November 1974 (continued)

Legal Action By Equal Employment Opportunity Commission
The Industry Report
New York Employees to Get Payment in Cash
Why Unit Pricing Doesn't Help
House of Fabrics Recedes From Record
Envy in the Eyes of the Bankers
A Study of Catalog/Showroom Pricing

December 1974

F - How Big Is Your Future Market?
B - This Is The Season - To Think of Ethics
A - We Said Nice Things About Tiffany Too Fast
Understanding Public Relations
What Do You Do When a Deadbeat Pays?
American Express Gives Computers a Bad Name
W. T. Grant Makes Some Frank Statements
Why Doesn't Philip Hawley Tell the Truth?
The Sorry State of the Dept. Store Industry
Recession Shows Odd Pattern
Pitty the Underprivileged Military Reservists!
What are the 15 Fastest Growing States?
How Furniture Retailers Rate Manufacturers
The Changing Status of the Black Population and Retailing
Do All Retailers Under-Plan New Stores?
Names in the F.T.C. News

January 1975

F - Should You Use LIFO?
B - None this issue
A - The Outlook for 1975
The Market for Retail Stocks
Concern About Jobs Causes Unemployment?
Why Consumerism Becomes More Aggressive
Around the Circle Again - With Games
How Well Are the Chains Doing Against the Independents
What Problems Come to the Better Bus. Bureau?

February 1975

F - Merchandising in a Recession/Depression
B - The Nature of Profits
A - The Editor Speaks (speech on "Future Growth Patterns in Retail Distribution" at ICCA)
A Look at Auto Rebates
Competition and the Restraint Thereof
The Voice Grows
Shades of Lingan Warren
NRMA Really Plugs for the Consumer
A Warning to Family Management
Sales per Employee
Credit Office Rating
The Fringe Cost of Sensormatic
How Carter Hawley Hale Treats a Small Balance on a Receivable
Mass Learning for Volume Distribution

March 1975
F - Is There A Question About Record Keeping at Kresge?
B - Understanding the World Around Us
A - Supermarkets and Their Computers
The Facts on Moonlighting
How to Handle Complaints
One Untruth Leads to Another
Don't Complain That Newspaper Ads Are Not Pulling
Why Co-Ops Fail
The Apex of Gall (ad for walking thru Emporium to get to Robert's Furniture)
Shades of the 1930s!
Will Sears Sell Their "Stonewalling" Instructions?
Ye Shall Know Them By Their Deeds and Words
Can the F.T.C. Order Refunds As Part Of Consent Orders?
Store Security is Tied to Waste or Vice Versa
Names in the F.T.C. News

April 1975
(F - The Market Trend
(F - The Gilbert Brothers and Retailing
B - None this issue
A - Why "Retailing Today"
The Drugstore
Misunderstanding the Test
Private Label Beer Fails Taste Test - Until Label Removed
A Better Telephone Book
Western Business Is Different
Catalog/Showrooms - The Store of the Future is Now Disappearing
The Nature of Inflation - As Computed for LIFO
A Good Name is Hard to Keep
M.I.T. Re-Invents the Wheel
Dangers in Home Improvement Sales

May 1975
F - The Editor Speaks (ICSC speech from retailers view on "Growth Potential for Small Centers")
B - A Man of Ethics (Eulogy for Richard H. Rich)
A - Bankamericard Makes a Great Program Frightful!
Better Service to Store Accounts
Stability (London firms longevity)
Non-Union Employees Are Paid Less - Which Helps Unions Organize
No Hypermarche In Your Future
More Response to M.I.T.
The Vicious Circle (using computers to tighten credit and make credit oriented decisions)
A Matter of Disclosure (inventory shortage)
How To Run A Book Store
Names in the F.T.C. News

June 1975
{F - What Position Should You Take on Robinson-Patman Act?
(F - The Market Trend
B - A Matter of Ethics (Petrie -- slow pay)
A - Move Over Safeway and A&P!
Retailers Give Thanks for the Wrong Act
Why? (Wickes Corp. move to Ill and extortion pd)

June 1975 (continued)

Experimenting With Hours
Tax Savings Potential on Layaways
Man Bites Dog - BBB Complains Against Member
Banking in Retail Stores
Extremes in Treating Penney Customers
What Do Consumers Know About the Cost of Credit?
How The Use of Bank Cards Grows!
Do Banks Understand Retailing Enough to Lend Money to Retailers?
If You Use Private Labels, Use Good Products

July 1975

F - Do Top Retail Executives Support Granting Credit by Lottery?
B - A Matter of Ethics (keeping credit balances)
A - Silence Can Kill You
Do You Sell To The Apartment Market?
Menswear Retailers of America Lead the Way - In Comparison Statistics
Are Banks Undercapitalized?
Commissaries Are Protected By Congress
The Rebuilding of W. T. Grant
Lucky Stores, The General Merchant
Longs Drugs, The Food Chain
Economy - Postal Service Style
Who Believes This Kind of Ad?
Putting Teeth Into Advertising Laws
Master Charge is Following Bankamericard into Oblivion
Names in the F.T.C.

August 1975

F - I Don't Believe It (don't accept everything you read)
B - A Matter of Ethics (price fixing on 5th avenue and Management following orders resulting in law suits)
A - On-Site Medical Service For Retail Employees
Minimum Wage Law Bites Winn-Dixie
Are Store Presidents Headed For Jail?
Guilt Through Silence
When People Comment About the Unemployment Rate...
Convenience Stores Judge Report on How Well (Poorly) Their Company Does
Why Hypermarches Work in Europe
How to Compete With K-Mart
Brooks Brothers Reads - And Writes - And Acts
A Surprising Name on a Better Business Bureau List!
Names in the F.T.C.

September 1975

F - The Christmas Mail Order Catalogs Are Coming!
B - Ducking Responsibility (Food & Drug Act holds execs responsible for what happens under their control)
A - The Ghost of Lingan Warren
Know Your Collection Arrangements
The World Doesn't Wait for Even the Greatest Merchants
Who Is An Expert On Credit?
The Advantages of Being Private

September 1975 (continued)

The All-States Credit Agreement
Did The Soft Good Manufactueers Bring On Their Own Problem?
Equal Credit Opportunity Act (ECOA)
What Do Retailers Want From Electronic Funds Transfer?
Retailers in the Courts
Names in the F.T.C.

October 1975

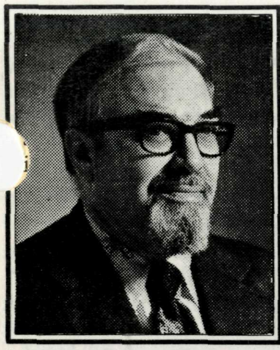
F - The Editor Speaks (speeck re. auditing problems peculiar to retailing or material in annual reports at seminar on "General Retailing, Food Distribution & Drug Industries" at Arthur Anderson & Co.
B - Why Business Will Not Improve Their Image
A - Make Higher Return on Investment Your Goal
Is Elimination of Item Price Marking Critical to Economic Use of Scanners in Supermarkets?
How to Introduce a Finance Charge
What Kind of Payment Is This?
Teaching Retailing at the Comm. Coll. Level
It is the Time of Year ... (re. Xmas gifts)
Keeping Faith With Your Customers (when ads are misprinted, don't renege on the ad)
Distortions in the Consumer Price Index
How Master "Electronic Fund Transfer Systems" Will Develop
If You Think the Press Doesn't Understand You...
How Penney's Improved Their Financial Reporting

November 1975

F - Let's Look at W. T. Grant
B - None this issue
A - There Is No There, There!
Wrangler Tries to Wrob Wretailers Integrity
Who Is Inefficient?
Free Speech - Whose?

December 1975

(F -Let The Cobbler Stick To His Last
(F - The Basic Laws of Business
B - This is the Season - To Think of How You Live
A - How Has 1975 Been?
Financial Trends Among Food Chains
Banks Move in Retailing
God Resides at the Hecht Company
What Are You Doing to Support the Council on Economic Priorities?
There is No Reason to Write Anonymous Letters to RT.
How to Develop Broad Executives
Does In-Store Advertising Help?
Are You Matching Employee Gifts?
What Does the Supermarket Shopper Really Feel?
Retailing in Support of Principles.
A. Dean Swift of Sears Should Check With His Research Department.
Top Food Chain Executives Seek Immunity Running Unsanitary Operations
Names in the F.T.C.



RETAILING TODAY

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THE OUTLOOK FOR 1975

1974 has not been a good year—but it is time to look back and see what RT predicted for 1974. A 17 page special study was offered separately but the conclusions were presented in the January 1974 issue and were:

1. Retail dollar volume, for apparel and general merchandise stores, will be very good, thank you. In fact, the national figures will show a record.
2. Profit levels may not be at record levels for all stores; but will be for many, if not most, well-managed businesses or businesses now on a significant growth pattern.

Those who ordered the full report will recall the final paragraph which read: **"What can you do with this forecast?** After you have read it and considered it, put it away with your Christmas Card list so that you will pull it out next December and be able to see how accurate it is (was). If it turns out to be realistic, perhaps you will want to add my name to your Christmas Card list and send me Best Wishes for 1975—as I am sending you belated Best Wishes for 1974."

The forecast and analysis was accurate; but the readers apparently skipped Christmas cards in 1974.

The Factors for 1975 That Defy Analysis

The most serious problem in looking forward to 1975 is the lack of leadership in the country. Mr. Ford has been President for 5 months at this writing and has come up with a program consisting of 31 items—16 beauty spots and 15 bandaids. He is just beginning to see far enough ahead to discern that depression has been the most serious problem all the time. When Archie Bunker sings the theme to "All in the Family," one phrase goes "We could use a man like Herbie Hoover again." Archie, we got him! When Hoover had been in office a short time and the beginnings of the depression were obvious, it was suggested that he call a national conference of labor and management. Hoover replied that he "hoped that we will be able to take it up when some of the momentarily pressing problems of the administration are out of the way."

Since Mr. Ford became President we have gotten the following pressing problems "out of the way": (1) ending the honeymoon with Congress through massive vetoes; (2) campaigning on the theme that the election of Democrats would put our Constitution in danger; (3) a reunion with the 1930 Michigan football team; (4) pardoning the biggest criminal in our history; (5) a family Thanksgiving dinner; and (6) the annual ski trip to Vail. With these pressing problems out of the way, perhaps Mr. Ford will undertake his singular responsibility to provide leadership to 220,000,000 Americans. Franklin Roosevelt said, "The only thing we have to fear is fear itself" but today our only fear is that Mr. Ford is enjoying being President so much (as announced by his Press Secretary) that he won't have time to be President.

Even Secretary of State Kissinger recognized the problem of non-leadership when, in his recent Business Week interview, he said "F. D. Roosevelt could go along for several years without a great improvement in the economic conditions because the public **believed** he was dealing with the problems." Hopefully, Mr. Kissinger is aware that today the public **knows** that Mr. Ford is **not** dealing with the problems.

The second problem relates to the media. This could be the first media-induced depression in history. Walter Cronkite has only one tone of voice—ponderous. He uses exactly the same intonation when he says "The market was down point one four today" as he would to announce the dropping of the A-bomb that starts World War III. He inspires confidence—confidence that the end is near at hand. He is not helped by the idiots that write the news columns on retailing—including the August Wall Street Journal. Never have so many writers who understood so little about the impact of a late Thanksgiving on November volume written so much with the apparent purpose of bolstering a collapse of confidence. And when the December sales were in, with good gains as a result of massive price reductions, the WSJ observed as follows: "The December gains apparently reflect extensive price-cutting programs by most of the chains. Still, in most cases, the month's sales gains were exceeded by inflation, indicating that the unit sales trailed year-ago levels." Did it ever occur to the WSJ that with massive 20% and 30% off sales before Christmas that 12%, considered the rate of inflation, might not be representative of the average price changes for general merchandise retailers from December 1973 to December 1974?

The final problem is the willingness of the world to consider the following logic to be true: (1) Sears, Penney, Kresge and Wards are the greater retailers in the world; (2) if sales gains are diminishing for S-P-K-W, then it must be diminishing for all retailers; and (3) if overstock and credit losses are a problem for S-P-K-W, then they must be problems for all retailers. Hard goods have been hit harder than soft goods, as is natural in all "responsible" recessions or depressions, and hard goods are important for S-P-K-W. Because of heavy dependence on private labels and because of the volume of goods needed, S-P-K-W have to commit far in advance of smaller firms and so are more likely to suffer from errors in planned sales. They are thus more likely to suffer from overstocks—and be forced to take the standard corrective action—markdown—to move the goods. This impacts gross margin and profits—but it doesn't follow that every retailer has the same problem.

Based on this analysis, RT would like to make three assumptions:

1. Mr. Ford will prove incapable of providing leadership.
2. Print and electronic media will continue to vie in their race to frighten the public.
3. As goes S-P-K-w, so does **not** go much of retailing.

Now let's look at the economic factors

First, Congress will pass and the President will sign (or else Congress will pass over the President's vetoes) the necessary bills to keep unemployment benefits flowing, even if they have to be continued to 52 or 78 weeks. This will assure that unlike the 1932 depression, consumer expenditures will not drop as rapidly as employment.

Second, we will not suddenly deflate by 20% or 25% as occurred in the 1929-32 period and thus will not have the problem of business failures and bankruptcies aggravated by trying to meet inflated mortgages and lease commitments with deflated dollars. The same will be true of people who continue to be employed—the vast majority of families will, if employed, meet their commitments without resorting to bankruptcy.

