.0 |  | 4.5 | 4.2 |  |
|  | 5.6 |  |  | 6.1 |  |  | 4.7 |  |  |
|  | H (1) |  |  | $\mathrm{I}^{(1)}$ |  |  | NOTES: |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |  |  |  |
| Jan. | 9.9 | 13.7 | 13.7 | 4.7 | 4.2 | 2.1 | (1) Annual write-off <br> (2) Quarterly write-off <br> (3) Monthly write-off |  |  |
| Feb. | 8.8 | 11.7 | 8.6 | 3.9 | 5.4 | 3.6 |  |  |  |
| Mar. | 8.9 | 11.8 | 8.8 | 3.9 | 4.7 | 3.9 |  |  |  |
| Apr. | 8.1 | 11.0 | 8.7 | 3.4 | 4.6 | 3.1 |  |  |  |
| May | 12.8 | 12.4 | 11.2 | 3.7 | 4.2 | 3.0 |  |  |  |
| June | 13.9 | 11.6 | 10.6 | 3.9 | 4.7 | 3.1 |  |  |  |
| July | 13.0 | 10.9 | 10.2 | 5.3 | 4.7 | 3.2 |  |  |  |
| Aug. |  | 14.3 | 8.9 | 4.2 | 4.3 | 3.4 |  |  |  |
| Sept. |  | 14.4 | 10.7 | 4.2 | 3.7 | 4.1 |  |  |  |
| Oct. |  | 15.6 | 7.0 | 4.6 | 4.0 | 3.6 |  |  |  |
| Nov. | 11.0 | 13.2 |  | 3.9 | 3.2 |  |  |  |  |
| Dec. | 12.6 |  |  | 4.5 |  |  |  |  |  |

WHAT IS "BALANCE AT RISK"? "Balance at Risk" is the PERCENTAGE representing the relationship of the outstanding accounts receivable balances ON WHICH NO PAYMENT HAS BEEN RECEIVED FOR TWO CYCLES to the total of outstanding account balances.

WHY USE "BALANCE AT RISK"? With the development of revolving accounts conventional aging procedures proved unworkable. Stores attempted, often by hand, to age cycles at least once a year. Even the aging formula proved unworkable. At the same time customers, when charged additional service charge for the month in which payments were skipped, were not prone to catch up. Since most stores using a billing machine - cycle posting system "flagged" accounts with two or more payments missed, it was simple to run an adding machine tape of "flagged" accounts for each tray on each billing date. Thus it was possible to have a complete QUALITY report every month, with considerably less cost than sampling each cycle once a year.
ARE THERE PROCEDURE RULES? Yes. The amount paid is disregarded (tests show that few customers make token payments). A single payment of ANY AMOUNT classifies the account as current (since it indicates acceptance of the amount billed and confirms the creditor's address). If no payment made for two cycles the ENTIRE BALANCE (rather than the skipped payments) is considered at risk. Since no judgment is involved, any two cler should get exactly the same total.

HOW CAN ONE INTERPRET THESE FIGURES? First, recognize that there is a seasonal pattern. Second, there is a build-up between write-off periods. Third, a store with 6 -month revolving terms should have a lower "balance at risk" percentage than one offering 24 -month revolving terms. Finally, variations between years, ON A COLLECTIVE BASIS, is a sensitive measure of changing credit climate.

HOW ARE REPORTS OBTAINED? Volunteer stores (largely clients) submit a SINGLE PERCENTAGE FIGURE once a month on a post card. YOU CAN VOLUNTEER.

Prepared by Robert Kahn and Associates, Business Counselors.
P.O. Box 343, Lafayette, California 94549 (415) 254-4434

Copyright 1968 Robert Kahn. Quotation or reproduction, in whole or in part, only by written permission. Published Monthly. $\$ 10$ per year.

## DECEMBER 1968

## SEARS LOOKS FOR \$2.8 BILLION IN SALES

Sears recently anounced plans to add $28,000,000$ square feet of store space which would represent another $\$ 2.8$ billion in sales. This is more sales than any other general merchandise chain except for Penney's - but is only normal expansion for Sears.

A merchant must ask: where will Sears get this volume? Most retailers are aware of the move by Sears into local TV advertising (See RT Oct. 1968 - "Move Over - P\&G and GM"). Most retailers are aware of Sears' increased national magazine advertising (LIFE, LOOK, POPULAR MECHANICS, etc.). Some retailers are aware of moves into new territories as well as expanding coverage of existing territories.

But I venture that few are aware of the increased advertising to the $23,000,000$ black Americans through EBONY and other media. In the December issue of EBONY Sears had 7 full pages, including 3 in color. This is more than the combined advertising of General Motors for all of their cars. The ads included a page of Diehard batteries at $\$ 29.95$, a page in color on their deluxe hand mixer (without mentioning prices), a double-truck (with one page in color) on Sears "The Men's Store", a page on self-sealing tires at $\$ 39.02$ to $\$ 57.55$, a page on hair clippers at "under $\$ 25$ ", and a color page on panty girdles and bras at "under $\$ 8$ " and "under \$5" respectively.

In the November EBONY Sears ran a page on Diehard batteries at $\$ 29.95$, a double-truck (one page in color) on custom tailored men's suits at $\$ 90$ to $\$ 190$, a page on a 12 -cup coffeemaker, a page on steel radial tires at $\$ 45.08$ to $\$ 58.33$, a page on toasters, and a page in color on their "Screamer Bike".

## INSURANCE COVERAGE - VALUABLE PAPERS

Have you installed a computer or a tab card system? Are you using a service bureau for part of your work load? Have you increased the number of departments where you keep unit stock records? Have you installed Execumatic or other stock keeping systems?

If so, you had better review your insurance coverage on "valuable papers". Your insurance broker can guide you - but the coverage that you are seeking is against the cost of reconstructing records. This may involve re-inventorying dozens of departments or reconstructing data from individual documents. If a computer is involved this would mean protection of father and grandfather tapes (hopefully at least one of which is stored off the premises) as well as data on your programs (again, a duplicate off-premises will reduce cost). In the case of service bureau usage you have the ( problem of protecting your papers and your program on another firm's premises.

Coverage should be as broad as possible. In the case of magnetic tape, investigate the possibilities of destruction from electrical storms, voltage fluctuation, or computer malfunction.

## THE FALLACY OF FLUCTUATING INVENTORY

In trying to be scientific, mathematicians are concentrating on such archaic tools as stock-sales ratios and inventory turn-over rates.

The retailing industry has lost more sales, antagonized more customers, and created more myths through arbitrary inventory manipulation than by any other means.

The 1967 M.O.R. shows that monthly sales as a percentage of annual volume (excluding the November-December season) fluctuates between $5.4 \%$ of the year (for 28 -day February) and $8.7 \%$ (September). This is a range of from $26 \%$ below to $19 \%$ above the average of $7.3 \%$ for 10 months.

It is my contention that if inventory planning during these months had been based on A FIXED DOLLAR INVENTORY INVESTMENT a better in-stock position would have been maintained, inventory would be closer to planned figures, and markdowns would have been lower.

Let us use an Arrow shirt stock to illustrate. There are 7 collar sizes ( 14 to 17) and 5 sleeve lengths ( 32 to 36 ). We need 35 sizes per style. With 3 shirts per size this is 105 shirts. For 4 collar styles we need 420 shirts. At $\$ 5.00$ retail this represents an inventory of $\$ 2,100$. We need this $\$ 2,100$ inventory whether monthly sales are $\$ 200$ or $\$ 500$ or $\$ 750$. And we need replacement orders (open-to-buy) AFTER the sale is made. Some inventory increase should occur in anticipation of Christmas but this should not be equal to the expected sales.

If management is not satisfied with the return on inventory, they must decide to eliminate a collar style, eliminate Arrow altogether, or restrict the size range stocked. They cannot accomplish this by manipulating their dollar open-tobuy.

The fallacy to open-to-buy computations is that the allowed inventory increase PRIOR TO A SALES PEAK permits the buyer to spend too many dollars for discretionary purchases and this restricts the dollars available after the selling peak for replenishing what was actually sold. The excessive purchase of discretionary merchandise results in post-peak markdowns. The shortage of dollars for stock replacement results in out-of-stock in many classifications and requires management to approve orders over buying limits with the resultant excess inventory investment.

Sound inventory planning must start with a dollar reconciliation of the stocks necessary to provide style-size-colorbrand commitments already approved for the department. When this amount is known (adjusted by a factor representing the percentage of model stock normally on hand), then inventory fluctuations in the open-to-buy plan should be allowed only for major sales peaks.