Third, the purchase of capital goods and durable consumer goods may be postponed but cannot be eliminated. Eventually the 1,300,000 cars now in inventory will be sold and, to everyone's surprise, GM, Ford, Chrysler and AMC will show a willingness to make more cars and will even recall some of the workers laid off for Christmas. Even housing might turn up when lumber prices have finally collapsed and interest rates drop—and this will get some furniture and appliance plants going again. Long before we had government statistics and a Council of Economic Advisors, depressions ended all by themsleves. In fact, we may well find that depressions are like colds in responding to treatment—you might get over a cold after 7 days with proper medication but if you leave it alone it will drag on for a week.

Fourth, retailers, who are notorious for their lack of knowledge of the history of their industry, should look back and see what happened to original markon and gross margin percentages for department stores in The Great Depression—for those who have misplaced Professor McNair's study of "The American Department Store 1920-1960" which provided statistics on 76 stores that reported to The Harvard Report every year—here are the figures:

Year	Gross Margin %	Initial Markon %
1929	35.0%	38.9%
1930	33.9	39.5
1931	33.7	39.6
1932	33.5	40.2
1933*	36.9	41.2
1934	36.5	40.7
1935	36.4	40.6
1936	37.1	40.7
1937	37.3	40.8

*In June 1933, the National Industrial Recovery Act (The Blue Eagle) was passed which had the effect of suspending competition. This was ultimately declared unconstitutional in 1935 and ended in 1936.

Fifth, in 1975, retailers will not have the advantage of increasing their dollar gross margins (while maintaining the percentage) when passing through the inflated cost of goods, while their wage rate adjustments lag behind their gross margin dollar flow. Retailers who planned their personnel during 1974 on the basis of transactions rather than dollar sales should have had a drop in payroll percentage. But in 1975 the expenses, including wage rates, will rise faster than gross margin dollars obtained at a constant percentage to sales, and thus profits will be squeezed. The only redeeming factor is that many—if not most—retailers have not brought their personnel in line with unit sales and so have some fat to eliminate (one would hope they do it by attrition—although in these days of rising unemployment and greater enthusiasm for work by people who still have jobs, there are many fewer people "attriting"). Total retail employment was up 2% in October 1974 over 1973 and probably should have been down 2%.

Finally, soft goods and nondurables (which includes food and gasoline) will continue to do better than durables (which includes automobiles, furniture and appliances)—so be careful when you hear Walter Cronkite pontificate on "declining retail sales" (unless you are operating a combination car dealership and TV-Appliance store).

Now it is necessary to make a prediction

One wise old economist said, "If you have to make predictions, make them often." RT can make only one for 1975.

First, the primary ability to protect your business depends upon your ability to protect your gross margin percentage—to get the dollars needed to cover expenses. In this regard the smaller stores—and particularly those with good, aggressive, active management—will likely do better than the mammoth chains like Sears—Penney—Kresge—Wards. But, this is really no different from last year and all the years before. Mass buying power may be a disadvantage in 1975—although smaller firms are being put at a disadvantage by manufacturers who, once again, are cutting their own inventories while threatening small retailers that "if you don't buy now, you won't get it because we are not ordering the (piece goods) (parts) (cross out one)." There is something about an empty plant half way through the season that has caused manufacturers to change their minds in the past—and will cause them to change their minds this time.

Second, although Mr. Ford's advisors still say that inflation is the greatest problem, you will be protected by continued inflation but hopefully at a lower rate. Remember—it is always easier to pay a 1970 lease in less valuable 1975 dollars than with more valuable 1965 dollars.

Third, in the days when your customers are shopping price more carefully, it doesn't pay to cut your advertising. This, of course, presumes that your advertising will be tuned to the times and conditions of your customers. It is amazing how fast a retailer can be forgotten when he stops advertising—and all his competition is pushing their "special purchase" merchandise.

Fourth, watch your expenses. A meat-axe approach has never worked. For example, eliminating such expenses as subscriptions to RT and the use of qualified consultants is often a false economy. But one must review expenses constantly and it may well be time when qualified utility engineers—insurance experts—freight rate specialists—and system engineers will save their cost in a few months.

Finally, RT accepts the concensus (which has usually been wrong) that the second half of 1975—the big volume half—will be better.

On that basis, RT would expect that the major chains, and especially those where durable goods are important, will do well to get a 5%—7% sales increase (partially reflecting fewer stores opened) and a profit decline of 5% to 10%. The closer the retailer comes to being an apparel store catering to the middle income groups, the closer the good firms will come to a 10% sales increase with a somewhat lesser improvement in profits.

SHOULD YOU USE LIFO?

Whenever there is a rapid increase in prices, the question is asked: "Should we adopt LIFO?" Today, many retailers are asking that question—and many accounting firms are pushing LIFO as a tax saver, arguing that the tax savings will ultimately produce enough interest income (assuming 15% yield) to offset the lower earnings per share resulting from a continued (but slow) inflation.

The problem with studying the adoption of LIFO is that so many people talk about it in very general terms. RT does not profess to know all the problems—but it does understand a good many of them. RT was reassured by the recently announced decision of Sears to continue using FIFO—reporting that their decision was based on their opinion that inflation is slowing at a faster rate than previously thought.

RT is not so certain that this is the only factor that Sears considered—particularly in view of their greatly increased markdowns in December—which will probably continue into January—as they try to bring their inventory in line. There are already reports of stores selling shoes with Sears brand—dumped by the manufacturer (probably for Sears' account).

Let's see what happens to inventory value under LIFO when markdowns increase. Let us assume a sales volume of $1,500 turnover of 3 times and 50% initial markon.

The inventory computation looks like this:

REGULAR MARKDOWN %

	Cost	Retail FIFO	Retail LIFO
Opening Inventory	$ 250	$ 500	$ 500
Purchases	825	1,650	1,650
Markdowns			–150
GOODS HANDLED	1,075	2,150	2,000
Cost Complement		50%	53.8%
Less: Sales		1,500	1,500
Markdowns		150	---
RETAIL REDUCTIONS		1,650	1,500
Ending Inventory FIFO	250	500	
Ending Inventory LIFO	269		500

DOUBLE MARKDOWN %

	Cost	Retail FIFO	Retail LIFO
Opening Inventory	$ 250	$ 500	$ 500
Purchases	900	1,800	1,800
Markdowns			–300
GOODS HANDLED	1,150	2,300	2,000
Cost Complement		50%	57.5%
Less: Sales		1,500	1,500
Markdowns		300	---
RETAIL REDUCTIONS		1,800	1,500
Ending Inventory FIFO	250	500	
Ending Inventory LIFO	288		500

The computations above illustrate one of the penalties in adopting LIFO—you must adjust the closing inventory for the prior year by increasing the cost complement as the result of treating all markdowns as retail revisions downward. The additional profit and taxes for the prior year are not reflected at any time in your report to stockholders except to restate (increase) the retained earnings at the start of the year. The important thing to remember is: the higher your markdowns the higher the cost value of your closing inventory. This is true even though markdowns relate only to goods already sold and no longer in stock.

RT thinks it is only fair to restate here that for many years it has deplored the manner in which the FIFO retail method overstates inventory cost; and to have the cost stated even higher under the forced assumptions of LIFO retail method is absurd. In 10 years RT has not found a single major accounting firm that is willing to fight this unfairness in the retail method under LIFO—nor are the major retailers using LIFO apparently willing to contest the valuation method.

The second problem that arises is that one should not adopt LIFO when badly overstocked. This may also have been a factor in the decision by Sears. Let us assume for the moment that a firm such as was used in our example was overstocked (in units) by 10% at year end. If we assume that the prices during the year increased by 10% then the ending inventory at retail in our example would be $500 plus a 10% price increase equals $550 plus 10% extra units equals $605.

If the firm elects to go on LIFO this year but during the coming year brings their inventory units in line, they will experience this series of events:

1. They will pay a substantial amount of extra taxes for 1973.
2. They will have reduced earnings (and taxes) for 1974.
3. They will show higher earnings in 1975 under LIFO than under FIFO—and thus pay more taxes next year!

This last step is the result of bringing lower cost 1974 goods into the 1975 cost of sales.

This highlights the second important facet of LIFO. It is a good method if you are sure you have good control of your inventory. But if you end one year with a high inventory and the next with a low one (measured in physical units) you may have an erratic earnings patterns.

The third problem against LIFO is that the security market really doesn't know the difference. If one looks at the price/earnings ratio for retail firms, there is no way that you are going to know whether the price of XYZ Stores is shown as a multiple of earnings computed on LIFO or FIFO. The typical stockbroker probably doesn't know—he just knows that his firm recommends Sears, Penney, Kresge and Federated. The listing of quarterly and annual earnings in newspapers do not disclose whether earnings are on LIFO or FIFO.

The fourth problem is that you won't be able to tell your stockholders what you have done. The Internal Revenue Code says that if you use LIFO for tax purposes that you must use LIFO in all reports issued to shareholders or used to obtain credit. This led to a situation where annual reports misled stockholders—as in the case of U.S. Steel. Most of Steel's inventory was on LIFO prior to World War II and the balance sheet value is on the order of $750 million less than current value (net worth was understated by half that amount). The SEC felt that this was misleading. For the past year or so annual reports have been flooded with long footnotes plus detailed explanations in the President's letter and the narrative section explaining how much money the firm really made under FIFO. Now the IRS has said—back to the short footnote, without "per share" computations, and do not mention it in the front part of the report because if you do, you may have forfeited the right to use LIFO and we will immediately call for you to pay over all your tax savings immediately!

And finally—the index on which retail LIFO inventories are computed isn't very good. The figures are published only twice a year, in January and July, by the Bureau of Labor Statistics under contract with American Retail Federation. This means that you will have to be later with your reported earnings for the quarters ending in December-January and June-July while waiting for the index; and for quarters ending in March-April and September-October you will have to guess how much to accrue for price changes. The index itself is not very good—because many of the items are drawn from the Consumer Price Index—and the CPI includes items that most customers no longer buy, such as wool suits, cotton dress shirts and regular length women's hose. Even worse, the prices used are always "regular" prices when, during the coming months, you will be selling an increased percentage of your merchandise at "sale" prices. Any relationship between the index numbers you use and the price changes on items you carry in your stock will be purely accidental.

RThought: Before making a decision on LIFO you must do **your own arithmetic** with **your own numbers** and make **your own study** of the validity of the published indices as a measure of price changes in **your company**.

A STATISTICAL SUPPLEMENT

CREDIT OFFICE RATING

The Honor Roll remains long—for this time of year. RT hopes that it was not the result of the lower level of sales in November because of the late Thanksgiving.

HONOR ROLL

Maison Mendessolle	1.5
Rubenstein's	2.2
Sears (Dallas)	2.5
Bullock & Jones	3.0
J. Magnin	3.0
Joske's (Houston)	3.5
Liberty House (Calif.)	4.0
Livingston Bros.	4.0
Montgomery Ward (Houston)	4.0
Montgomery Ward (Oakland)	4.0
Penney's (Buena Park)	4.0
Robinson's (LA)	4.0
Saks (NY)	4.0

CREDIT OFFICE RATING

Information From Reporters	OCT-NOV 1974 No. of Reports	Days to Bill Average	Range	AUG-SEPT 1974 No. of Reports	Days to Bill Average	Range
Abercrombie & Fitch (NY)	1	7.0	7	--	--	--
The Broadway (LA)	3	6.3	6-7	2	5.0	5
Buffum's (Long Beach)	1	6.0	6	--	--	--
Bullock's (LA)	2	5.5	4-7	4	4.8	4-5
Bullock's (North)	4	6.3	5-7	5	6.0	5-7
Bullock & Jones (SF)	1	3.0	3	--	--	--
Capwell's (Oakland)	8	9.6	7-11	9	10.2	8-11
Craig's (Houston)	1	7.0	7	--	--	--
Desmond's (LA)	2	4.5	4-5	2	4.5	4-5
Emporium (SF)	4	8.8	6-11	7	9.7	8-12
Foley's (Houston)	2	8.0	8	1	8.0	8
Gump's (SF)	1	7.0	7	3	9.3	7-13
Joske's (Houston)	2	3.5	3-4	1	3.0	3
Liberty House (N. Calif.)	2	4.0	4	--	--	--
Livingston Bros. (SF)	1	4.0	4	1	5.0	5
Macy's (SF)	8	6.6	6-9	8	6.6	6-8
I. Magnin (SF)	6	4.8	4-5	5	5.4	5-6
J. Magnin (SF)	1	3.0	3	2	4.0	3-5
Maison Mendessolle (SF)	2	1.5	1-2	1	2.0	2
May Co. (LA)	2	7.0	7	--	--	--
Montgomery Ward (Houston)	2	4.0	4	2	3.0	3
Montgomery Ward (Oakland)	1	4.0	4	--	--	--
Penney's (Oakland)	2	5.0	5	2	5.0	5
Penney's (Buena Park)	1	4.0	4	--	--	--
Robinson's (LA)	2	4.0	4	2	5.0	5
Sakowitz (Houston)	1	5.0	5	--	--	--
Saks (NY)	1	4.0	4	1	5.0	5
Sears (Alhambra)	6	6.2	5-10	2	6.5	6-7
Sears (Dallas)	2	2.5	2-3	2	3.0	3
Shreve & Co. (SF)	1	10.0	10	2	12.5	12-23
Smiths (Oakland)	1	5.0	5	1	6.0	6
TOTAL	74	6.0	1-11	65	6.8	2-13

Information From Stores	OCT-NOV 1974 No. of Reports	Days to Bill Average	Range	AUG-SEPT 1974 No. of Reports	Days to Bill Average	Range
Burdine's (Miami)	20	7.9	--	20	7.7	--
Holman's (Pacific Grove)	10	5.1	4-7	10	7.9	4-11
Levee's (Vallejo)	20	6.6	3-9	20	5.0	3-7
Levy Bros. (San Mateo)	32	5.6	3-10	28	6.4	4-9
Mervyn's (N. Calif.)	10	4.4	4-5	20	4.3	4-5
Oshman's (Houston)	4	9.8	9-11	8	9.3	8-11
Rubenstein's (Shreveport)	6	2.2	2-3	6	2.2	2-3
Wineman's (Huntington Park)	9	6.0	4-9	8	5.9	5-7
TOTAL	111	6.0	3-11	120	6.1	2-11

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 HAPPEN—THEN AND SINCE? Initially, I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established at the beginning at five working days between cycle closing and postmark date, and now reduced to four days because of the large number of stores that have attained five days. Many stores have reported pride—both to management and credit and data processing personnel—in being listed on the Honor Roll.

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

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

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

There will not be a business panic in 1975 and so there is no need for business management to panic. It will be another year when retailers do as they do every year—fight for their volume and their profit.

THE MARKET FOR RETAIL STOCKS

At the end of 1974, retail stocks were down badly. How far down, in relation to earnings, is shown by the table below which is a recap of the stocks traded on the New York and American Stock Exchanges and those shown on the NASD daily listing of Over-the-Counter stocks. Also shown is the Median P/E ratio (half above and half below) and the Mode (most frequent P/E ratio).

P/E Ratio	NYSE	AMEX	OTC	TOTAL
0 (loss)	12	8	7	27
1			2	2
2	4	4	26	34
3	17	21	26	64
4	21	15	22	58
5	18	4	16	38
6	10	4	7	21
7	6	1	6	13
8	2	1	–	3
9	2	1	–	3
10	4	–	1	5
11	1	–	1	2
12	3	–	1	4
13	1	–	–	1
14	–	–	1	1
15	–	–	–	0
16 & up	5	2	1	8
TOTAL	106	61	117	284
Median P/E	4x	3x	3x	4x
Mode P/E	4x	3x	2-3x	3x

RThought: The restoration of a little confidence in retail stocks —remember that all the stores did not close in 1932 (although the banks did)—could improve a P/E ratio of 3 or 4 enough to offset a 10% or 15% lower level of profits in 1975.

CONCERN ABOUT JOBS CAUSES UNEMPLOYMENT?

This appears to be a factor. Now that there is talk about—and supporting data for—a major recession, employees have become concerned. Both absenteeism and turnover have dropped. This increases labor efficiency and thus reduces the number of employees required. RT read recently of a firm that had averaged 10% daily absenteeism in the first half of 1974 against a current 2%. Thus, this employer could layoff 8% of his work force and maintain the same production.

In fact, when the lack of absenteeism is combined with the lack of labor turnover, production efficiency increases even more because of (1) higher average experience level of the workforce and (2) supervisors do not have to balance the workforce each day depending upon who shows up.

Thus, we can conclude that unemployment is accelerated by the rise of unemployment.

WHY CONSUMERISM BECOMES MORE AGGRESSIVE

Many pontificating spokesmen for retail firms protest the militancy of consumer advocates. These spokesmen tell what a wonderful job retailers are really doing—particularly the large and responsible retailers. (Read following article)

RT would like to pose a question. Would you, as an informed retailer, consider Montgomery Ward, K-Mart, Western Auto Supply, Zayre and Dart Drug as large and responsible retailers? Would you then advise consumers that they can rely on the representations of these retailers about the performance of products sold by these retailers, products on which the retailer placed their own name?

It is true that these firms are large retailers but there remains a question about their responsibility. And it is certain that consumers should be wary about the representations made by these firms as to the performance of their products.

The Department of Transportation purchased 40 models of automobile jack stands and tested them to see if the stands would support the weight that vendors claimed they would support. Products bearing the brand labels of the 5 firms listed above failed this test. In some cases it was poor design although others failed because of inadequate quality control of material and assembly.

RThought: Part of the problem appears to be one of the common problems with private labels—the retailer relies on the supplier to deliver a product that conforms with the suppliers representation. Yet the retailer is pressing for a lower price—to be able to undersell national brands. The supplier knows that it will be the retailer's name on the product, not their own. In this case, two models made by Pathfinder Auto Lamp Co. were sold under Dart Drug, K-Mart, Montgomery Ward and Zayre labels.

RThought: It appears to RT that the more a retailer becomes involved in private brands, with few exceptions, the more he is willing to venture into products where either (1) he really does not have full knowledge of the quality standards of the manufacturer or (2) he knows the products should be subjected to laboratory tests but does not operate or hire a laboratory to do the testing.

RThought: It may soon evolve that consumers will urge legislation that will require, as a condition of private labeling, that all private label products be tested by accredited testing laboratories. It is likely that the test facilities of Sears, Penneys and Macys will be accredited—but very few others in retailing. The product specifications will have to have some basis in fact. RT is persuaded that the same customer who was perfectly willing to accept the quality representations made for the Riverside Montgomery Ward Model 61-5661, the K-Mart Model 80511, the Zayre Model 7224 and the Dart Drug Model DD7224-2 would think a second time before buying the Pathfinder Auto Lamp Co. Model 7224. A lamp company making jack stands? Not when my body is under the car!

AROUND THE CIRCLE AGAIN—WITH GAMES

It was not too long ago that food chains were competing with each other—by offering more games and more trading stamps. Then came the "discount revolution." It really started with a single firm switching—but soon others were following. The first stores to go discount were successful—but when others followed all lost any price advantage. Growth in volume tapered off as the entire trading area was finally served by many discount supermarkets.

When everyone is "discount," no one has an advantage—and so the search starts for some form of advantage. Mayfair Markets in Los Angeles is taking the "Bingo" route—prizes up to $1,000, with a maxium of $201,333 available.

Mayfair was one of the last to drop stamps and go discount. It apparently was too late—everyone else was discount—and old Mayfair customers were not attracted back to the stores. If Bingo does not work, perhaps they will go back in stamps—with the promise that there will not be any increase in prices to cover the cost of stamps.

RThought: The cycle goes round and round. It was George Santayana who said "Those who cannot remember the past are condemned to repeating it." The true lesson is that gimmicks are not a substitute for merchandising—and merchandising is the ability to reach and please your market.

HOW WELL ARE THE CHAINS DOING AGAINST THE INDEPENDENTS?

Most major retail chains are publicly held and so people inside and outside the trade have some idea of what is happening to their sales, either monthly (for larger firms) or quarterly. But few get an insight into how the independents are doing. The Department of Commerce publishes monthly figures, for major store groupings, showing estimated sales for all retail stores in each group and for firms with 11 or more stores (the current definition of chains—back in the 1930s and the early post World War II period the definition was 4 or more).

The Table below shows (1) the percentage of total volume attributed to chains of 11 or more and (2) the change in sales for September 1974 compared with September 1973 for chains and non-chains:

TYPE OF STORE	% Sales Done By Chains	Change in 9/74 vs 9/73 Chains	Non-Chains
General Merchandise Group	82%	+7.3	+2.1
Department Stores	89	+6.6	+1.5
Variety Stores	80	+4.1	+8.3
Apparel Group	27	−2.9	+5.1
Men's & Boys'	12	−5.6	+5.9
Women's	25	+2.1	+7.0
Shoes	46	−12.4	−11.6
Drug and Proprietary	38	+9.2	+10.8
Grocery Stores	55	+10.5	+11.0
Tires, batteries, accessories	25	+1.1	+2.9
Furniture & Appliance Group	10	+16.7	+6.1

The figures show that in September the chains did better—and it was significantly better—in only two types of stores—department stores (department stores make up the bulk of the general merchandise group and so general merchandise is not considered separately) and the furniture and appliance group, where chains represent the smallest percentage (10% v 89% department stores) of the sales for any group covered by the report.

Non-chain retailers did significantly better than chains in the variety, men's and boys, and women's store categories. For shoe, drug, grocery and TBA stores the difference in performance was not great, but independents were ahead.

WHAT PROBLEMS COME TO THE BETTER BUSINESS BUREAU?

For the first 9 months of 1974, the BBBs nationally handled 3,000,000 requests for service through 139 bureaus. 76% of the requests were for information about the reliability of a firm, 21% were about consumer/business services and 3% were formal complaints. 76% of the complaints were settled to the satisfaction of the complainant. The complaints, in order of decreasing number, involved:

1. Mail order companies.
2. Auto and truck dealers.
3. Home furnishing stores.
4. Retail stores other than those listed.
5. Miscellaneous service firms.
6. Department stores.
7. Magazines sold by mail.
8. Home remodeling firms.
9. Appliance stores.
10. Apparel and accessory stores.

RThought: The need for a local BBB is borne out by the fact that home furnishing, department, appliance and apparel stores plus auto dealers constitute the main financial supporter of the local BBB—as well as 5 out of 10 major sources of complaints. Even the supporters of the BBB are unable to conduct their business so as to avoid complaints; and are unable to establish sufficient rapport with their customers that complaints can be settled directly with the store.

SHORT SHORTS

You can load a question, according to a story in Bits & Pieces (Dec. 74, The Economic Press, 12 Daniel Rd., Fairfield, NJ 07006, $7.08/yr). A female Swiss professor told her class that when Swiss voters were asked if they approved of smoking while praying the majority said "NO," but when asked if they approved of praying when smoking, the majority said "YES."

The lighter side of retailing—as seen by Kiplinger's CHANGING TIMES, for December. (1) One of the stores is advertising a big sale on platform shoes, fine leather shoulder bags and high fashion jeans—and that's just in the men's department. (2) "Ring up the supermarket, dear. Ask them what time the prices change." (3) This year, make it an old-fashioned Christmas. Give your loved ones gold.

WORDS TO MANAGE BY

RT usually offers words spoken long ago in contexts other than business. This month's thought was expressed recently by SEC Commissioner A. A. Sommer, Jr., before the Notre Dame Law School. If your firm has public owners you may wish to heed the advice because of Mr. Sommer's position and regardless of the inherent wisdom!

> "It is often said that charity begins at home; I would suggest that corporate responsibility begins at home. The responsibility of which I speak is that of management and those controlling corporate enterprises to the shareholders of the company. I speak of this with urgency and feeling because there are increasing evidences that some corporate managements and the others who control corporate enterprise have lost sight of their role, their obligations, the way they have achieved what they have.

> "Too often the law and those who manage and control corporations lose sight of a very basic fact: the wealth of the corporation is the shareholders' wealth, and that includes minority shareholders as well as majority or large shareholders. The corporate managers make their reputations and their fortunes by utilizing the money of others: individuals, institutions (which are often simply the surrogates of numerous individuals), people like you and me."

UCR UNIVERSITY BOOKSTORE

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Mr. Robert Kahn
RETAILING TODAY
P. O. Box 343
Lafayette, CA. 94549

January 6, 1975

Dear Bob:

May I say I appreciated your philosophy in "This if the Season--to Think of Ethics" as appeared in the number just received. It was a fine expression of human relations.

May I have permission to reprint in the Riverside newsletter of Soroptimist International as well as either the Journal or the Bulletin of the National Association of College Stores?

I wanted to conserve, but you got to me in the best way possible; a worthwhile thought. It's worth the $12!

Sincerely,

Mary —

Marjorie J. Goodman
Bookstore Manager
President/Elect,
National Assn. of College Stores

Jo - Put with Dec 74 RT

UNIVERSITY BOOKSTORE

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Bookstore Manager
President/Elect,
National Assn. of College Stores

RETAILING TODAY

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

Dear RT Reader --

We have bad news and good news.

First, the bad news. Effective with this issue it is necessary to raise our price to $15 a year ($20 a year overseas airmail). RT can question and explain, explore and analyze, suggest and criticize ethics -- but RT cannot keep costs from rising. It has been more than 2 years since we last adjusted our price. We hope that you will still consider RT to be reasonably priced.

And now the good news. As we did more than 2 years ago, everyone is offered the opportunity to extend their current subscription for an additional year at the old price of $12 -- if they send us the coupon at the bottom of this letter, together with a check for $12 ($17 a year overseas airmail).

Sincerely,

Robert Kahn

Robert Kahn
Publisher and Editor

- -

RETAILING TODAY
P. O. Box 343
Lafayette, CA 94549

We accept your offer to postpone the impact 1 year. Enclosed is a check for $12 ($17 if overseas) - extend my subscription for 1 year.

Name ______________________________ Company ____________________

Address ____

____

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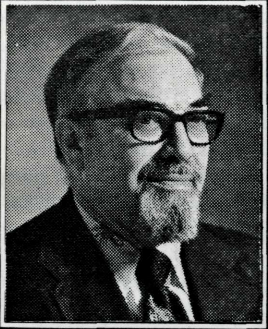
RETAILING TODAY

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



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THE EDITOR SPEAKS

The subject was "Future Growth Patterns in Retail Distribution." The audience was the 1975 Top Management Conference on Regional Center Development, conducted by the International Council of Shopping Centers. The place was the Century Plaza Hotel in Los Angeles.

I had two objectives: First I wanted to acquaint these major developers with the repetitive pattern of retailing–department stores in 1860-1900 undercut specialty store prices, but then competition increased their price structure to equal that of specialty stores. 80 years later, discount stores undercut both types of stores and now competition is raising the discount store price structure. Soon we will have a new wave of limited assortment, cash-only, low-markup outlets, using abandoned buildings and fixtures bought at bankruptcy sales. This will start the underselling cycle again. The same cycle has occurred in food outlets running from self-service to supermarkets to discount supers.

Second, I wanted them to be aware that retail development is evolutionary, not revolutionary, and that most changes were introduced by people within the industry. Therefore, the development of new types and methods of retailing can be monitored. The rapid expansion of discounting was less the product of the new style of retailing than it was of the unusual "new issues" security market for untested, unproven companies that operated during the 1960s. It is doubtful that such a securities market–where new issues were sold in ventures that seasoned investors would not support–will come again for many years.