## INSURANCE COVERAGE - EMPLOYEE BENEFITS

Most stores are aware of the tremendous savings offered by group
life insurance over the corresponding amount written on individulife insurance over the corresponding amount written on individu-
al term insurance policies. This has been one major reason why this form of employee benefit is so widespread.
The lower cost is made possible by reduced administrative expenses within the insurance company, a lower commission paid to
the broker, and the reduced risk when the coverage is available only to persons that are full-time, active employees.
The same "buying power" can be applied to group disability income benefits and workmen's compensation insurance benefits, the cost becomes negligible. The appeal is greatest for employees making over $\$ 600$ per month - and your group can be restricted to these employees.

Recently I have assisted several clients in providing this coverage - and in several cases the cost has been so nominal and the benefits so great that the employees have been willing to pay the entire cost of the program (with better than a ${ }^{\text {YOU }}$ ( sign-up). if NOTE.

## "UP TIGHT" THINKING ABOUT BANK CREDIT CARDS

I sometimes wonder about the thinking capacity of some of the vocal members of the retailing industry. Lately there has been a lot of space devoted to spokesmen opposing bank credit cards They argue (1) the banks are getting into the retailers' business,
(2) store costs will be increased if bank cards are honored and these costs will have to be passed on to the consumer, (3) a store needs their credit customer mailing list, and (4) the bank card destroy customer loyalty
Every study that I have seen in recent years indicates that holder of store credit cards are not loyal to one store - in fact, studie on common billing service show a high percentage of duplication among major stores in a community. The analysis of extra costs through bank cards.

Actually, the readers of RT have better information on the impact of bank cards on a store's credit pattern than I have see published in any other source.

The one thing that protesting retailers are forgetting is that the unexpected success of recent bank card ventures (particularly Master Charge and the Interbank Card exchange) indicates that customers like the arrangements. I would assume that the pruden
merchant who sees success through pleasing customers will "lis ten" more closely to the actions of his customers than to the crie of a few major speakers - even if that speaker is given his plat form by a national retail organization.
If you think about the matter carefully, you may see that the spread of bank cards will probably benefit all retailers EXCEPT the very large ones (who may have account penetration to match the bank cards) - and then you might conclude that some of these warnings are not aimed
efit from the smaller retailers.

HOW TO REDUCE PRINTING COSTS
Have you tried the new instant printing firms? These are com-off-set and then using a fast-change off-set printer. This newsle ter is printed by one such firm - Instant Print in Oakland. In the os Angeles area there is ZIP Printing (which advertises regularl in the Wall Street Journal). There is even a growing franchis from $\$ 2.50$ to $\$ 2.75$ for 100 up to $\$ 8-\$ 9$ for 1,000 . Copy must be delivered "camera ready". Runs can be made while you wait although you can save labor costs by mailing in your copy and
having the printed material returned by UPS.
recently checked an inventory form for a client - one that involved padding and perforating but did not require consecutive numbering. The last order cost $\$ 95$ from a printer and will cost
about $\$ 45$ using INSTANT PRINT.

## LOWER UNEMPLOYMENT INSURANCE COSTS

Shortly California employers will receive a notice of their new
unemployment insurance rate for 1969 - and it will be on the "low schedule" rather than the "high schedule" used in 1968, If your reserve represented between $10 \%$ and $11 \%$ of your averag base payroll, you paid $1.9 \%$ this year (plus $1 \%$ for basic unemployment insurance - for a total of $2.9 \%$ ). With the same reserv percen.

If the higher employment rate in 1968 (and thus smaller claims or benefits) also applied to you, your reserve may have increased nd your savings may be even more. The maximum possible sav
ings WITH THE SAME RESERVE RATIO is $0.8 \%$ of payrol (applicable where the reserve is more than $17 \%$ ).

## CHANGES IN UNEMPLOYMENT INSURANCE LAWS

There have been several changes in the California law which will reduce costs slightly. You may exclude from payroll subject to the unemployment insurance tax, BUT ONLY AFTER OBTAIN-
ING A RULING, payments made on termination due to death, disability retirement or age retirement if those payments would not have been made if the employee had not been terminated. any transitional payments, severance pay, and like.

Your reserve will no longer be charged for benefits paid a person who was terminated because of an absence of 24 hours or more because of being in jail IF he is subsequently convicted, pleads If YOU PROTEST PROPERLY AND OBTAIN A RULING, for benefits paid an employee who was a temporary student employee and whose employment ended when he returned to school at the close of the vacation period. This latter point would particularly apply to summer and Christmas temporaries.

## DO YOU CHECK FLOOR RECEIVINGS?

More and more stores THINK THEY HAVE FOUND AN ECONOMY by allowing factory or jobber salesmen to service stocks on some of your small houseware items. If so, think carefully about the lesson from just one food store. They checked their deliveri on just one day and found that they would have signed for th following merchandise THAT WAS NOT DELIVERED: 2 loaves of bread, 3 cases of soda pop,
packages of lady fingers - a retail value of about $\$ 25$ !

## CREDIT OFFICE RATING

Again we have 11 stores on the Honor Roll (including Wineman's-LA - which were omitted in printing the list last month)

| Store | Average Days to | Store | Average Days to | Store | $\begin{aligned} & \text { Average } \\ & \text { Days to } \\ & \text { Bill } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Robert Kirk (SF) | 3.8* | Sears (Bay Area) | 4.3 * | Ransohoffs | ${ }_{5}^{5.0}{ }_{\text {c }}$ |
| Abreham \& Strauss (NYC) |  | Ross Dept. Store | ${ }_{5.0}^{4.6}$ | ${ }_{\text {Simon }}^{\text {Wallachs (NYC) }}$ | ${ }_{5.0}$ |
| Holman's ${ }^{\text {Abramen }}$ | 4.2* | Macy's (SF) | 5.0 | *indicates client |  |

The average for the entire sample was just 6.1 days - the lowest on record. This compares with 7.6 days for November last year and
7.2 days in November 1966 .

|  | NOVEMBER 1968 |  |  | OCTOBER 1968 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\stackrel{\text { NO. OF }}{\text { REPORTS }}$ | $\begin{aligned} & \text { DAY } \\ & \text { AVERAG } \end{aligned}$ | bill RANGE | NO. OF REPORTS | $\begin{aligned} & \text { DAY } \\ & \text { AVERAG } \end{aligned}$ | Bill RANGE |
| Abercrombie \& Fitch | 2 | 9.5 | 9-10 | - |  |  |
| Abraham \& Straus (NYC) | 1 | 4.0 | 4 |  |  |  |
| Books, Inc. | 1 | 12.0 | 12 | 1 | 7.0 | 7 |
| ${ }^{\text {Brooks Bros. }}$ | 1 | 7.0 | 7 | $\cdots$ |  |  |
| Brown-Mahin | 2 | 10.5 | 10-11 | 2 | 5.5 | 5-6 |
| ${ }_{\text {Bullock \& Jones }}^{\substack{\text { Bup } \\ \text { Capell's }}}$ | ${ }_{5}^{2}$ |  |  |  |  |  |
| Capwell's | ${ }_{2}^{5}$ | $\begin{aligned} & 13.0 \\ & 9.0 \end{aligned}$ | $\begin{gathered} 12-15 \\ 7-11 \end{gathered}$ | 5 | 11.4 10.0 10 | - ${ }_{8}^{3-16}$ |
| City of Paris | ${ }_{1}$ | 11.0 | $7-11$ <br> 11 |  | ${ }_{12.5}^{10.0}$. |  |
| G.E.T. |  | 9.0 | ${ }_{9}^{11}$ |  |  | 12-13 |
| Gertz Dept. Store (NYC) | 1 | 5.0 | 5 |  | 7.0 | 7 |
| Grodin's | 1 | 13.0 | 13 | 1 | 12.0 | 12 |
| Gump's | 3 | 9.7 | 7-11 | 1 | 9.0 | 9 |
| Hastings | 2 | 12.5 | 11-12 |  |  |  |
| Hink's | 3 | 5.7 | 3-8 | 1 | 4.0 | 4 |
| Holman's |  | 4.2 |  | 5 | 3.8 | 3-4 |
| Robert Kirk Ltd. |  | 3.0 | 3 | - | 3.8 | 3-4 |
| Levy Bros. | 16 | 7.0 | 5-9 | 16 | 5.3 | 3-9 |
| Mack's (SF) | 4 | 5.0 6.3 | 5-7 | 4 10 | 6.5 | 6-7 |
|  |  |  |  |  |  |  |
| Montgomery Ward | 3 | 6.3 | $6-7$ | 2 | 9.5 | 8-11 |
| ${ }_{\text {Penney 's }}$ Ransohoff's | ${ }_{1}$ | 5.0 | 5 |  |  |  |
| Rhodes |  | 7.0 | 7 | 2 | 4.5 | $4-5$ |
| Ross Dept. Store | 7 | 4.6 | 4-5 | 1 | 4.0 | 4 |
| Saks 5th Ave. |  |  |  |  |  |  |
| Sears | 4 | 4.3 | 4-5 | 3 | 4.0 | 3-6 |
| Simon Bros. | 1 | ${ }_{5}^{6.0}$ | 6 |  |  |  |
| Simon's Smiths | 1 | 5.0 | 5 | 1 | 7.0 | 7 |
| A. Sulka \& Sons |  |  |  | -- | -- | -- |
| Tiffany \& Co. (SF) | 1 | 14.0 | 14 |  |  |  |
| United Factors | 1 | 10.0 | 10 | 2 | 11.0 | 11 |
| Wallach's( (NYC) | ${ }_{4}^{1}$ | 5.0 3.8 | 3-4 | ${ }_{4}^{1}$ | 5.0 4.3 | 5-5 |
| total | 88 | 6.1 | 3-15 | 69 | 6.7 | 3-16 |

WHY A CREDIT OFFICE RATING? The Unruh Act (in California) controlling revolving accounts went into effect about 1963 just as the Office of Consummer could pay their bills. Consumer groups were proposing laws that would have been impossible to meet with equipment and procedures in major stores. The
CREDIT OFFICE RATING was initiated to bring this problem to the attention of influential people with WHAT HAPPENED - THEN AND SINCE? Initially I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established from the beginning, at 5 working
days between cycle closing date and postmark date. Many stores have reported pride - both to management and credit and data processing personnel in

HOW IS TIME COMPUTED? We do NOT count the cycle closing date but do count the postmark date, and then deduct Sundays and those holidays osserved by the preponderance of stores.
HOW ARE FIGURES COLLECTED? Volunteer reporters send in form postcards reporting their own bills showing store name, closing date and postmark
date. On receipt of one report, another form is forwarded. YOU CAN VOLUNTEER TO SERV AS A REPORTER.
START YOUR OWN REPORT. Every store should ke
similar report and I will be glad to assist any such group.
RETAILING TODAY - DECEMBER 1968

BALANCE AT RISK
Too few stores reported either this November or last November or both to determine a trend. However, the apparent improvemen payment.

| MONTH | A ${ }^{(1)}$ |  |  | B(3) |  |  | c(3) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 7.0 | 5.5 | 4.8 | 7.0 |  |  | 5.0 |  | 6.2 |
| Feb. | 6.0 | 5.6 | 4.8 | 7.6 | 11.1 |  | 6.7 | 8.0 | 6.5 |
| Mar. | 5.6 | 5.3 | 4.6 | 8.5 | 10.6 | 13.2 | 8.0 | 6.0 | 6.5 |
| Apr. | 5.1 | 4.2 | 3.3 | 8.9 | 8.9 | 10.5 | 7.0 | 5.9 | 5.2 |
| May | 4.7 | 3.6 | 3.6 | 7.9 | 8.4 | 9.4 | 6.0 | 7.3 | 5.5 |
| June | 5.6 | 3.8 | 4.9 | 8.9 | 8.9 | 9.2 | 6.0 | 6.5 | 5.0 |
| July | 5.7 | 4.2 | 5.7 | 8.7 | 9.1 |  | 6.0 | 6.8 | 4.9 |
| Aug. | 6.5 | 4.5 | 6.0 | 9.8 |  | 8.7 | 6.0 | 7.0 | 5.7 |
| Sept. | 6.1 | 4.3 | 6.4 | 9.9 | 9.5 | 9.1 | 5.5 | 5.7 | 5.8 |
| Oct. | 6.1 | 4.4 | 5.8 | 9.9 |  | 9.0 | 5.5 | 6.2 | 6.8 |
| Nov. | 6.0 |  | 4.7 | 12.1 |  | 8.6 | 5.5 |  | 4.1 |
| Dec. | 6.2 |  |  |  |  |  | 4.2 |  |  |
|  | E(1) |  |  | F ${ }^{(2)}$ |  |  | G(3) |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 4.5 | 7.8 | 4.2 | 6.4 |  |  | 6.8 | 6.7 | 7.1 |
| Feb. | 5.6 | 6.0 | 5.1 | 7.7 |  |  | 8.3 | 7.6 | 6.9 |
| Mar. | 6.7 | 6.8 | 5.0 | 7.5 | 8.9 | 6.7 | 8.1 | 6.6 | 5.7 |
| Apr. | 7.5 | 7.2 | 5.4 | 7.6 | 8.3 | 7.1 | 5.6 | 5.9 | 6.0 |
| May | 5.6 | 4.3 | 5.4 | 6.8 |  | 5.5 | 6.9 | 4.1 | 5.3 |
| June | 6.9 | 4.1 | 6.4 | 7.2 | 7.9 | 4.8 | 6.3 |  | 4.4 |
| July | 6.0 | 4.9 | 5.6 | 7.1 | 8.7 |  | 5.9 | 6.6 | 5.5 |
| Aug. | 6.0 | 4.6 | 5.8 | 7.8 | 6.1 |  | 6.1 | 5.1 | 5.8 |
| Sept. | 6.8 | 4.3 | 6.3 | 8.0 | 5.4 |  | 6.3 | 5.5 |  |
| Oct. | 6.8 | 4.1 | 5.6 | 8.0 | 6.9 | 7.5 | 6.3 | 5.4 | N.A. |
| Nov. | 7.0 |  | 5.2 |  | 6.0 |  | 4.5 | 4.2 | 5.3 |
| Dec. | 5.6 |  |  | 6.1 |  |  | 4.7 |  |  |
|  | H(1) |  |  | $\mathrm{I}^{(1)}$ |  |  | NOTES: |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |  |  |  |
| Jan. | 9.9 | 13.7 | 13.7 | 4.7 | 4.2 | 2.1 | (1) Annual write-off <br> (2) Quarterly write-off <br> (3) Monthly write-off |  |  |
| Feb. | 8.8 | 11.7 | 8.6 | 3.9 | 5.4 | 3.6 |  |  |  |
| Mar. | 8.9 | 11.8 | 8.8 | 3.9 | 4.7 | 3.9 |  |  |  |
| Apr. | 8.1 | 11.0 | 8.7 | 3.4 | 4.6 | 3.1 |  |  |  |
| May | 12.8 | 12.4 | 11.2 | 3.7 | 4.2 | 3.0 |  |  |  |
| June | 13.9 | 11.6 | 10.6 | 3.9 | 4.7 | 3.1 |  |  |  |
| July | 13.0 | 10.9 | 10.2 | 5.3 | 4.7 | 3.2 |  |  |  |
| Aug. |  | 14.3 | 8.9 | 4.2 | 4.3 | 3.4 |  |  |  |
| Sept. |  | 14.4 | 10.7 | 4.2 | 3.7 | 4.1 |  |  |  |
| Oct. |  | 15.6 | 7.0 | 4.6 | 4.0 | 3.2 |  |  |  |
| Nov. | 11.0 | 13.2 |  | 3.9 | 3.2 |  |  |  |  |
| Dec. | 12.6 |  |  | 4.5 |  |  |  |  |  |

 WHY USE "BALANCE AT RISK"? With the development of revolving accounts conventional aging procedures proved unworkable. Stores attempted,
often by hand, to age cycles at least once a year. Even the aging formula proved unworkable. At the same time customers, when charged additional service
 te Thus it was possible to have a complete QUALITY report every month with considerably less cos thage sampling each cycle once a yea
 ANY AMOUNT classifies the account as current (since it indicates acceptance of the amount billed and confirms the creditor's addrass). In no payment is is
made for two cycles the ENTIRE BALANCE (rather than the skiped payments) is considered at risk. Since no judgment is involved, any two clerks
should get exactly the same total. HOW CAN ONE INTERPRET THESE FIGURES? First, recognize that there is a seasonal pattern. Second, there is a build-up between write-off periods.
Third, a store with 6 -month revolving terms should have a lower "balance at risk" percentage than one offering 24 -month revolving terms. Finally, Thirc, a store with 6 -month revolving terms should have a lower "balance at risk" percentage than
variations between years, ON A COLLECTIVE BASIS, is sensitive measure of changing credit climate. HOW ARE REPORTS OBTAINED? Volunteer stores (largely clients) submit a SINGLE PERCENTAGE FIGURE once a month on a post card. YOU RETAILING TODAY - DECEMBER 1968

## HE TREND IN UNIONIZATION

Although the number of union members is increasing in the nited States, the percentage of non-farm workers now unionize
ontinues to drop. From 1964 to 1966 the unionized worker dropped from $29.5 \%$ to $28.8 \%$. It is interesting that $36 \%$ (18 out of 50 ) of the states have "right to work" laws - but that of the tates, where the union penetration increased, 3 were "right to work" states (Wyoming, Alabama and South Dakota).