A LOOK AT AUTO REBATES

Have you noticed that almost all of the rebates are being offered on compact and subcompact cars? That would seem to imply that car manufacturers need to boost the sales of compacts, but that the sale of full size cars is progressing satisfactorily. Yet, you know that this is not true–compacts and subcompacts are taking a higher percentage of the market while the percentage for full size gas-eaters is declining.

Then, why are the rebates being offered mainly on the small car?

The answer is simple–there is no longer any logical relationship between the sticker price of a small car and the cost of making that car. All four car manufacturers have practiced collusive oligopolistic price manipulations during the past few years, ending up with prices based entirely on what they think the public will pay. Recently you may have seen a spate of articles indicating that it only costs a few hundred dollars more to make a Cadillac than a Chevrolet, but the Cadillac sells for a few thousand dollars more.

THE NATURE OF PROFITS

Business has always been defensive about profits–and periodically top executives feel called upon to defend it. **Convenience Store News** (December 27, 1974) excerpted the following from a talk by an Eastman Kodak VP: "The profit incentive has, overall, kept prices from rising even faster than they have. Why? Because the profit incentive motivates producers to find ways to produce more efficiently."

Other spokesmen stress profit as the source of capital necessary to build and equip plants in order to employ more people to produce more goods.

But most spokesmen miss one of the key facets of profits–it reduces prices in a competitive economy. The Eastman VP was close–but he didn't get the full story.

Competition is not, as classical theory stresses, based solely on price. The lowest price product has never captured the entire market or even the majority. In the market, buying decisions are made on many factors other than price–convenience, quality, design, durability, brand name, vendor's reputation. But, price is an important factor–price is equated with the presence, or absence, of other qualities. A change in price changes the relative appeal of a product, given the same differentiation in the non-price factors from comparable products.

Profit gives the vendor the power to lower a price permanently. When the enterprise is operating at a loss, this can be done only for the short run. A competitor who produces a better designed or more durable product at a higher price, has the ability to hurt you if he is operating at a profit and has the option of cutting his price. He can hurt you even if he leaves his price above yours but offers a better designed or more durable product.

Profit gives the enterprise the option to cut prices and survive. Competition produces the situations where such action is a good marketing strategy. Thus, it is through profit that the consumer benefits from lower prices.

This unbalancing started when the Big Four realized that small cars were here to stay–if the American manufacturers did not make the cars, the foreign manufacturers would. In the original price pattern–back in the early 1960s–prices were more closely related to cost. When the dealer's percentage markup was added, it left the dealer with smaller dollar profit margin than he had on big cars. This led dealers to talk down the compacts and to cut sticker prices on the large cars, but not on the small. The cut on the larger car still left the dealer with a larger dollar margin per car than on the compact. In the meantime, the manufacturers stretched the small car. Each price increase appeared to be related to the increased size of the "small" car, but it also provided the dealer with a larger dollar margin per car.

The real manipulation came when the last price increase was negotiated with the Federal government after price controls had been reimposed. The manufacturers made a deal that they would be allowed a certain gross dollar increase but would be permitted to spread the increase over their various models in any manner that they wished. What they wished was a major increase in prices on small cars–small car sales were going to increase with the impact of inflation, gasoline shortage and reduced mileage because of anti-pollution devices. They increased prices for cars like the Olds 98 and the Mercury on the order of 1% or 2% and the small cars by 10%–for an average of about 5% to 6%.

Now they had reached the point of completely artificial prices unrelated to cost, but closely in line with what they thought the car buyer would pay. They were wrong. The car buyer revolted. They wouldn't buy small cars at those prices.

Unfortunately, the dealers already owned hundreds of thousands of cars with sticker prices unrelated to cost. If the manufacturers wanted to return to honest pricing they would have had to rebate for every car the dealers owned. By offering advertising, plus selective rebates, they hoped to accomplish several things. First, they hoped to move the inventory with less of a rebate than if they adjusted prices of all cars in the hands of dealers. The selective rebates would boost sales enough to keep dealers alive and eventually to warrant making more cars. Second, they wanted a lot of publicity related to the manufacturer rather than the dealer, showing that the Big 4 were being concerned about the economy ("What is good for . . .").

The final adjustment back to reality will show up in the pricing of the 1976 model cars. Smaller cars should show no increase in sticker price, or perhaps even a small decrease. This won't be because the cost of making the cars is down; it will be because the 1975 prices had too much water in them. The Big 4 will make many noises about the contribution they are making to the recovery of the economy–their contribution is, of course, appropriate because their attempt to rape the Republic contributed greatly to the rapid collapse of the economy in recent months.

COMPETITION AND THE RESTRAINT THEREOF

If there is one thing that retailers like to do, it is to **talk** about the great competition between major firms. If there is one thing that retailers do not like to do, it is to compete.

As retailers become more informed about the antitrust laws of the United States, they become more devious. They just happen to discuss subjects at national trade association meetings or when attending the Chamber of Commerce or when they are on the same bank's board of directors. It can be a question of markup, store hours, credit terms, finance charge rates, wage rates and wage rate increases, almost anything to avoid the competition they love to describe in their public statements.

This is behind the indictment, by the United States Department of Justice, of Saks Fifth Avenue (Brown & Williamson Tobacco through Gimbel Bros.), Bergdorf Goodman (Carter Hawley Hale), and Bonwit Teller (Genesco) plus two executives of Saks and Bergdorfs. The three parent corporations have entered a plea of nolo contendre–in a move to avoid the disclosure of evidence through testimony that might hurt the corporations in civil cases that have been filed. As is typical of billion dollar corporations, they know they violate the law, but the profits are so great compared with the fines that they don't really worry about the cost of getting caught. They also know that whether the corporation violates the law by illegal acts–such as contributing corporate funds to political compaigns or tapping employee telephone lines or anti-trust action–the courts do not make examples of the top executives by sending them to jail. They might pick on Skitch Henderson and make an example out of him–but never a Gimbel (Brown & Williamson did not own Gimbels when the alleged acts took place) or a Carter-Hawley-Hale or a Jarman. A musician is one thing, but a pillar of corporate affairs is a completely different matter.

RThought: There are many retailers who never indulge in practices that are illegal. Some are quite successful; most are not billion dollar corporations. Probably the two characteristics that RT sees in these firms are (1) family controlled businesses where the individual or family would never be able to face the shame of such a disclosure, and (2) relatively mature businesses that have been established in their communities for a long time. This should fit Bergdorf-Goodman–but the Justice Department alleges otherwise. But, there are thousands of retailers who can testify to the fact that they can make a satisfactory profit without violating the laws.

THE VOICE GROWS

RT has previously commented on the sudden interest of major retail advertisers in The Village Voice, New York City's leading alternate newspaper, since it was acquired by the establishment's New York magazine. This continues unabated–with Gimbel's, Carlyle Custom Convertibles (bed sofas), Avis, Manufacturers Hanover, Chemical Bank, Abercrombie & Fitch.

SHADES OF LINGAN WARREN

RT will long remember Lingan Warren, President of Safeway Stores in the post-World War II days, ending in the late 1950s, before Safeway went for growth and profits instead of Warren's dedication to consumers and principles.

Warren will be remembered for three things: First, he had no base salary, but only a contingent compensation based on profits; second, he thought trading stamps were detrimental to the long range interest of consumers; and third, he resisted the unilateral action of food manufacturers who placed a burden on stores by couponing and arbitrarily setting the allowance to cover handling and redemption.

Warren insured an income for himself by operating Safeway at a profit, although not as much profit as was developed later when profit became the primary objective. He fought trading stamps with price cuts–and ended up personally paying a fine (as did Safeway) in a Colorado case. He fought coupons on two fronts–in the store by honoring the coupon on any product, and against the food manufacturer with costs studies showing the true cost of handling coupons.

All this background was brought to mind by the announcement that Proctor & Gamble was increasing the handling allowance on coupons from 3¢, that has prevailed for years, to 5¢, having been persuaded by a cost study made by Arthur Andersen, under sponsorship of the entire industry–Super Market Institute, National Association of Food Chains, National Association of Retail Grocers, National American Wholesale Grocers Association, Cooperative Food Distributors of America and Grocery Manufacturers of America.

MERCHANDISING IN A RECESSION/DEPRESSION

The recession/depression, that illegitimate offspring of the government's policy during the past decade, has finally been acknowledged by one of the parents, Mr. Ford. It was acknowledged some time ago by businessmen although they seldom spent much time trying to determine the parentage.

With the arrival of the recession/depression came two situations which bear special comment.

I forgot we had inventory!

I fully expect some merchants to make this statement in complete surprise. Most of them seem to overlook the items they have in inventory when they make their open-to-buy plans (OTB).

I don't mean that they overlook the numbers that they put on paper as opening and planned ending inventory—they fully recognize the numbers. They forget what is behind the numbers—the physical goods that are on the shelves.

In recent days, people have been wondering whether to plan for (1) an increase ("If you don't buy for an increase you won't get an increase"), (2) the same as last year, or (3) less than last year. They feel that they must make this decision—and then reflect it in the OTB computation.

The sound posture would seem to be to plan for an increase or a breakeven while buying for a decrease. You can safely buy for a decrease because you do have inventory. The slower the turnover, the bigger the decrease you can buy for! Let's look at a men's store that does \$200,000 a year, \$90,000 in the spring and \$110,000 in the fall. They turn their stock twice a year—so they have an average inventory of \$100,000 at retail. If the store plans for a breakeven in the spring but buys for a 15% decrease, they will buy \$77,000 worth of goods—or \$13,000 less than the sales they plan to make. If they only buy for the plan but do make their sales, they will end up with \$87,000 worth of inventory going into fall instead of \$100,000. Is this a catastrophe? Is it going to be difficult to find someone to sell you merchandise to fill-in the stock? Is it impossible to fill during the season as sales develop above plan?

The slower the turnover or the shorter the "buy-and receive" cycle, the greater the cut one can make in the buying plan compared with the selling plan. You can do this because you have inventory. If you don't believe that buyers forget they have inventory, listen to the number of times they complain that they cannot make their sales plan unless they can commit all of it right now.

I can't win on price so let's sell non-price!

I seem to recall a musical where a song had a phrase "You gotta have a gimmick." And that's what merchandising comes down to in a recession/depression when price cuts no longer draw customers. This trend is showing up in supermarkets—and particularly in markets where all or almost all of the operators have "gone discount." The "low, low every day prices" are being supplemented more and more often with weekend specials—the very thing that "going discount" was supposed to end. It can provide a stimulant—until all the stores do it. Then each store tends to get back all the customers that they lost when the other outfits went to weekend specials.

In looking around the country, one finds Frigidaire offering up to 3,600 S&H Green Stamps "FREE"—free, that is, if you buy a Frigidaire appliance. But, these are not the only trading stamps. The number of food outlets offering stamps is much below the level of several years ago—but Pick-n-Pay are offering Eagle Stamps (owned by May Department Stores) if you bring in a reusable paper bag. National is pushing Eagle Stamps in St. Louis.

And games are back. The Denver K-Mart food operations shout "Play Gamerama for 9,401 prizes up to \$1,000" (odds of 143,125 to 1!) while Mayfair Markets in Los Angeles has "Bank Vault Bingo" with up to 47,120 prizes totaling \$201,333! Thrifty Drug, in Los Angeles, has their "Large Size Sweepstakes" with "1,860 Big Prizes" topped off by a 1975 Dodge Coronet (you can't offer a compact to a winner of the "Large Size Sweepstakes.")

And then there are the book deals. Ralph's Super Markets, part of Federated Department Store, is offering a 20 volume Encyclopedia of Cooking—49¢ for the first, then \$1.99. Big Apple in Atlanta has the Better Homes and Garden set at 29¢ for the first volume, \$1.89 for numbers 2 to 19 and Volume 20 free! (But, Big Apple ran out of Gourmet Cookware and had to extend the redemption time). Tom Boy, in St. Louis, has the 20 volume Funk & Wagnalls Young Students Encyclopedia at 20¢ for the first and \$1.89 for the next 19.

Winn-Dixie in Atlanta didn't have the good judgment to eliminate their logo that says "Why pay more? Discount Foods." They went the coupon route with many coupons restricted to customers with orders over \$10 in one of the most complicated set of restrictions RT has ever seen.

Even Sears, in L.A., got into the game—they ran 3-hour Saturday Specials—available only from 9:30 a.m. to 12:30 p.m. But, they wanted to be sure that everyone knew about it—so the ad ran on **Wednesday**, not on Friday. I guess the stores were closed for the intervening two days to allow the departments time to setup their sale!

Discount no longer pulls customers. Thus, we see the start of the "battle of the gimmicks."

RThought: It was George Santayana who said "Those who cannot remember the past are condemned to repeating it." But with retailers, they do repeat the past because they do remember it!

THE MARKET TREND

In the January 1975 RT, an analysis was made of the price level of some 284 retail stocks traded on the New York or American Exchange or Over-The-Counter. Similar studies have been included periodically in earlier issues of RT.

This information is extremely important to publicly-held companies, and of interest to private companies that hope to go public. It is important to management-stockholders, to other stockholders, and when considering a stock issue as a source of capital for future development.

RT will publish, in months when the Credit Office Report does not appear, a summary of some 300 publicly traded stocks, showing the following information:

1. For each market, the range of price-earning ratios together with the median P/E ratio (half above and half below) and the mode (most common) P/E ratio.

2. The change in P/E ratio for stocks from the prior report.

RTabulation: RT is prepared to provide, on a separate subscription basis, the data showing price and P/E for each of the 300 stocks (this number varies with mergers, Chapters X and XI, reduced activity below minimums for publication, new listings, etc.) that are summarized in RT. This will be published in a format that adds a column each month. The report for the previous month can be destroyed. At year end a single copy will contain the data for a full 12 months.

This companion publication will be started **IF** enough subscribers are interested. **If you are interested, write to** STOCK DATA, P.O. Box 343, Lafayette, CA 94549. Do not send any money—if enough interest is shown you will be billed $7.50 for the first year.

What does the Table below show?

The strongest improvement in January was in the stocks on the New York Exchange—which typically showed a price increase of two times their earnings for the prior 12 months, reaching a level of 6x, at a time when the Dow-Jones stood at a P/E of 7.1x. Over-the-Counter also showed a typical increase of 2x, but with the typical ratio reaching only 5x. The stocks of the American Exchange showed the poorest increase—up 1x to reach 4x.

Measuring stocks in this manner adjusts for those stocks that reported earnings for an additional quarter during January, regardless of whether they showed improvement or drop against a year ago.

	New York Stock Exchange		American Stock Exchange		Over-The-Counter	
P/E Ratio	12/31/74	1/31/75	12/31/74	1/31/75	1/3/75	1/31/75
Loss	12	12	8	11	7	5
1	2	—	—		2	1
2	9	—	4	—	26	7
3	20	5	21	11	26	23
4	20	12	15	21	22	27
5	17	16	4	14	16	21
6	8	17	4	6	7	13
7	8	15	1	4	6	4
8	2	10	1	2	—	6
9	4	4	1	1	—	6
10	3	4	—	1	1	2
11	3	5	—	—	1	5
12	2	2	—	—	1	—
13	1	3	—	—	—	1
14	—	—	—	1	1	—
15	—	4	—	1	—	—
16 and up	5	7	2	1	1	3
TOTAL	116	116	61	74	117	124
Median P/E	4x	6x	3x	4x	3x	5x
Mode P/E	3x-4x	6x	3x	4x	2x-3x	4x

CHANGE IN P/E RATIO PER PERIOD

	New York Stock Exchange	American Stock Exchange	Over-The-Counter
+5 or more	5	4	5
+4	12	3	2
+3	15	3	13
+2	48	23	17
+1	18	19	44
0	16	12	30
−1	2	—	1
−2	—	—	—
−3	—	—	—
−4	—	—	2
−5 or more	—	—	2
TOTAL	116	64	116
Median Change	+2x	+2x	+1x
Mode Change	+2x	+2x	+1x

NRMA REALLY PLUGS FOR THE CONSUMER

The National Retail Merchants Association (NRMA) often proclaims their interest in doing right by the consumer. The difficult problem is finding examples of where department stores, as an industry, stood up for the consumer.

The January 10, 1975, NRMA WASHINGTON ROUND-UP said it "summarizes '74 and forecasts major issues for Early '75. It's more than a report. It's a blueprint for action." It then proceeds to object to and resist the following areas of legislation without a single suggestion or comment on acceptable reform in any area:

Merchandise repricing
Wage-price controls
Revision of 1964 guides against deceptive pricing
Consumer Protection Agency
Privacy for individuals
Environmental protection laws
Increase in salary tests for exemption from
    overtime pay
Pension reform law
National Comprehensive Insurance Bill
1975 revisions of credit laws

NRMA did come out in favor of tax reform—the parts that cut taxes for retailers; and they jumped with glee at an idea to reform regulatory agencies. They applauded the passage of the trade reform bill. This truly demonstrates the retailer's lack of interest in the consumer—without whose dollars the retailer would not exist.

A WARNING TO FAMILY MANAGEMENT

As one leaves New York City on the Queensboro Bridge, he can see a sign on a large warehouse that says "Goldsmith Bros.—America's Largest Stationers." There should be an equally large sign just below saying "Plan for management succession—we didn't and it hurt."

Theodore A. and Harold Garfield were the sole owners of Goldsmith Bros. from 1934 until they went public in 1962. They ran it until 1970 and 1971, when both died, within 3 months of each other, at the ages of 56 and 57. Nathaniel H. Garfield took over after the death of his father and uncle and today observes "A Company this size has to have a bureaucracy to run it, and there was none when they died. Inertia will carry you for a couple of weeks or months, but beyond that somebody better be tending the store."

Goldsmith Bros. was, during the years it was publicly owned, a reasonable profitmaker—it went along making about 2% on sales and 12% to 14% after taxes on net worth. Following the death of both key officers, sales ran along at about $16-$17,000,000 a year, but profits dropped from $342,000 in 1970 to $28,000 in 1971, followed by losses of $210,000 and $774,000 in 1972 and 1973. At this point, the net worth was down from $2.8 to $1.8 million and liabilities were almost three times net worth.

Nathaniel H. Garfield has recently announced an agreement with the creditors which will not require a bankruptcy proceeding for the 88 year old firm (this agreement probably reflects the high regard in which his Father and uncle were held). Debts as of August 1974 will be frozen and 12 monthly payments will start in September 1976. Once there were 11 stores, now there will be 7. An unprofitable department store will be sold. Personnel will be cut from 650 to 280. Hopefully they will operate at the rate of $15 million a year.

RThought: There is little that RT can add to the statement of Nathaniel Garfield when he said, "I think their one failing was not providing for the continuity of management, but how many people 56 and 57 years old expect to die within three months of each other?"

SALES PER EMPLOYEE

The Economic Priorities Report entitled "Minorities and Women in the Retail Industry" (Council on Economic Priorities, 84-5th Avenue, NY NY 10011) rates 5 major retail companies on minority employment in declining order: Sears, Wards, Penney and (tie) Grants and Kresge. On female employment the rating is (tie) Grants and Penney, (tie) Wards and Sears, with Kresge last. And finally, for cooperation, the rating is Penney, Grants, Wards, Sears, Kresge.

One of the interesting figures developed was sales per employee based on employee data reported to the Equal Employment Opportunities Commission, divided into annual volume. The Table is shown below.

Company	1973	1972	1971
Grant	$25,000	$21,900	$19,600
Kresge	45,400	44,600	44,900
Wards	30,800	26,100	25,000
Penney	28,300	25,000	26,100
Sears	31,300	28,500	27,200

If adjusted for inflation, only Kresge would show a decrease over the 3 years.

CREDIT OFFICE RATING

The problem of late billing—unsolved by many major retailers—has now led to legislation. Title III of the Omnibus Credit Bill of 1974, signed by President Ford on October 29, provides that effective with October 1975, that statements mailed on open end consumer credit plans must be mailed at least 14 days prior to the date when finance charges can be imposed. This will require many firms, including bank cards, to review whether they want to continue to require that payments be received 5 days prior to the cycle closing. In a 28 day month, that means that statements must be in the mail by the 9th day of the cycle (28 days-5 days early receipt—14 days prior to cutoff date on payments).

THE FRINGE COST OF SENSORMATIC

RT has long noted that people with low shrinkage rates attribute their success to a well-organized, year-round program of education, verification, and concern; while those with high shrinkage rates hire more guards, prosecute more people and install Sensormatic or other devices.

In a recent NY court case, Macy's learned the fringe cost of the lapse of common sense and good procedures when the judge awarded $500 to a customer (and indicated that he would have awarded more had he not been limited by the fact that the suit was filed in small claims court).

These are the facts. A customer bought and paid for a sweater but the clerk failed to remove the Sensormatic tag. On leaving the store the alarm sounded, a guard took the customer aside, identified the article and accepted the salescheck as proof that it had been purchased. The guard then rummaged through other items belonging to the customer.

Macy's raised two defenses, which the judge refused to accept. Macy's argued that the law exempted from liabilities employees who had reasonable ground to believe that the person detained was committing or attempting to commit larceny and that such a person could be detained for a reasonable period of time. The judge held that these defenses only applied when the "reasonable grounds" was based upon an act observed by the employee—and did not apply when the original act was one of negligence by another employee.

RThought: There is a constant problem in retailing—an executive must always be alert, questioning all of the acts around him, yet at the same time keeping in mind that the large majority of customers are honest. It is much harder for security departments to maintain this perspective. They tend to adopt a policy of "Guilty until proven innocent."

The challenge for retail management is to see that the security department follows procedures that recognize that things are not always what they seem—just because a detector alarm goes off. Think of the times you are rushing to catch a plane and are annoyed when something in your pockets set off the detector alarm anti-hijacking system—and the guard asks you to step aside for a minute. He has to be alert that you **might** have a gun, but he must also remember that the odds are better than 999 to 1 that you **don't** have a gun.

The odds on Sensormatic are not the same—but the guard should have the same kind of instruction. It would have saved Macy's \$500—and with the publicity resulting from the court decision, may cost many other merchants a good bit of money. Now let's see. Retailers are always saying—that \$500 is the net profit on \$25,000 in sales.

HOW CARTER HAWLEY HALE TREATS A SMALL BALANCE ON A RECEIVABLE

RT has commented on the FTC action against Carter Hawley Hale (CHH) for keeping unclaimed credit balances on customer accounts (RT Oct 74) and repeated the statement of a CHH spokesman that the 1973 amounts came to less than 2¢ of every \$100 of credit sales. Elsewhere, CHH made much of the point that the average amount written off was \$4 (RT would remind readers of the story of the man who drowned in a river with an average depth of one foot).

An RT reader has now provided us with an example of the policy followed by The Emporium, a division of CHH, when the customer owes a small amount.

In June 1965, this customer purchased a pair of shoes. When the salesman wrote up the tag he wrote it up for \$1.00 more than the price tag on the shoes. With the then 4% sales tax (now 6½%) this made an overcharge of \$1.04. When the customer pointed out the error, the salesman said "Oh, that's wrong" and tore the price tag off the shoes and claimed he was charging the correct amount. The customer was in a rush so rather than argue, she left and later contacted the credit office. No one in the credit office seemed to know what could be done—nor did they seem interested in assisting. The customer said she would not pay it.

Here it is, 9½ years later, and the customer still has not paid. Emporium has converted to a computer so that they can now automatically prepare the bills. For many of the past 100 months there has been no activity except the \$1.04 opening and closing balance, as was the case with the October and November 1974 closings.

The amount does not change because no finance charge is assessed on a balance of \$1.04

The customer has become reconciled to the situation, but when she reads about CHH she wonders how the company succeeds when they probably have spent an unnecessary 20¢ a mailing at least 50 times in the past 9½ years, because they don't know how to correct a \$1.04 overcharge!

MASS LEARNING FOR VOLUME DISTRIBUTION

10 years ago the National Association of Food Chains joined with Cornell University—and particularly Dr. Wendell G. Earle, Professor of Marketing in the College of Agriculture and Life Sciences, to develop a home study program for people in the food industry. And now, 10 years later, more than 50,000 students have enrolled in courses. Today, courses cover a wide range of subjects—groceries, frozen foods, dairy products, meat, produce, finance/economy, consumer/public relations, legislation, food warehouse/transportation and more.

Major chains integrate the home study programs with the chain's training work. Some companies provide literature on the courses at each store—and others reimburse students for the cost of the course they successfully complete. The proof of industry interest shows up in the firms represented on the Advisory Board—Publix, Ralph's, Giant Foods, Dominion Stores, Jiffy Food Stores, A&P, Iandoli Markets, Acme, Kroger, Pick-N-Pay Super and National Tea.

WORDS TO LIVE BY

Once I read a book by Father James Keller called "You Can Change The World." What he believed became embodied in an organization known as "The Christophers." You can become a Christopher by just believing that you can change the world—for good. Father Keller pointed out that fewer than 1% of the people are trying to destroy the world; it only takes 1% of us to protect it and make it better. Every month or so I receive a simple gift of messages from The Christophers. You can, too, by writing Father Richard Armstrong, 12 East 48th Street, NY, NY 10017. A small contribution would help—for he is now sending out 1,250,000 copies of each message. From the 210th message let me bring you just two:

I SHALL PASS

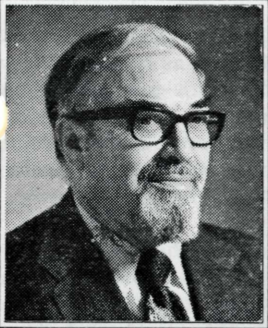
I shall pass through this life but once.
Any good, therefore, that I can do
Or any kindness I can show to any fellow creature,
Let me do it now.
Let me not defer or neglect it,
For I shall not pass this way again.

Etienne de Grellet

A LEADER IS . . .

A leader is best
When people barely know he exists.
Not so good
When people obey and acclaim him.
Worse when they despise him.
But of a good leader
Who talks little
When his work is done,
His aim fulfilled,
They will say
"We did it ourselves."

Lao-Tse (c. 565 B.C.)



ROUTE TO

RETAILING TODAY

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SUPERMARKETS AND THEIR COMPUTERS

My actual sampling of supermarkets is restricted to the two or three local ones that my wife sends me to–but I figure the sample is a true random one considering the conditions that I find. The supermarket industry is trying to "sell" everyone on the wonders of UPC and POS equipment that reads the codes. The implication is that the customer will get a break because under computer control everything will be more accurate.

The same firms have been using computers for some time to develop shelf-labels (the same one that is supposed to advise the customer about prices under UPC) for unit cost labels.

Recently I was in my local Safeway shopping for Camembert cheese and carefully studying the unit prices. Reading the shelf labels I saw that the 2.5 oz. package cost 19.6¢/oz; the 4 oz. package cost 24.3¢ and the 8 oz. package cost 22.3¢. Thinking I had caught Safeway in the midst of a price change, I took the required quantity in the 2.5 oz. size (I also noted that further along the same shelf strip was a label where 10.3¢/oz. was crossed out. The label indicated that it was a 4.5 oz. package that sold for $1.23–the correct price per ounce should have been 27.3¢).