## ARE YOU MISSING THE BIG IDEA?

The bigger the company, the less likely that a completely new and novel idea will be adopted. This is the organizational protec grow. The multiple levels of management usually kill or reject novel idea.
This is the reason why mergers will continue - at an accelerated rate over the years. Men with ideas will leave big companies to
start their own - so that they can develop the ideas rejected by绪 their own - so that they can develop the ideas rejected by management pyramid of the big company. Later the new very high price by another big company

This isn't a new situation. Alexander Graham Bell offered the elephone to Western Union for just $\$ 100,000$ - and Western Union turned it down. Now Western Union struggles to remain in of assets) operating complex in the world. Mr. Carlson, the inven or of xerography (the Xerox process) offered his idea to 3 M
Eastman Kodak and IBM before Haloid bought it. Can you imag whe to

## HOW COMPLEX IS YOUR ORGANIZATION CHART?

Not many retailers think in terms of "span of control". A few x -Army types may recall this term as the basis of establishing th ize of an infantry squad and then limiting the number of pla
oons in a company, companies in a battalion, etc.

A recent article in the CALIFORNIA MANAGEMENT REVIEW tudied the number of executives reporting to the president o 00 companis as 8 - but the peak number was 24 !

What interested me was a table developed by the Internationa Labor Organization IN 1933 showing the total theoretical direc nd cross relationships based on the number of executives report your own structure.

| NUMBER REPORTING | TOTAL THEORETICAL <br> RELATIONSHIPS |
| :---: | :---: |
| 1 | 1 |
| 2 | 6 |
| 3 | 18 |
| 4 | 44 |
| 5 | 100 |
| 8 | 1,080 |
| 10 | 25,280 |
| 15 | $10,4874,154$ |
| 20 | $201,327,166$ |

Ever wonder, as you grow, why life has become more complex?

## FRINGE BENEFITS BECOME EMPLOYEE BENEFITS

The Chamber of Commerce of the U.S. has published their 1967 sudy - and suggests that since benefits now exceed $25 \%$ o ather than "fringe" benefits. The NRMA assisted in obtaining data for department stores.
You might use the following table to check your own position

Legally required payments (Old age, Unemployment, Work Comp, etc.) ife and medical insuranc Discounts on purchases Other agreed-on payments Paid time not worked - vacation, sick leave, etc.
Profit saming Profit sharing payment TOTAL

| COST AS A |  |
| :---: | ---: |
| \% OF <br> PAYROLL | c PER <br> HOUR |
|  |  |
| 5.5 | 12.0 |
| 2.0 | 4.3 |
| 1.4 | 3.0 |
| 3.1 | 6.7 |
| 0.8 | 1.8 |
| 3.3 | 7.2 |
| 5.3 | 11.4 |
| 0.7 | 1.5 |
| 0.7 | 1.4 |
| $2.8 \%$ | 4.3 |

Retailing is the lowest as a percentage of payroll ( $22.8 \%$ ) and chemical and allied product manufacturing is the highest ( $(30.9 \%$ ). petroleum industry the highest (118.2c).
The biggest shortcomings in the retailing trade are in pension benefits, life and medical insurance plans, paid vacations, paid holidays, and profit-sharing payments. On the other hand, the purchase discount provision is insignificant in most companies and payment is higher in retailing for rest periods, paid lunch Pefts a por Benefits as a percent of payroll for trade (retailers an
salers combined) breaks down geographically as follows:

| Northeast (9 states) | $27.4 \%$ |
| :--- | :--- |
| East North Central 5 states) | 24.5 |
| Southeast (16 states) | 20.5 |
| West (20 states) | 23.8 |

The same group, broken down by size, shows the following

> Under 500 employees $500-999$ employees $1,000-2,499$ employees $2,500-4,999$ employees

5,000 and over

## $17.0 \%$ 19.8 <br> 19.8 24.1 24.7 <br> 24.7 25.2

Less than $25 \%$ of reporting department stores paid the following benefits - with a comparison shown for all reporting companies:

|  | DEPARTMENT |
| :---: | :---: | :---: |
| STORES |  |
| 24\% |  | | ALL |
| :---: |
| REPORTING |
| COMPANIES |

PAGE 3 - RETAILING TODAY - DECEMBER 1968

## the retailer's Role in the community

I was amazed recently to read the statement of Harry B. Cunningham, head of S.S. Kresge Co., before the American Bankers Association, to the effect that "Running a business is a full-time job and we do not encourage our executives to become involved in matters that may dilute concentration on their primary responsibility...Corporate officials are not civil servants - they are employees of their shareholders."

Fortunately, many executives of equally large or larger retailers replied to Mr. Cunningham and a few even were kind enough to express surprise that he would make such a remark.

I came from a different kind of retailing family - one that has been active in community affairs in the same community for 90 years.

For years many of us deplored the branch organization that took from the community without ever putting back - and yet we recognized the tremendous participation and support that we received from local executives of such leaders as Sears, Penney's and other far-sighted firms. In some cases they put to shame the participation of the truly local merchant.

Every community can stand a few more vultures who come only to pick the bones; and even when the non-participation is by company policy, the community will continue to let the children of the executives and employees of that firm participate in Boy Scouts and Girl Scouts, will continue to provide the services of Red Cross and the Heart and Cancer Associations and the many other community organizations. We will let their children attend schools - and benefit from the school bond issues that other retailers assist in bringing about

We won't really resent the participation of K-Mart in the purchases made by new residents brought to the area as the result of community efforts to attract new employers.

I would only point out that Mr. Cunningham waited until after the death of Sebastian S. Kresge before making this remak; he wouldn't have dared make it while Mr. Kresge was alive.

## CREDIT MANAGERS - HELP ANN LANDERS

In a recent column a teenager wrote that she now felt guilty because she had shoplifted $\$ 47$ worth of merchandise from a department store. She had resolved to stop shoplifting and had saved $\$ 39$ - but didn't know how to make amends.

Ann Landers suggested that she wrap the money well and send it to the credit manager of the store with a note, "This is part payment for merchandise I shoplifted. The balance will be sent later." Then she urged other teenagers to do the same - she also asked any credit managers who received such payments to let her know (Ann Landers, Box 3346, Chicago, Illinois 60654) and she would publish the name of the stores.

## WARNING ON BEING A LEADER

Buyers Laboratory, Inc. (305 E. 45th Street, New York 10017), who do testing of equipment and supplies used by business (a service that many larger stores will find profitable to use), in the October 1968 UPDATE warns against being the first buyer of a new model machine. In many instances they have found the early sales are prototypes, often with defects that should have been corrected before reaching the customer.

## WHAT TO DO IN A ROBBERY

The Concord (California) Police Department has outlined a guide on what to do in case of a robbery. There is some sound advice here that should be passed on to your employees.

Remain calm - the less excited you are the less likely you are to be hurt and the more accurate your recollection will be. Do not offer any resistance. Do not make any hasty or sudden moves. Don't turn your back if you can help it. Stay out of reach.

Sound an alarm only if you can do it inconspicuously. Look at the robbers carefully. Compare the height, weight, color of the robber with yourself or with someone you know very well. Watch his hands and note what he touches - for possible finger prints. Watch where he goes when he leaves and what kind of car he takes.

Do not compare notes with other workers present. Write down everything you can as soon as possible. Turn this information over to the police.

And I would add one more warning - no employee should ever discuss with newspapers the amount of money or merchandise stolen. The less said the less likely you are to become a target again.

## DOUBLE-STANDARD FOR BANKS

Do you recall the first time you had a full audit, subject to a non-exception certificate, by a certified public accountant? It probably happened because your bank asked (demanded?) it.

You may be interested that recently the President of the American Bankers Association recommended that member banks disregard accounting treatment suggested by the American Institute ( CPAs even if it meant they received a qualified opinion. Yet . bank has a greater responsibility to depositors than does any retail store to its customers. The fact that banks are subject to strict regulation doesn't warrant the president of the ABA rejecting the very standards they require from their customers.

## THE WEST IS DIFFERENT

SUNSET MAGAZINE publishes a Newsletter dealing with western matters - their trading area - and I am constantly amazed at the documentation of how different the West is from the balance of the United States. I'm not talking about the bigger, richer, faster-moving society - but differences in habits and customs.