While waiting in the slow moving "Express" line I had enough time to cogitate on the illogic of the packaging–why the odd 2½ oz. package when the others were an even 4 oz. and 8 oz. Just as I reached the checker I looked carefully at the package–and it was 2 oz! This made the unit price 24.5¢ and it fell in line with the other prices.

But this was not the only case. A few days later I returned to purchase some soda water–one of the many items they do not price mark. There was no shelf ticket. In about 10 feet of shelf space for private label carbonated beverages there was not a single price marker! The only thing I could find out was the bottle deposit because that was printed on the bottle label. The checker charged me 25¢ a bottle–I had to buy on faith. But I certainly can't get enthusiastic about buying on faith very often.

RThought: Everyone in the supermarket industries says that the prices will always be correct when unit pricemarking is eliminated and that the consumer will benefit. I suspect that this will come only on one product–baloney. That might be free.

THE FACTS ON MOONLIGHTING

Many wild charges are made in various forums about the degree of "moonlighting" that exists today. Charges are particularly frequent against public employees–teachers, police and firemen, etc. Now the Bureau of Labor Statistics has made a study and this is what they report. In May 1974, 3,900,000 people (4.5% of the labor force) held 2 or more jobs–about the same number as in 1972 but about 4% fewer than in 1969-70-71. Of the 3.9 million, some 800,000 held a job in agriculture and 900,000 held both a salaried and a self-employment job, with the remaining 2,200,000 holding two wage/salary jobs.

UNDERSTANDING THE WORLD AROUND US

We live in a world where we demand the best specialists . . ." Get me the best tax man"–"Get me someone who can outmerchandise everyone in town" . . . "Find the advertising man who can really sell goods." In fact, we have specialists who specialize in finding specialists–we call them executive recruiters.

Somewhere, somehow we have to stop demanding from our schools nothing but narrow specialists–specialists in law, business, engineering, science. We need people who understand the history and development of our Western culture, who understand how our society came together. I can remember hearing Dr. Mortimer Adler talk about who could afford a "liberal education." He concluded that the only ones were the wealthy landowners of a couple of hundred years ago. These were people who had the time and the money to devote to such an education–in an age when the sum total of man's knowledge was still finite. The man of two hundred years ago undertook this task for the joy of learning.

Yet, one can do it today. I hope that those of you who have children approaching college age will consider interesting them in undertaking a true liberal arts education. This means learning from the Great Books–the approach fostered by Dr. Adler and Dr. Robert Hutchins at the University of Chicago and carried on to a full college at St. John's in Annapolis by Dr. Stringfellow Barr.

None of us really knows what life will be like 30 or 40 years from now but it seems certain that material goods will be less important than they have been in our life. Yet the joy of learning from the Great Books will be just as great. Studying Euclid and Ptolemy, Plato and Aristotle, the plays of Euripides and the poems of Homer, together with the fundamentals of music and art, the thoughts of the classic philosophers–all this and more will give a person an understanding of the world and society that will permit enjoying life under any conditions the future may bring.

I am watching some of this as my son finishes his first year in such a program at St. Mary's College in California. After he finishes four years of the Integral Program we can worry about what he would like to concentrate on. If this sounds like something of interest to you, now is the right time to plan for the fall of 1975 by writing to Ms. Jeanne Blakeslee, Saint Mary's College of California, Moraga, CA 94575.

Most likely to hold 2 or more jobs are men between 25 and 54 who are married and white. However, until recently a higher proportion of blacks held 2 jobs. Moonlighting is most common among men teachers below college level (17% of all such men teachers) and protective service workers (11%). The least likely to moonlight among men are service workers other than protective or cleaning service (3.5%), managers and administrators (4.4%) and retail workers (4.7%). Among women the most likely to hold two jobs are private household workers (6.5%) and farm laborers and supervisors (5.5%).

HOW TO HANDLE COMPLAINTS

Robert P. Levoy of Professional Practice Consultants had an excellent article under this title in the February 1975 issue of **Office Products** (Hitchcock Bldg., Wheaton, Ill 60187, $10/yr) from which I would like to extract just his introductory paragraph and the first paragraph for each of his five steps.

"One of the secrets of an undertaking, claimed sales expert Elmer Wheeler, is to learn to turn your 'lemon' into 'lemonade'." From this he set forth five steps in handling a complaint.

"1. Assume the customer has a legitimate complaint. Even if he doesn't, he thinks he does. And he won't appreciate dealing with anyone who thinks otherwise.

"2. Concede before you contend. Agree, if possible, with what the customer says before you contend or explain.

"3. Never tell a complainer that he is being unreasonable. That's an insult to his intelligence and integrity. And don't infer it either.

"4. Repeat the complaint. For example, a customer 'hits the ceiling' about the wrong quantity of staples delivered. 'I've never seen such a foul-up–such lousy service, etc., etc., etc.,' When he's finished, say to him: 'let me see if I understand this . . .' and then repeat the basic complaint about the quantity ordered and the quantity received. Don't be patronizing or sarcastic. Be sincere.

"5. The last, most *important* step is: Whatever the complaint, follow through. If you've goofed, admit it. Don't pass the buck. Don't beat around the bush. Don't make excuses."

RThought: Send for this. Though written for office appliance stores, it fits all of us.

ONE UNTRUTH LEADS TO ANOTHER

You will recall that when Carter Hawley Hale was charged by the Federal Trade Commission with stealing charge account balances due customers (CHH reported that these averaged only $4 and represented less than 2¢ of every $100 of credit sales) Philip Hawley, President of CHH was reported to have said "I understand our practice is the same as all retailers."

When New York Attorney General Louis J. Lefkowitz accused Chase Manhattan Bank of transferring into its own miscellaneous income account some $190,000 that belonged to BankAmericard customers whose accounts had become inactive, a Chase spokesman is reported to have said that the bank was merely "following a common retail industry practice of eliminating small credit balances after six months."

It may be acceptable for a Rockefeller bank to steal–there have been a number of reports about how Chase has trailed its New York competition in profits and growth and this may be the only way they know for them to catch up. But it is a little hard on the many smaller retailers, as well as giants like Sears and Penneys, to be smeared gratuitously by a spokesman who is afraid to give his name.

RThought: I believe it was Herr Goebels who followed the philosophy that if you tell a big enough lie often anough you can make people believe it. Perhaps we now have the Goebels for the retailing and banking industries–telling the world that every retailer and bank steals small balances when a customer isn't watching.

DON'T COMPLAIN THAT NEWSPAPER ADS ARE NOT PULLING

One of the newsletters that I look forward to is The Budd Gore RETAIL MARKETING NEWSLETTER (Box 1666 Gainesville, GA 30501 $50/yr). In his February 21, 1975 issue he has given me a story that I will use in my talks at small store seminars where I work with a newspaper consultant. Budd suggests that a newspaper, when a retailer complains about the ads not pulling, offer to run a free ad as follows: "WILL PAY UP TO $5 EACH FOR ANY KIND OF KITTENS. Have a large family. My children want kittens more than anything else in the world. If you have kittens for sale and will accept $5 each, please call (note: publisher may, for certain retailers, enter here 'only after midnight')" followed by the name, address and telephone number of the complaining retailer.

RThought: Budd makes it perfectly clear that the fault with ads that do not pull lies with the retailer and not the newspaper. Dropping the newspaper that carried your lousy ad is like shooting the messenger who brings you bad news.

WHY CO-OPS FAIL

I think it was Stuart Chase who said that the reason cooperative societies failed in the United States was that the typical American would rather work harder earning more money than work harder spending his money more wisely. Cooperatives exist mainly at university communities (Berkeley, Palo Alto, Chicago). Greenbelt in Washington is an anomoly. The most successful "cooperatives" in U.S history were the close-door discount houses based on the homogeniety of government employees–one of the few groups of U.S. workers who are so stratified that they are willing to work harder spending their money. The examples of this type of "cooperative" are Fedco in L.A., GET and AGE in the San Francisco area, and to a lesser extent Gemco/Memco who have wandered from their original limited clientele.

But another reason for failure is the ambivalent attitude toward professional management. Non-retailers with high ideas are elected to boards and are then allowed to manage on the premise that "high ideals" automatically produce successful retail operations. Unfortunately, many co-ops are permitted to operate year after year at a loss (not management's money–the money of hundreds of fellow members). To the reason set forth by Stuart Chase must be added the concept that professional management is unnecessary in cooperatives. Unfortunately, the people to whom I would refer you for proof are now widely dissipated since their local cooperative in bankrupt.

IS THERE A QUESTION ABOUT RECORD KEEPING AT KRESGE?

On February 12, 1975, the Wall Street Journal said that "S. S. Kresge Co. reduced its earnings estimate for the year ended Jan. 29, saying its per-share net income 'could go as low as $1,' . . . The announcement . . . came only three weeks after (Dewar) had forecast per-share earnings 'near the lower end of the $1.15 to $1.25 range.' "

In explaining the reason for the reduced estimate, Robert Brewer, VP-Treasurer attributed two-thirds of the drop to markdowns and the balance to something called an adverse change in the stores' sales mix of lower-margin advertised goods. The latter was explained as arising when managers only ordered sales goods in January so that when buyers bought there wasn't enough goods other than sales goods and "the mix skewed too much toward the promotional items."

RT asks any firm that is on the retail inventory method if this explanation makes sense?

Is Kresge on the retail method of inventory? Price Waterhouse, on March 15, 1974, signed off the last annual report and under the summary of significant accounting policies said "Inventory: Merchandise inventories are valued at the lower of cost or market, using the retail method, on a first-in, first-out basis."

However, on May 21, 1970, Robert Dewar addressed the San Francisco Society of Security Analysts. At that date a similar comment appears in the 1969 audit report. But, Mr. Dewar described their procedure as follows:

> "Each week throughout the year K-Mart has highly promoted sales events in which merchandise, already discount priced, is offered at substantially lower prices for a 4-day period. In order to make advertising for these sales most productive, we have a highly integrated program calling for the stores to order heavy quantities of advertised items 8 to 10 weeks before the sale is to take place. Under procedures followed for several years, when an advertised item was received, the store would record the cost and the selling price at which it was expected to be sold at the time of the sale. This had the effect, in a sense, of taking promotional markdowns before the promotion took place. Under the old operating procedures then, managers were required to take 'on-hands' after the sale and any sale merchandise that was not sold was then marked up to its regular price, and such markups were then recorded. If this procedure were carefully followed, we would have an accurate reflection of the actual gross profit we were earning. But there was evidence that too often we were not getting correct accounting." (Emphasis added)

Mr. Dewar continued to explain that the pre-1969 procedure, described above, was changed in 1969 to the following:

> "Under this new procedure, when merchandise which is ordered for a sale is received at the store level, it is recorded at the regular selling price. 'On-hands' on advertised items are taken before and after the sale and an appropriate promotional markdown is taken on the items sold. We recognized that, with this procedure, the recorded shrinkage will be higher than it had been in the prior year. This proved to be correct. We reserved for higher shrinkage, but the actual shrinkage for the year was up somewhat more than that increased reserve. But, even more importantly, utilizing this new procedure, we did not have a comparable prior year and it was not until the end of December when the actual promotional markdowns were taken and recorded in the books of the company did we recognize the full extent of the promotional markdowns in December, and it was the end of January before the further markdowns taken in January were known and the impact on gross margins was fully appraised."

Kresge has had the Decembers of 1970, 1971, 1972 and 1973 to work out their pattern:

Mr. Dewar, in his talk, said one other thing about their inventory procedure—he outlined a step in complete variance from the method of retail inventory set forth in IRS Regulations:

> "As a Kresge policy decision, our instructions to our stores prohibit the inventorying of seasonal merchandise. We neither have the stockroom space nor the inclination to attempt to hold such merchandise for a succeeding season. As related to late 1969, this policy had the effect of encouraging our managers in December to take markdowns and to dispose of goods while still in season, and it required them to take heavy markdowns on any merchandise left in January which would not be inventoried in any event on January 31. The disposal of seasonal merchandise on the best terms possible with relatively heavy markdowns was expected. We also expected and achieved a desired result—our inventories were entirely clear of seasonal merchandise on February 1, as we commenced our current fiscal year." (Emphasis added).

In a letter dated June 4, 1970, Mr. Dewar confirmed "Our policy of prohibiting inventorying of seasonal merchandise is still in effect."

RThought: It would appear that a number of other explanations than the one given by Mr. Brewer might well explain the reduced earnings estimate. If Kresge still follows the policy of prohibiting the inventorying of seasonal merchandise and if Kresge was overstocked during December and January and if store managers attempted to salvage something of their bonus by getting some price on the overstocked goods that could not be inventoried, the matter was simply one of abnormal markdowns because of overstock. There is always the possiblity that the Kresge policy on what can and cannot be inventoried did force the sale of merchandise at substantially below current value.

However, it is hard to believe that a change of the magnitude of the figures reported could have been produced by the mix in buying for a single month.

SHORT SHORTS

Macy's may not tell Gimbels but Touche Ross hired the winner of the Haskins & Sells Award given to the top MBA student at Stanford, class of 1974. This is better than retailers did—not a single retailer was listed as employing one of the top 10% of the class.

How do you rate the business schools? A survey of recruiters made by students at Columbia University produced the following ratings: Harvard and Stanford are rated as tops. Following them were 5 that were rated roughly the same: Chicago, Columbia, Dartmouth, MIT and University of Pennsylvania. Then there were 4 more grouped together: California at Berkeley, Carnegie-Mellon, Michigan and Virginia.

"Public concern in a changing environment" was the reason given by Sun Oil Co. for electing Mary Wells Lawrence of Wells, Rich, Greene, as a new Director. This was supposed to "sensitize" the board of Sun Oil—yet RT thinks they were impressed with her impassioned plea at President Ford's summit meeting for elimination of government regulation so that business could return to taking advantage of the consumer. Looking at the history of the Pew family and Sun Oil, she appears a natural choice for their board.

CREDIT OFFICE RATING

Christmas continues to take a toll of most of the HONOR ROLL companies. There are only 6. Perhaps this should be called the HONOR Honor Roll.

HONOR ROLL

Company	Days	Company	Days	Company	Days
Maison Mendessolle	2.0	Zollinger/Harned	2.6	Saks	4.0
Rubenstein's	2.0	Joske's	3.5	SelberBros	4.0

RT always welcomes additional reporters. Please write if you are interested on reporting–either on the stores at which you shop or the store where you work.

CREDIT OFFICE RATING

Information From Reporters	DEC-JAN '75 No. of Reports	DEC-JAN '75 Days to Bill Average	DEC-JAN '75 Days to Bill Range	OCT-NOV '74 No. of Reports	OCT-NOV '74 Days to Bill Average	OCT-NOV '74 Days to Bill Range
Abercrombie & Fitch (NY)	2	7.5	6-9	1	7.0	7
The Broadway (LA)	2	6.0	6	3	6.3	6-7
Brooks Bros (NY)	3	10.0	8-13	--	--	--
Brooks Camera (SF)	1	9.0	9	--	--	--
Buffum's (Long Beach)	1	7.0	7	1	6.0	6
Bullock's (LA)	2	5.0	5	2	5.5	4-7
Bullock's (North)	7	7.1	4-12	4	6.3	5-7
Bullock & Jones (SF)	2	7.5	6-9	1	3.0	3
Capwell's (Oakland)	9	11.7	9-16	8	9.6	7-11
Craig's (Houston)	1	7.0	7	1	7.0	7
Desmond's (LA)	2	10.5	10-11	2	4.5	4-5
Emporium (SF)	6	10.0	7-15	4	8.8	6-11
Foley's (Houston)	2	7.5	7-8	2	8.0	8
Goldman's (Oakland)	1	8.0	8	--	--	--
Gump's (SF)	2	15.5	15-16	1	7.0	7
Hastings (SF)	1	10.0	10	--	--	--
Hink's (Berkeley)	1	8.0	8	--	--	--
Joske's (Houston)	2	3.5	3-4	2	3.5	3-4
Liberty House (No. Cal.)	2	5.0	4-6	2	4.0	4
Livingston Bros. (SF)	1	7.0	7	1	4.0	4
Macy's (SF)	10	7.5	5-10	8	6.6	6-9
I. Magnin (SF)	5	4.8	3-6	6	4.8	4-5
Maison Mendessolle (SF)	1	2.0	2	2	1.5	1-2
Montgomery Ward (Houston)	2	4.5	4-5	2	4.0	4
Palais Royal (Houston)	1	6.0	6	--	--	--
Penny (Oakland)	2	5.0	5	2	5.0	5
Penny (Dallas)	1	6.0	6	--	--	--
Robinson's (LA)	1	6.0	6	2	4.0	4
Roos/Atkins (SF)	1	5.0	5	--	--	--
Saks (SF)	2	4.0	4	--	--	--
Sears (Alhambra)	6	5.3	5-6	6	6.2	5-10
Sears (Houston)	2	5.0	5	2	2.5	2-3
Selber Bros. (Shreveport)	1	4.0	4	--	--	--
Shreve & Co. (SF)	3	11.3	8-14	1	10.0	10
TOTAL	88	7.6	2-16	66	6.1	1-11

Information From Stores	DEC-JAN '75 No. of Reports	DEC-JAN '75 Days to Bill Average	DEC-JAN '75 Days to Bill Range	OCT-NOV '74 No. of Reports	OCT-NOV '74 Days to Bill Average	OCT-NOV '74 Days to Bill Range
Burdine's (Miami)	10	11.1	7-16	20	7.9	--
Holman's (Pacific Grove)	10	7.1	5-9	10	5.1	4-7
Levee's (Vallejo)	20	8.2	5-11	20	6.6	3-9
Levy Bros. (San Mateo)	30	10.4	6-16	32	5.2	3-10
Mervyn's (No. Cal.)	20	7.2	4-9	10	4.4	4-5
Oshman's (Houston)	11	4.3	3-6	4	9.8	9-11
Rubensteins (Shreveport)	6	2.0	1-3	6	2.2	2-3
Wineman's (Hungtington Park)	9	9.0	7-11	9	6.0	4-9
Zollinger/Harned (Penn.)	11	2.6	2-4	--	--	--
TOTAL	127	7.6	1-16	111	6.0	2-11

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 HAPPEN–THEN AND SINCE? Initially, I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established at the beginning at five working days between cycle closing and postmark date, and now reduced to four days because of the large number of stores that have attained five days. Many stores have reported pride–both to management and credit and data processing personnel–in being listed on the Honor Roll.

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

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

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

THE APEX OF GALL

Robert's Milwaukee Furniture in San Francisco may be more than a century old but they have the most vigorous case of galluping gall ever exposed through radio advertisting. Located behind the Downtown Emporium in San Francsico, and truly remote from the BART subway station, their radio advertising claims "just 200 steps from the Powell Street Station–walk through the Emporium lower level to Robert's Furniture!"

SHADES OF THE 1930s!

In those days when Lucky Strike (before their green went to war) started a campaign "Reach for a Lucky instead of a sweet"–which brought an immediate threat from the candy manufacturers to start a campaign "Reach for a sweet instead of a poison." Lucky Strike backed off to "Reach for a Lucky instead . . ." Now Black & Decker is getting it for their TV Christmas spots suggesting that men would find a drill or sander or saw more welcome than a robe or tie. One suggestion has already been sent to Menswear Retailers of America–next year advertise for a "Safe and Sane Christmas–send a tie or a robe instead of a power tool." Will the fight end up with a combination "Robe and Drill" or "Saw and Tie" promotion?

WILL SEARS SELL THEIR "STONEWALLING" INSTRUCTIONS?

Every alert merchandiser watches constantly for ideas that they can use in their own business–and one of the ideas that Sears picked up from the Nixon Administration was the concept of "stonewalling," or perhaps ringing the Chicago highrise with wagons.

The record is amazing–the Equal Employment Opportunity Commission is after Sears for discrimination against women and Sears is the second largest employer of women in the United States. The Fair Trade Commission is after Sears for "bait and switch" promotions in their appliance and sewing machine departments. California witnessed the blow-up of the Add-A-Room concessionaire where Sears offered "Satisfaction Guaranteed of Your Money Back" if you were willing to wait a year or so while the legal department played their games.

Through all of this Sears has developed a whole series of reasons why they can't give a complete answer to anything–it would be improper to discuss this while the matter is under investigation, that information is not available, our arrangements with our employees are private arrangements–and on and on.

Recently, Sears closed one of their stores in San Francisco–a store opened in 1929 and the first Sears store I ever knew. It was about 1930 that we started buying Sears tires for a 1929 LaSalle that got lots of driving in a 1-car 4-driver family. The car lasted through the depression to 1935 (and many years after that as a jitney along the street outside the Sears store).

Sears has been unhappy with San Francisco since their union employees struck for many months during 1974 and it has long been expected that Sears would get even. They aren't the first retailer to plan their Bay Area expansion outside the control of Retail Clerks Local 1100.

But in this case there were many people trying to get Sears to stay open–the Mission community of many thousands to whom Sears was "the department store," the city government, and others. Nobody pointed out that if business was bad in the Mission store it was partially caused by Sears policy–the store was badly run down.

But Sears reverted to their old plan to "stonewall it" through Philo K. Holland, Central Pacific Coast public relations director. In response to questions by the local newspaper he was quoted as saying "We are unable to disclose specific figures on any question regarding individual stores since it is considered information important to our competition. But this store has been operating in the red at a very substantial dollar loss at an increasing rate over the last number of years. We're not talking about less profits; it's in the red." Old Stonewall Holland said he was unable to reveal how long the store had been in the red and how much all that red ink has cost. But they will pay rent on the store until 1987 or later.

RThought: Who does Sears think they are kidding? If the statement of Holland is true, and if the store is now closed, just how does Sears figure that disclosing how long the store was in the red or how much the losses had been could be "important to our competition?"

RThought: Perhaps the most important factor to be recognized by the competition of Sears is that there is little integrity left at Sears. Forty-five years in San Francisco during which they enjoyed hundreds of millions of dollars of patronage and at the end they refuse to answer a legitimate question. If they have so much to hide one can only feel that they may be trying to hide the fact that the store was actually profitable and they were out to retaliate against the union (and their own employees, many with decades of service and few moving to other positions in the great Sears organization).

YE SHALL KNOW THEM BY THEIR DEEDS AND WORDS

That is probably the best way to find out about department stores.

Macy's in San Francisco, for example, is a crook. This apparently is the way that they boosted their profitability–by resorting to dishonesty. The facts are simple: Macy's was ordered to close their San Francisco liquor department for 15 days because they accepted $382.21 worth of whiskey as a rebate in connection with a $38,000 purchase from Rathjen, a San Francsico liquor wholesaler (in California, minimum wholesale and retail prices are posted with the state and enforced by the state). Four other Macy's of California stores got suspended 15 days shutdowns. The management of Macy's will argue that they were just doing what all the other stores were doing (which appears to be true) or that the wholesaler really forced the illegal free goods on them. If you are going to be a crook, almost any reason can constitute justification; and if you are going to be honest, you can easily resist a 1% kickback. Macy's would probably fire a buyer who took a 1% kickback but it is perfectly alright for management to take it.

Then there is L. Hart & Sons, a retailer in San Jose for more than a century. In the midst of one of the fastest growing counties in the post W.W. II United States, they have watched their sales drop from $7 to $5 million and their net worth (despite several major capital gains from property sales) drop from $1.7 to $ .6 million. Such is the profile of a retailer who has the proven inability to satisfy customers. Hart's has closed their Sunnyvale branch after 17 years with a flourish of accusations against the town, the residents, their fellow merchants. They manage to blame almost everyone except themselves. But the management of Hart's has proven their imcompetence as merchants and one would assume that the gracious thing to do is to go quietly. All of the people who read the newspaper articles with the complaints of Alex J. Hart, Jr. know the reason that Hart's failed–they have walked into his store many times and have walked out without buying almost as often as they walked in. On the same block as the declining Hart's store there are merchants who know how to satisfy customers and who are showing increases.

RThought: If you run an honest business, you won't have to worry about how the local newspaper treats you because you won't be caught cheating. If you provide what people in your trading area need and want, you will continue to do business, but if you fail to serve their needs there are others who will come along and succeed in your place.

CAN THE F.T.C. ORDER REFUNDS AS PART OF CONSENT ORDERS?

In a little publicized case in San Mateo, California, the 9th Circuit Court of Appeals said "No."

The case involved Universal Credit Acceptance Corporation which did business through 1,000 franchise outlets as "Honor All Credit Cards."

In 1972 the F.T.C. required, as part of a consent order, a refund of up to $5,000,000 to the franchise holders. This was contested in court.

The decision handed down by the 9th Circuit said that the F.T.C. did not have the power under a cease and desist order to order a refund. It only has the power to "bring an end to the misconduct found." The order to make refunds "constitutes an attempt to punish and to award damages to private persons."

STORE SECURITY IS TIED TO WASTE OR VICE VERSA

Most retail stores have tied the wasteful use of packaging material to their security system. They use the store's special wrapping material, often closed with a specially printed pressure sensitive tape or a staple, as a means of assuring store personnel that the contents have been handled by a clerk or cashier at a register or check-out.

The costs of wrapping supplies are in the range of ½ of 1% to 1% of sales (depending on whether it is a department, food, variety or other type of store). This does not include the cost of handling the supplies within the store or the cost of putting the merchandise in the wrapping materials. In some cases it is the only way that the merchandise can be carried out by the customer–but in a growing number of cases the wrapping material is used to encase a single item that is already fully encapsulated in a blister-pack, a plastic bag, a carton, a can or some other container. The customer has no benefit–it is easier to carry the merchandise in the original form and when he gets home he does not have the problem of disposing of the additional wrapping material.

The "paper crisis" is not as bad as the "energy crisis," but both arise from wasteful practices.

RThought: Retail management should be able to develop means of identifying merchandise that has been properly recorded as a sale without the wasteful use of packaging materials. It is likely that attention to this area can produce a reduction of supply costs and the labor costs attendant to applying the wrapping supplies and staple and yet will not have any significant effect upon the customer.

In some areas it is simple. When a cashier in a supermarket rings up a sale of a single item like a wrapped loaf of bread or a single bottle of catsup, is it really necessary to automatically put it into a paper bag? When a department store sells a blanket, already enclosed in a plastic cover, is it necessary to struggle to get the blanket into a large millinery bag? When a drug store sells a single package of toothpaste, why put it in a paper bag?

Over the past several years I have told clerks serving me not to put such items in a bag–I tell them that "non-cycling saves even more than re-cycling."

RTip: Today, when customers are conscious of shortages and you are interested in reducing waste, is the right time for retailers to undertake this program.

NAMES IN THE F.T.C. NEWS

Jewelers Distributing Co. dba Crescent Jewelers Co.: accepted consent order citing firm for violating the Truth in Lending Act.

City Stores, May Department Stores and **Woodward & Lothrop** were all ordered by the FTC to stop entering into or enforcing leases that restrict competition in regional shopping centers. The orders arose out of leases at the Tysons Corner center in a Virginia suburb of Washington, D.C., where the stores had the right to determine the amount of space that competing stores could occupy.