In looking at our food stores, SUNSET summarizes from the '68 Annual Report of Supermarket Institute that $75 \%$ of the supermarkets in the Pacific area have delicatessen departments compared with less than $50 \%$ elsewhere; none of the western supers sell all or nearly all of their produce pre-packaged against $90 \%$ pre-packaged in New England; $97 \%$ sell wine compared with $34 \%$ nationally; and sales per year per full-time employee equivalent is $\$ 71,800$ compared with the national figure of $\$ 50,900-41 \%$ higher productivity (or, perhaps, $30 \%$ less service!).

## A UNIFORM PURCHASE ORDER

The Menswear Retailers of America is working on a standard purchase order form for their members. In a sample shown there are some interesting terms and conditions that stores might consider adopting:
.. All goods herein are to be forwarded at risk of shipper.
... We deduct full transportation charges on goods shipped cd. trary to instructions (i.e., back orders and split shipments)
... Goods shipped on or after 20th of month on E.O.M. terms must be dated as of 1 st of following month.
... We reserve the right to return incomplete shipments of a style after cancellation date.

| PEF | ROUTE TO | INITIAL |
| :---: | :---: | :---: |
| Prepared by Robert Kahn and Associates, Business Counselors. P.O. Box 343, Lafayette, California 94549 (415) 254-4434 |  |  |
| Copyright 1968 Robert Kahn. Quotation or reproduction, in whole or in part, only by written permission. Published Monthly. $\mathbf{\$ 1 0}$ per year. |  |  |

## DECEMBER 1968

## SEARS LOOKS FOR \$2.8 BILLION IN SALES

Sears recently anounced plans to add $28,000,000$ square feet of store space which would represent another $\$ 2.8$ billion in sales. This is more sales than any other general merchandise chain except for Penney's - but is only normal expansion for Sears.

A merchant must ask: where will Sears get this volume? Most retailers are aware of the move by Sears into local TV advertising (See RT Oct. 1968 - "Move Over - P\&G and GM"). Most retailers are aware of Sears' increased national magazine advertising (LIFE, LOOK, POPULAR MECHANICS, etc.). Some retailers are aware of moves into new territories as well as expanding coverage of existing territories.

But I venture that few are aware of the increased advertising to the $23,000,000$ black Americans through EBONY and other media. In the December issue of EBONY Sears had 7 full pages, including 3 in color. This is more than the combined advertising
${ }^{f}$ General Motors for all of their cars. The ads included a page of
ehard batteries at $\$ 29.95$, a page in color on their deluxe hand mixer (without mentioning prices), a double-truck (with one page in color) on Sears "The Men's Store", a page on self-sealing tires at $\$ 39.02$ to $\$ 57.55$, a page on hair clippers at "under $\$ 25$ ", and a color page on panty girdles and bras at "under $\$ 8$ " and "under $\$ 5$ " respectively.

In the November EBONY Sears ran a page on Diehard batteries at $\$ 29.95$, a double-truck (one page in color) on custom tailored men's suits at $\$ 90$ to $\$ 190$, a page on a 12 -cup coffeemaker, a page on steel radial tires at $\$ 45.08$ to $\$ 58.33$, a page on toasters, and a page in color on their "Screamer Bike".

## INSURANCE COVERAGE - VALUABLE PAPERS

Have you installed a computer or a tab card system? Are you using a service bureau for part of your work load? Have you increased the number of departments where you keep unit stock records? Have you installed Execumatic or other stock keeping systems?

If so, you had better review your insurance coverage on "valuable papers". Your insurance broker can guide you - but the coverage that you are seeking is against the cost of reconstructing records. This may involve re-inventorying dozens of departments or reconstructing data from individual documents. If a computer is involved this would mean protection of father and grandfather tapes (hopefully at least one of which is stored off the premises) as well as data on your programs (again, a duplicate off-premises will reduce cost). In the case of service bureau usage you have the aroblem of protecting your papers and your program on another
n's premises.
Coverage should be as broad as possible. In the case of magnetic tape, investigate the possibilities of destruction from electrical storms, voltage fluctuation, or computer malfunction.

## THE FALLACY OF FLUCTUATING INVENTORY

In trying to be scientific, mathematicians are concentrating on such archaic tools as stock-sales ratios and inventory turn-over rates.

The retailing industry has lost more sales, antagonized more customers, and created more myths through arbitrary inventory manipulation than by any other means.

The 1967 M.O.R. shows that monthly sales as a percentage of annual volume (excluding the November-December season) fluctuates between $5.4 \%$ of the year (for 28 -day February) and $8.7 \%$ (September). This is a range of from $26 \%$ below to $19 \%$ above the average of $7.3 \%$ for 10 months.

It is my contention that if inventory planning during these months had been based on A FIXED DOLLAR INVENTORY INVESTMENT a better in-stock position would have been maintained, inventory would be closer to planned figures, and markdowns would have been lower.

Let us use an Arrow shirt stock to illustrate. There are 7 collar sizes ( 14 to 17) and 5 sleeve lengths ( 32 to 36 ). We need 35 sizes per style. With 3 shirts per size this is 105 shirts. For 4 collar styles we need 420 shirts. At $\$ 5.00$ retail this represents an inventory of $\$ 2,100$. We need this $\$ 2,100$ inventory whether monthly sales are $\$ 200$ or $\$ 500$ or $\$ 750$. And we need replacement orders (open-to-buy) AFTER the sale is made. Some inventory increase should occur in anticipation of Christmas but this should not be equal to the expected sales.

If management is not satisfied with the return on inventory, they must decide to eliminate a collar style, eliminate Arrow altogether, or restrict the size range stocked. They cannot accomplish this by manipulating their dollar open-tobuy.

The fallacy to open-to-buy computations is that the allowed inventory increase PRIOR TO A SALES PEAK permits the buyer to spend too many dollars for discretionary purchases and this restricts the dollars available after the selling peak for replenishing what was actually sold. The excessive purchase of discretionary merchandise results in post-peak markdowns. The shortage of dollars for stock replacement results in out-of-stock in many classifications and requires management to approve orders over buying limits with the resultant excess inventory investment.

Sound inventory planning must start with a dollar reconciliation of the stocks necessary to provide style-size-colorbrand commitments already approved for the department. When this amount is known (adjusted by a factor representing the percentage of model stock normally on hand), then inventory fluctuations in the open-to-buy plan should be allowed only for major sales peaks.

## INSURANCE COVERAGE - EMPLOYEE BENEFITS

Most stores are aware of the tremendous savings offered by group lerm insurance policies. This has been one major reason why this form of employee benefit is so widespread
The lower cost is made possible by reduced administrative expenses within the insurance company, a lower commission paid to
the broker, and the reduced risk when the coverage is available only to persons that are full-time, active employees.
The same "buying power" can be applied to group disability ncome insurance. If the policy is integrated with state disability he cost becomes negligible. The appeal is greatest for employee making over $\$ 600$ per month - and your group can be restrict

Recently I have assisted several clients in providing this coverage - and in several cases the cost has been so nominal and the benefits so great that the employees have been willing to pay the
entire cost of the program (with better than a $95 \%$ sign-up). IF YOU WISH MORE INFORMATION, PLEASE DROP ME A NOTE.

## "UP TIGHT" THINKING ABOUT BANK CREDIT CARDS

I sometimes wonder about the thinking capacity of some of the vocal members of the retailing industry. Lately there has been a
lot of space devoted to spokesmen opposing bank credit cards. lot of space devoted to spokesmen opposing bank credit cards. 2) store costs will be increased if bank cards are honored and these costs will have to be passed on to the consumer, (3) a store needs their credit customer mailing list, and (4) the bank cards destroy customer loyalty.

Every study that I have seen in recent years indicates that holders of store credit cards are not loyal to one store - in fact, studies on common billing service show a high percentage of duplication
among major stores in a community. The analysis of extra costs among major stores in a community. The analysis of extra costs
fails to indicate a measure of additional sales volume available through bank cards.
Actually, the readers of RT have better information on the impact of bank cards on a store's credit pattern than I have seen published in any other source.

The one thing that protesting retailers are forgetting is that the unexpected success of recent bank card ventures (particularly customers like the arrangements. I would assume that the prudent merchant who sees success through pleasing customers will "listen" more closely to the actions of his customers than to the cries
of a few major speakers - even if that speaker is given his platof a few major speakers - even if that speaker is given his plat for
If you think about the matter carefully, you may see that the
spread of bank cards will probably benefit all retailers EXCEPT spread of bank cards will probably benefit all retailers EXCEPT the very large ones (who may have account penetration to match
the bank cards) - and then you might conclude that some of these warnings are not aimed at the banks but at keeping a benefit from the smaller retailers.

HOW TO REDUCE PRINTING COSTS
Have you tried the new instant printing firms? These are companies that are utilizing an Itek camera to make paper masters for
off-set and then using a fast-change off-set printer. This newslet ter is printed by one such firm - Instant Print in Oakland. Ir Los Angeles area there is ZIP Printing (which advertises regu, in the Wall Street Journal). There is even a growing franchise from $\$ 2.50$ to $\$ 2.75$ for 100 up to $\$ 8-\$ 9$ for 1,000 . Copy must be delivered "camera ready". Runs can be made while you wait although you can save labor costs by mailing in your copy and having the printed material returned by UPS.

1 recently checked an inventory form for a client - one that involved padding and perforating but did not require consecutive umbering. The last order cost $\$ 95$ from a printer and will cost out $\$ 45$ using INSTANT PRINT

## LOWER UNEMPLOYMENT INSURANCE COSTS

Shortly California employers will receive a notice of their new "low schedule" rather than the "high schedule" used in 1968. If your reserve represented between $10 \%$ and $11 \%$ of your average base payroll, you paid $1.9 \%$ this year (plus $1 \%$ for basic unemployment insurance - for a total of $2.9 \%$ ). With the same reserve percentage you will pay $1.4 \%$ in 1969 plus the $1 \%$ for a total of
$2.4 \%$.

If the higher employment rate in 1968 (and thus smaller claims
for benefits) also applied to you, your reserve may have increased for benefits) also applied to you, your reserve may have increased
and your savings may be even more. The maximum possible savand your savings may be even more. The maximum possible sav-
ings WITH THE SAME RESERVE RATIO is $0.8 \%$ of payroll (applicable where the reserve is more than $17 \%$ ).

## CHANGES IN UNEMPLOYMENT INSURANCE LAWS

There have been several changes in the California law which will reduce costs slightly. You may exclude from payroll subject to
the unemployment insurance tax, BUT ONLY AFTER OBTAIN ING A RULING, payments made on termination due to death disability retirement or age retirement if those payments would ot have been made if the employee had not been terminated. the like.

Your reserve will no longer be charged for benefits paid a person who was terminated because of an absence of 24 hours or mor
because of being in jail IF he is subsequently convicted plead guilty or pleads nolo contendre. Your reserve will not be charged IF YOU PROTEST PROPERLY AND OBTAIN A RULING, for benefits paid an employee who was a temporary student em poyee and whose employment ended when he returned to schoo ularly apply to summer and Christmas temporaries.

## DO YOU CHECK FLOOR RECEIVINGS?

More and more stores THINK THEY HAVE FOUND AN ECON MY by allowing factory or jobber salesmen to service stocks o he floor. Perhaps your record department is run this way o the lesson from just one food store. They checked their deliveries on just one day and found that they would have signed fo flowing merchandise THAT WAS NOT DELIVERED: 2 ld packages of lady fingers - a retail value of about $\$ 25$ !

## CREDIT OFFICE RATING

Again we have 11 stores on the Honor Roll (including Wineman's-LA - which were omitted in printing the list last month).

| Store | Average <br> Days to | Store | $\begin{aligned} & \text { Average } \\ & \text { Days to } \end{aligned}$ | Store | $\begin{aligned} & \text { Average } \\ & \text { Days to } \\ & \text { Bill } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Robert Kirk (SF) | ${ }^{3.0}{ }^{*}$ | Sears (Bay Area) | 4.3 * | Ransohoffs | 5.0* |
| Wineman's (LA) | $3.8{ }^{*}$ | Ross Dept. Store | ${ }^{4.6}{ }^{*}$ | Simon's | 5.0* |
| Abramam \& Strauss (NYC) | ${ }_{4.2}{ }^{\text {* }}$ | Gertz (NYC) | 5.0 | $\underset{*}{\text { Windichates }}$ ( ${ }^{\text {a }}$ (lient | 5.0 |

The average for the entire sample was just 6.1 days - the lowest on record. This compares with 7.6 days for November last year and
7.2 days in November 1966 .

|  | NOVEMBER 1968 |  |  | OCTOBER 1968 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\xrightarrow[\text { REPORTS }]{\text { NO. }}$ | $\begin{aligned} & \text { DAY } \\ & \text { AVERAG } \end{aligned}$ | bill RANGE | NO. OF REPORT | $\begin{aligned} & \text { DAYS } \\ & \text { AVERAGE } \end{aligned}$ | bill |
| Abercrombie \& Fitch | 2 | 9.5 | 9-10 |  |  |  |
| Abraham \& Straus (NYC) | 1 | 4.0 | 4 |  |  |  |
| Books, Inc. | 1 | 12.0 | 12 | 1 |  |  |
| Brooks Bros. | 1 | 7.0 | 7 | $\cdots$ | 7.0 | . |
| Brown-Mahin | 2 | 10.5 | 10-11 | 2 | 5.5 | 5-6 |
| Bullock \& Jones | ${ }_{5}^{2}$ |  | ${ }^{5-6}$ |  |  |  |
| ${ }_{\text {Capwell's }}^{\text {City }}$ ( Paris | 5 | $\begin{aligned} & 13.0 \\ & 9.0 \\ & \end{aligned}$ |  | 5 | 11.4 | 3-16 |
| City of Paris | 1 |  | 7-11 | ${ }_{2}$ |  | 8-12 |
| ${ }_{\text {G.E.T. }}^{\text {Emporium }}$ | 1 | 9.0 | 11 9 |  |  | 12-13 |
| Gertz Dept. Store (NYC) | 1 | 5.0 | 5 | 1 | 7.0 |  |
| Grodin's | 1 | 13.0 | 13 | 1 | 12.0 | 12 |
| Gump's | 3 | 9.7 | 7-11 | 1 |  |  |
| Hastings | 2 | 12.5 | 11-12 | 1 |  |  |
| Hink's | 3 | 5.7 | 3-8 | 1 | 4.0 | 4 |
| Holman's | 5 | 4.2 | 3-5 | 5 | 3.8 | 3-4 |
| Robert Kirk Ltd |  |  |  |  |  |  |
| Levy Bros. | ${ }_{4}^{16}$ | 7.0 | 5-9 | 16 | 5.3 | 3-9 |
| Macy's (SF) | 4 | 5.0 6.3 | 5-7 | 4 10 | ${ }_{6.4}^{6.5}$ | 6-7 |
| Montgomery Ward |  |  |  |  |  |  |
| Penney's | 2 | 6.0 | 6 | 1 | 6.0 | $8-11$ 6 |
| Ransohoff's |  | 5.0 | ${ }^{5}$ |  |  |  |
| $\xrightarrow{\text { Rhodes }}$ Ross Dept. Store | 1 | 7.0 4.6 | 7 ${ }_{4}$ | ${ }_{1}^{2}$ | 4.5 | 4.5 |
| Saks Sth Ave. | 1 | 8.0 |  |  |  |  |
| Sears | 4 | 4.3 | 4.5 | 3 | 4.0 | 3-6 |
| ${ }_{\text {S }}$ Simon Bros. |  | 6.0 |  |  |  |  |
| Simon's | 1 | 5.0 6.0 | 5 | 1 | 7.0 | 7 |
| A. Sulka \& Sons |  | 7.0 |  | -- | -- | -- |
| Tiffany \& Co. (SF) |  | 14.0 | 14 |  |  |  |
| United Factors |  | 10.0 | 10 | 2 | 11.0 | 11 |
| Wallach's, (NYC) |  | 5.0 | 5 | 1 | 5.0 | 5 |
| Wineman's (LA) | 4 | 3.8 | 3-4 | 4 | 4.3 | 4.5 |
| total | 88 | 6.1 | 3-15 | 69 | 6.7 | 3-16 |

WHY A CREDIT OFFICE RATING? The Unruh Act (in California) controlling revolving accounts went into effect about 1963 just as the Office of
Consumer Counsel was created. Consumers were complaining that they received statements so late that they had an additional service cha could pay their bills. Consumer groups were proposing laws that would have been impossible to meet with equipment and procedures in major stores. The
CREDIT OFFIC RTIN CREDIT OFFICE RATNG was initiated to bring this problem to the attention of influential people within store management.
WHAT HAPPENED - THEN AND SINCE? Initially I was criticized for publishing the data and especially for naming stores. Since then the reports have
been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established from the beginning, at 5 working days between cycle closing date pand postmark date. Many stores have reported pride - both to management and credit and data processing personnel in
being listed on the Honor Roll

TOW IS TIME COMPUTED? We do No HOW ARE FIGURES COLLECTED? Volunteer reporters send in form postcards reporting their own bills showing store name, closing date and postmark
date. On receipt of one report, another form is forwarded. YOU CAN VOLUNTEER TO SERVE AS A REPORTER. START YOUR OWN REPORT. Every store should keep this data on every cycle and establish their own goals. Other geographic areas should start a
sinilar report and I will be glad to assist any such group. RETAILING TODAY - DECEMBER 1968

## BALANCE AT RIS

Too few stores reported either this November or last November or both to determine a trend. However, the apparent improvement payment

| MONTH | balance at risk |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | A(1) |  |  | B(3) |  |  | c(3) |  |  |
|  | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 7.0 | 5.5 | 4.8 | 7.0 |  |  | 5.0 |  | 6.2 |
| Feb. | 6.0 | 5.6 | 4.8 | 7.6 | 11.1 |  | 6.7 | 8.0 | 6.5 |
| Mar. | 5.6 | 5.3 | 4.6 | 8.5 | 10.6 | 13.2 | 8.0 | 6.0 | 6.5 |
| Apr. | 5.1 | 4.2 | 3.3 | 8.9 | 8.9 | 10.5 | 7.0 | 5.9 | 5.2 |
| May | 4.7 | 3.6 | 3.6 | 7.9 | 8.4 | 9.4 | 6.0 | 7.3 | 5.5 |
| June | 5.6 | 3.8 | 4.9 | 8.9 | 8.9 | 9.2 | 6.0 | 6.5 | 5.0 |
| July | 5.7 | 4.2 | 5.7 | 8.7 | 9.1 |  | 6.0 | 6.8 | 4.9 |
| Aug. | 6.5 | 4.5 | 6.0 | 9.8 |  | 8.7 | 6.0 | 7.0 | 5.7 |
| Sept. | 6.1 | 4.3 | 6.4 | 9.9 | 9.5 | 9.1 | 5.5 | 5.7 | 5.8 |
| Oct. | 6.1 | 4.4 | 5.8 | 9.9 |  | 9.0 | 5.5 | 6.2 |  |
| Nov. | 6.0 |  | 4.7 | 12.1 |  | 8.6 | 5.5 | 5.7 | 4.1 |
| Dec. | 6.2 |  |  |  |  |  | 4.2 |  |  |
|  | E(1) |  |  | F(2) |  |  | G(3) |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |
| Jan. | 4.5 | 7.8 | 4.2 | 6.4 |  |  | 6.8 | 6.7 | 7.1 |
| Feb. | 5.6 | 6.0 | 5.1 | 7.7 |  |  | 8.3 | 7.6 | 6.9 |
| Mar. | 6.7 | 6.8 | 5.0 | 7.5 | 8.9 | 6.7 | 8.1 | 6.6 | 5.7 |
| Apr. | 7.5 | 7.2 | 5.4 | 7.6 | 8.3 | 7.1 | 5.6 | 5.9 | 6.0 |
| May | 5.6 | 4.3 | 5.4 | 6.8 |  | 5.5 | 6.9 | 4.1 | 5.3 |
| June | 6.9 | 4.1 | 6.4 | 7.2 | 7.9 | 4.8 | 6.3 |  | 4.4 |
| July | 6.0 | 4.9 | 5.6 | 7.1 | 8.7 |  | 5.9 | 6.6 | 5.5 |
| Aug. | 6.0 | 4.6 | 5.8 | 7.8 | 6.1 |  | 6.1 | 5.1 | 5.8 |
| Sept. | 6.8 | 4.3 | 6.3 | 8.0 | 5.4 |  | 6.3 | 5.5 | 6.0 |
| Oct. | 6.8 | 4.1 | 5.6 | 8.0 | 6.9 | 7.5 | 6.3 | 5.4 |  |
| Nov. | 7.0 |  | 5.2 |  | 6.0 |  | 4.5 | 4.2 | 5.3 |
| Dec. | 5.6 |  |  | 6.1 |  |  | 4.7 |  |  |
|  | $\mathrm{H}^{(1)}$ |  |  | $\mathrm{I}^{(1)}$ |  |  | NOTES: |  |  |
| MONTH | 1966 | 1967 | 1968 | 1966 | 1967 | 1968 |  |  |  |
| Jan. | 9.9 | 13.7 | 13.7 | 4.7 | 4.2 | 2.1 | (1) Annual write-off <br> (2) Quarterly write-off <br> (3) Monthly write-off |  |  |
| Feb. | 8.8 | 11.7 | 8.6 | 3.9 | 5.4 | 3.6 |  |  |  |
| Mar. | 8.9 | 11.8 | 8.8 | 3.9 | 4.7 | 3.9 |  |  |  |
| Apr. | 8.1 | 11.0 | 8.7 | 3.4 | 4.6 | 3.1 |  |  |  |
| May | 12.8 | 12.4 | 11.2 | 3.7 | 4.2 | 3.0 |  |  |  |
| June | 13.9 | 11.6 | 10.6 | 3.9 | 4.7 | 3.1 |  |  |  |
| July | 13.0 | 10.9 | 10.2 | 5.3 | 4.7 | 3.2 |  |  |  |
| Aug. |  | 14.3 | 8.9 | 4.2 | 4.3 | 3.4 |  |  |  |
| Sept. |  | 14.4 | 10.7 | 4.2 | 3.7 | 4.1 |  |  |  |
| Oct. |  | 15.6 | 7.0 | 4.6 | 4.0 | 3.6 |  |  |  |
| Nov. | 11.0 | 13.2 |  | 3.9 | 3.2 | 3.2 |  |  |  |
| Dec. | 12.6 |  |  | 4.5 |  |  |  |  |  |

WHAT IS "BALANCE AT RISK"? "Balance at Risk" is the PERCENTAGE representing the relationship of the outstanding accounts receivable balances
ON WHICH NO PAYMENT HAS BEEN RECEIVED FOR TWO CYCLES to the total of outstanding account balances. WHY USE "BALANCE AT RISK"? With the development of revolving accounts conventional aging procedures proved unworkable. Stores attempted, Ihten
charge for the month in which payments were skipped, were not prone to catch up. Since most stores using a billing machine - cycle posting system
"flaged" "flaged" accounts with two or more payments missed, it was simple to run an adding machine tape of "flagged" accounts for each tray on e
date. Thus it was possibe to have a complete QUALITY report every month, with considerably less cost than sampling each cycle once a year.
ARE THERE PROCEDURE RULES? Yes. The amount paid is disregarded (tests show that few customers make token payments). A single payment of
ANY AMOUNT classifies the account as current (since it indicates acceptance of the amount billed and confirms the creditor's adddress). If no payme


HOW CAN ONE INTERPRET THESE FIGURES? First, recognize that there is a seasonal pattern. Second, there is a build-up between write-off periods.
Third, a store with 6 -month revolving terms should have a lower "balance at risk") percentage than one offering 24 -month revolving terms. Finally, Third, a store with 6-month revolving terms should have a lower "balance at tris" percentage than
variations between years, ON A COLLECTVE BASI, is sensitive measure of changing credit climate.
HOW ARE REPORTS
GE FIGURE once a month on a post card. YOU
RETAILING TODAY - DECEMBER 1968

## THE TREND IN UNIONIZATION

Although the number of union members is increasing in the United States, the percentage of non-farm workers now unionized pped from $29.5 \%$ to $28.8 \%$. It is interesting that $36 \%$ ( 18 ou 50) of the states have "right to work" laws - but that of the 7 states, where the union penetration increased, 3 were "right to

## ARE YOU MISSING THE BIG IDEA

The bigger the company, the less likely that a completely new
and novel idea will be adopted. This is the organizational protec and novel idea will be adopted. This is the organizational protec grow. The multiple levels of management usually kill or reject a novel idea.
This is the reason why mergers will continue - at an accelerated rate over the years. Men with ideas will leave big companies to rate over the years. Men with ideas will leave big companies to
start their own - so that they can develop the ideas rejected by the management pyramid of the big company. Later the new verpany - now with an exclusive produ

This isn't a new situation. Alexander Graham Bell offered th elephone to Western Union for just $\$ 100,000$ - and Wester Uistence and the Bell Telephone System is the lagest to remain in of assets) operating complex in the world. Mr. Carlson, the inven tor of xerography (the Xerox process) offered his idea to 3 M Eastman Kodak and IBM before Haloid bought it. Can you imag art enough to see the potential in xerograph?
art enough to see the potential in xerography?

## OW COMPLEX IS YOUR ORGANIZATION CHART

Not many retailers think in terms of "span of control". A few $x$-Army types may recall this term as the basis of establishing the ize of an infantry squad and then limiting the number of pla
oons in a company, companies in a battalion, etc.

A recent article in the CALIFORNIA MANAGEMENT REVIEW adied the number of execuives reporth to the president of 00 compan employees. The median numb

What interested me was a table developed by the International Labor Organization IN 1933 showing the total theoretical direc ing. A part of the list below should frighten you into simplifying your own structure.

| NUMBER REPORTING | TOTAL THEORETICAL <br> RELATIONSHIPS |
| :---: | :---: |
| 1 | 1 |
| 2 | 6 |
| 3 | 18 |
| 4 | 44 |
| 5 | 100 |
| 8 | 5,080 |
| 10 | 254,974 |
| 15 | $10,486,154$ |
| 20 | $201,327,166$ |

Ever wonder, as you grow, why life has become more complex?

## fRINGE BENEFITS BECOME EMPLOYEE BENEFITS

The Chamber of Commerce of the U.S. has published their 1967 study - and suggests that since benefits now exceed $25 \%$ of rather than "fringe" benefits. The NRMA assisted in obtaining ata for department stores.
You might use the following table to check your own position

Legally required payments (Old age Pension plans
Life and medical insuranc Discounts on purchase Other agreed-on payments Paid time not worked - vacation, sick leave, etc. Profit sharing paymen TOTAL

| COST AS A |  |
| :---: | ---: |
| \% OF <br> PAYROLL | c PER <br> HOUR |
| 5.5 | 12.0 |
| 2.0 | 4.3 |
| 1.4 | 3.0 |
| 3.1 | 6.7 |
| 0.8 | 1.8 |
| 3.3 | 7.2 |
| 5.3 | 11.4 |
| 0.7 | 1.5 |
| 0.7 | 1.4 |
| $22.8 \%$ | 49.3 |

Retailing is the lowest as a percentage of payroll ( $22.8 \%$ ) and chemical and allied product manufacturing is the highest ( $30.9 \%$ ) Retailing is also the lowest in cents-per-hour (49.3c) with the petroleum industry the highest (118.2c).

The biggest shortcomings in the retailing trade are in pension benefits, life and medical insurance plans, paid vacations, paid holidays, and profit-sharing payments. On the other hand, the
purchase discount provison is insignificant in most companies purchase discount provision is insignificant in most companies and payment in ther in retailing for rest periods, paid luch Benefits as a percent of payroll for trade (retailers an
salers combined) breaks down geographically as follows:

| Northeast (9 states) | $27.4 \%$ |
| :--- | :--- |
| East North Central (5 states) | 24.5 |
| Southeast (16 states) | 20.5 |
| West (20 states) | 23.8 |

The same group, broken down by size, shows the following

$$
\begin{aligned}
& \text { Under } 500 \text { employees } \\
& 500-999 \text { employees } \\
& 1,00-2,499 \text { employes } \\
& 2,500-4,999 \text { employees } \\
& 5,000 \text { and over }
\end{aligned}
$$

Less than $25 \%$ of reporting department stores paid the following benefits - with a comparison shown for all reporting companies

|  | DEPARTMENT <br> STORES | ALL <br> REPORTING <br> COMPANIES |
| :---: | :---: | :---: |
| Separation or termination pay <br> Payments for National Guard <br> duty, Jury duty, loss time for | $24 \%$ | $15 \%$ |
| funerals, etc. | $20 \%$ | $51 \%$ |
| Employe eduction expenditure <br> reimbursement | $0 \%$ | $24 \%$ |

## THE RETAILER'S ROLE IN THE COMMUNITY

I was amazed recently to read the statement of Harry B. Cunningham, head of S.S. Kresge Co., before the American Bankers Association, to the effect that "Running a business is a full-time job and we do not encourage our executives to become involved in matters that may dilute concentration on their primary responsibility...Corporate officials are not civil servants - they are employees of their shareholders."

Fortunately, many executives of equally large or larger retailers replied to Mr. Cunningham and a few even were kind enough to express surprise that he would make such a remark.

I came from a different kind of retailing family - one that has been active in community affairs in the same community for 90 years.

For years many of us deplored the branch organization that took from the community without ever putting back - and yet we recognized the tremendous participation and support that we received from local executives of such leaders as Sears, Penney's and other far-sighted firms. In some cases they put to shame the participation of the truly local merchant.

Every community can stand a few more vultures who come only to pick the bones; and even when the non-participation is by company policy, the community will continue to let the children of the executives and employees of that firm participate in Boy Scouts and Girl Scouts, will continue to provide the services of Red Cross and the Heart and Cancer Associations and the many other community organizations. We will let their children attend schools - and benefit from the school bond issues that other retailers assist in bringing about.

We won't really resent the participation of K-Mart in the purchases made by new residents brought to the area as the result of community efforts to attract new employers.

I would only point out that Mr. Cunningham waited until after the death of Sebastian S. Kresge before making this remak; he wouldn't have dared make it while Mr. Kresge was alive.

## CREDIT MANAGERS - HELP ANN LANDERS

In a recent column a teenager wrote that she now felt guilty because she had shoplifted $\$ 47$ worth of merchandise from a department store. She had resolved to stop shoplifting and had saved $\$ 39$ - but didn't know how to make amends.

Ann Landers suggested that she wrap the money well and send it to the credit manager of the store with a note, "This is part payment for merchandise I shoplifted. The balance will be sent later." Then she urged other teenagers to do the same - she also asked any credit managers who received such payments to let her know (Ann Landers, Box 3346, Chicago, Illinois 60654) and she would publish the name of the stores.

## WARNING ON BEING A LEADER

Buyers Laboratory, Inc. (305 E. 45th Street, New York 10017), who do testing of equipment and supplies used by business (a service that many larger stores will find profitable to use), in the October 1968 UPDATE warns against being the first buyer of a new model machine. In many instances they have found the early sales are prototypes, often with defects that should have been corrected before reaching the customer.

## RETAILING TODAY - DECEMBER 1968 - PAGE 4

## WHAT TO DO IN A ROBBERY

The Concord (California) Police Department has outlined a guide on what to do in case of a robbery. There is some sound advice here that should be passed on to your employees.

Remain calm - the less excited you are the less likely you 4 be hurt and the more accurate your recollection will be. Do ... offer any resistance. Do not make any hasty or sudden moves. Don't turn your back if you can help it. Stay out of reach.

Sound an alarm only if you can do it inconspicuously. Look at the robbers carefully. Compare the height, weight, color of the robber with yourself or with someone you know very well. Watch his hands and note what he touches - for possible finger prints. Watch where he goes when he leaves and what kind of car he takes.

Do not compare notes with other workers present. Write down everything you can as soon as possible. Turn this information over to the police.

And I would add one more warning - no employee should ever discuss with newspapers the amount of money or merchandise stolen. The less said the less likely you are to become a target again.

## DOUBLE-STANDARD FOR BANKS

Do you recall the first time you had a full audit, subject to a non-exception certificate, by a certified public accountant? It probably happened because your bank asked (demanded?) it.

You may be interested that recently the President of the American Bankers Association recommended that member banks disregard accounting treatment suggested by the American Institute of CPAs even if it meant they received a qualified opinion. Yp bank has a greater responsibility to depositors than does retail store to its customers. The fact that banks are subjed strict regulation doesn't warrant the president of the ABA rejecting the very standards they require from their customers.

## THE WEST IS DIFFERENT

SUNSET MAGAZINE publishes a Newsletter dealing with western matters - their trading area - and I am constantly amazed at the documentation of how different the West is from the balance of the United States. I'm not talking about the bigger, richer, faster-moving society - but differences in habits and customs.

In looking at our food stores, SUNSET summarizes from the '68 Annual Report of Supermarket Institute that $75 \%$ of the supermarkets in the Pacific area have delicatessen departments compared with less than $50 \%$ elsewhere; none of the western supers sell all or nearly all of their produce pre-packaged against $90 \%$ pre-packaged in New England; $97 \%$ sell wine compared with $34 \%$ nationally; and sales per year per full-time employee equivalent is $\$ 71,800$ compared with the national figure of $\$ 50,900-41 \%$ higher productivity (or, perhaps, $30 \%$ less service!).

## A UNIFORM PURCHASE ORDER

The Menswear Retailers of America is working on a standard purchase order form for their members. In a sample shown there are some interesting terms and conditions that stores might consider adopting:
. . All goods herein are to be forwarded at risk of shipper.
... We deduct full transportation charges on goods shipped trary to instructions (i.e., back orders and split shipment.
. . . Goods shipped on or after 20th of month on E.O.M. terms must be dated as of 1 st of following month.
. . . We reserve the right to return incomplete shipments of a style after cancellation date.