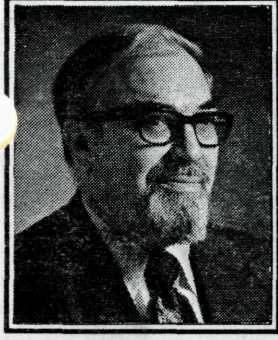
E. J. Korvette, Inc. has signed a consent order that will eliminate alleged deceptive claims about price, quality and guarantee of home improvement products or services. In addition, Korvette's will agree to establish and maintain a customer relations department and quality control program, to provide prompt response to complaints and requests, and to protect rights and defenses of customers in assignment of notes and contracts to third parties. It is interesting that the first announcements of Mannix Industries, dba The E. J. Korvette Home Improvement Department, did not disclose that Arlen Realty and Development Corp., parent of Korvette, owned the controlling stock in Mannix. It seemed to indicate only a concessionaire gone wrong.

FROM THE WALLET OF . . .

This one comes from the wallet of Marshall Kline of the 21 year old Kline (that would be Sam, his Father)–Kinsler Buying Office in Los Angeles. It was well worn and the photocopy was hard to read but this is what it says:

> "Experience is a poor guide to man and is seldom followed. A man really learns little by it, for it is narrowly limited in range. What does a faithful husband know of women or a faithful wife of men? The generalizations of such persons are always inaccurate. What really teaches man is not experience but observation. It is observation that enables him to make use of the vastly greater experience of other men, of men taken in the mass. He learns by noting what happens to them. Confined to what happens to himself, he labors eternally under the insufficiency of data."

As so often happens, the clipping does not indicate the author.



ROUTE TO

RETAILING TODAY

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WHY "RETAILING TODAY"

As a result of some observations by a person I have known and admired for many years and whose opinion I highly value, I have been reviewing the objectives and conduct of RT. I have not been progressing toward my objectives as well as I should. I want to share with you the process of review while taking this opportunity to restate and explain the objectives of RT.

A bit of history might help. More than a dozen years ago I was sending one-subject memoranda to selected clients covering current items—changes in law, court decisions, new economic data. In some months as many as 6 or 7 memos were sent out. The process of identifying each mailing list was inefficient. In 1965 I decided to put everything in a single monthly memo and send it to everyone. This was run on a ditto machine and covered 12 to 14 pages. I called it "CLIENT MEMO."

All of the original readers knew me and tolerated many of my idiosyncracies. But those original readers had friends and over the years many of their friends, often not known to me, were added. We finally reached the point where we could not get any more copies off a ditto master. At that very time two non-client readers sent in checks to help cover the postage.

I made the decision to switch to printing and offer the monthly memo on a subscription basis ($60 income the first 4 months!). Sam Flanel, then General Manager of the Controllers Congress, NRMA, helped me select a new name.

What was I trying to do? I wanted to do three things. First, I wanted to expose some research in which I often saw retailing in a different way than it was seen by the trade press and standard publications. Examples of this during the past year would be the review of Annual Reports, development of data on price/earnings ratios for retail stocks (leading to the publishing of STOCK DATA), the report "Should you use LIFO?" and many others.

Second, I wanted to include in one place many items from my reading that I thought would be useful and informative to top retail executives.

Finally, and most important, I wanted to discuss regularly, with current examples, questions involving ethics and morality in business and specifically in the retail business. I have long known that most executives feel that they are more honest than their peers but that they seldom have a chance to discuss honesty. I felt that if there was more discussion and analysis of ethical and moral questions, it would stimulate executives to follow their instincts for good instead of doing what they thought everyone else was doing.

My years of working with retailers—although most of my clients would be considered small merchants—convinced me that it was possible to run meticulously honest advertising, produce complete and honest annual reports, refund credit balances to customers, obey all the laws on prices, wages, and equal opportunity employment, and enforce self-proclaimed policies on guarantees and repricing and still have a satisfying, growing and profitable store.

My reading and listening in the retail field confirmed that almost all retail executives are concerned about the declining moral fiber in our society, particularly when evidenced by street crime, shoplifting and employee theft. Yet, these same people did not see clearly their own position in changing society or the importance of providing a personal example. Too often things they considered to be "executive privileges" looked like stealing from the Company to the people below. The example was used by these people to justify employee theft. Both groups, when caught, are likely to say, "I only did what everyone else was doing."

How could RT accomplish this goal? I aimed it at top retail executives. I solicited subscribers by sending sample copies. The subscription list is essentially top executives (I know of no buyers or store managers, for example) plus people closely related to retailing such as accountants, heads of trade associations and educators. I hope to stimulate these people to think good thoughts and also provide them with ideas and information that will help them run their business better. As I review the subscription list today, it includes top executives in public companies reporting annual sales well in excess of $100 billion.

Where has RT failed? This brings me back to my friend and his observations. Over the years we have discussed the use of "hook words," words that you know in advance will antagonize people. He pointed out to me that I was using them more and more. An example would be the word "steal" in the title selected to describe how banks were converting small inactive savings account balances into service charge income. I used the title "How Banks Steal." I know how I slipped into this process—it was frustration. I observed people exposed as doing immoral things who (1) justified it by saying "everybody does it" and then (2) being honored by their industry for their contributions to retailing. Even those who were not honored were never chastized by the trade press. I know of no case where the senior executive responsible for such misconduct was terminated. In many cases the local press didn't even carry the story.

But when my friend, whose business conduct has been exemplary and who has never been involved in any of the issues discussed, indicated that he, too, was turned off by the hook words, I appreciated my problem. If I am turning away the good guy, what chance do I have of changing the bad guy?

What happens now? I will change my writing. You can help by jogging me if you think I am slipping back into old habits. I count my readers as friends even though we have never met. You have evidenced it by subscribing and by renewing your subscriptions and by renewing your subscriptions at a very high rate. Perhaps together we can bring about enough improvement in the retail industry that all of us will be able to say with pride "I am a retailer."

THE DRUGSTORE

In 1972, fire destroyed the famous Paris "Drugstore" on the Champs-Elysees. The Retail News Letter of the International Association of Department Stores Reports that it has now been rebuilt–and some of the main features are . . .

- a sidewalk cafe with covered terrace of 90 seats
- a restaurant of 240 seats plus a bar
- two cinemas on the underground level with 450 seats
- a very much extended stationery department selling a very wide assortment of stationery supplies and services
- shops for women's and men's fashions, records, books, gifts, toilet articles and perfumery, travel goods, picnic foods, tobacco, etc., **as well as a pharmacy.**

RThought: Most Americans think we developed the original "drug store" that carries everything but no drug store observed by RT has 2 theaters and a bar! One can just imagine the new store–the pharmacy at the very back dragging people through all the departments as they buy dresses and suits on impulse or while waiting for their prescription to be filled. All joking aside, many other countries have followed this concept of a "drugstore" more closely than they have followed the present American super-drugstore.

MISUNDERSTANDING THE TEST

The Supermarket field is so dedicated to establishing the Uniform Product Code that can be machine read so as to avoid marking individual packages that they are permitting themselves to misunderstand or misinterpret their own tests. In a recent report on tests being conducted by Marsh Supermarkets of Yorktown, Indiana an article said "On the whole, though, UPC looks like a winner with consumers if results of a trio of Marsh surveys continue to prove accurate. Before installation, 30% of the shoppers at Marsh's pilot store rated checkout there better than at other markets, 69% rated it about the same and 1% rated it poorer. Now, 53% give the store's checkout the edge over competitors.

It was more than half a century ago that General Electric conducted their famous Hawthorne Experiment where they sought to improve productivity. G.E. gave 10 minute breaks, morning and afternoon; then hot drinks during the break, then they had people do calesthentics on their break. Each new idea brought increased production. Then they took away all the benefits and production went up even more! Finally, the experimenters learned that production had increased because the test group was responding to the special attention paid to the test group. It appears that same may be true of the Marsh test store–almost anyone would find a 3 minute wait shorter than the customary one of 180 seconds if they were watching a new POS device reading the code on packages.

RThought: RT is more inclined to the view expressed by Mary Ellen Burris, Director of Consumer Affairs for Wegmans in Rochester, NY, who said "Wegmans plans to continue to price mark all merchandise with a conventional stamp or sticker"–they reached this decision after a study analysing the cost of price marking.

PRIVATE LABEL BEER FAILS TASTE TEST– UNTIL LABEL REMOVED

Most consumers don't trust their own judgment–whether it is taste or quality or style. This is one of the major reasons why national brands are so successful. Most people can't tell the difference in taste between the lowest and the highest price vodka–but given knowledge of the label on the bottle from which it is poured, they then can discourse at length on the difference.

This was proven dramatically in a taste test of 9-0-5 Beer as reported in Tomorrow's Convenience Stores (Box 70-C, Marana AZ 85238 $36/yr). 9-0-5 sells at just over half the price of premium beer. When the labels were on the bottle it came in a distant last in the taste tests. But when they took off the labels and just let people sip, it came in second!

RThought: have you ever blind-tested your own private labels–hosiery, lingerie, men's shirts, orange juice, jam and jelly, coffee–to see how your product compares when it does not have the "disadvantage" of being identified as a private label? Consumer cooperative food stores have had "cuttings" for years to prove the quality of their private labels and a substantial percentage of their member/shoppers accept the quality claims made for their private labels. In the case of the national chains, especially Sears, the private labels have actually become national brands (Coldspot, Allstate, Die Hard, Kenmore, etc.). But hundreds of store private brands, offered at lower prices, but bringing equal or better markup, are step-children. They are necessary in the merchandising plan–but are never "proven" to the employees, let alone the customers.

A BETTER TELEPHONE BOOK

RT firmly believes that when everyone agrees on something it must be wrong. The uniformity of the solution indicates that no one is really thinking about the subject matter but is merely copying someone else who they presume has thought about the matter. This applies to such mundane things as the telephone book.

At a recent convention, James Rouse, the creative developer of Columbia, Maryland, a major planned city, mentioned some of the unique features of their telephone directory. This reflected a community approach to making the directory more useful.

The basic listing offers subscribers an opportunity to list the name of both husband and wife, either as Kahn, Robert and Patty, or Kahn, Robert (Patty). The front section, complete with index, groups together the important activities or numbers one may want to use. The "Quick Reference" page has, in addition to customary emergency numbers, all airlines, the Better Business Bureau, bus line, utilities, post offices, regularly used county and state departments. Another section lists all the local facilities, describing them, giving their location and the telephone number. All community associations, churches (including the name of the pastor), schools, clubs and organizations (giving the name of a person to contact) and the name and address of all local, county, state and federal legislations.

RThought: There isn't anything anyone ever made, that someone couldn't make better.

THE GILBERT BROTHERS AND RETAILING

The 35th Annual Report of Stockholders Activities at Corporation Meetings (covering 1974) is now off the press (Suggested contribution—$15, available from Corporate Democracy, Inc.—a non-profit corporation—1165 Park Avenue, NY, NY 10028) and, as usual, it comments on a number fo retail firms.

Genesco was criticized for keeping their shareholders in the dark (they kept the lights off in the seating section of a theater). It reported the handbag manufacturer/stockholder at the **Alexander's** meeting who showed that Bloomingdale's was underselling Alexander's by $5! **Kresge** was criticized for responding to a request for a Form 10-K by saying "We regret to tell you we cannot send a copy of our Form 10-K to you . . . we feel that the current rules governing disclosure would require us to give wide distribution to our Form 10-K if we responded to only one of the many requests we have." (RT comment: the implication is that there are substantial disclosures to the SEC that Kresge is unwilling to provide to stockholders.) **May Department Stores** was commended on "its vastly improved and now one of the most readable annual reports of the year," (RT disagrees and has sent interpretive material to the Gilberts), while **Arlen Realty** was complimented for putting out a less elaborate report while not paying dividends.

Grand Union was complimented on their supplemental booklet called "Corporate Responsibility Report." **Genesco** was criticized for spending $16,000 a year to maintain an apartment at the Carlton House in NYC for top executives use (at $44 a day, if used regularly, it appears to be a bargain! RT)

The Gilberts are rough on high salaries and salary increases when stockholders are not getting dividends (Genesco, Arden-Mayfair, Riklis at Rapid-American) just as they are with constantly rising pensions (Safeway and Allied) and the retaining of discharged executives as consultants (Roy Miner at Cook United). They think directors should meet at least 10 times a year (Marcor does not) and that information sent to stockholders should disclose all directorships held by members of a corporation's board (Federated will add the information even though the stockholder proposal was defeated).

They strongly urge cumulative voting as a way to give voice to small stockholders (A&P defeated such a proposal), and oppose staggered terms for directors (Arden-Mayfair defeated a proposal to eliminate this). They strongly object to voting unmarked proxy statements in favor of management (Gamble-Skogmo defeated a proposal to stop this, and Alexander's defeated a proposal to disclose the number of shares represented by unmarked ballots). They feel that stockholders should have preemptive rights on new securities (Allied Supermarkets and Macy's defeated proposals to this end).

The Gilberts support bans on political activity by corporations with their funds (Penney defeated such a restraint—only 3M supported such a proposal after conviction of and fines for their top officials). They feel profit-sharing plans should pass-through voting rights on stock held in the plan (Sears and May Department Stores do this, Federated is finally studying it, and Gamble-Skogmo has instituted it).

In the general rating of annual meetings we find the following ratings for retailers.

Well-conducted meetings:

Allied Stores	Genesco	Marcor
Allied Supermarkets	Grand Union	May Dept. Stores
Arlen Realty	Hughes & Hatcher	National Shoes
Dominion Stores	Kroger	Phillips-Van Heusen
Federated	McCrory	Singer
Gamble-Skogmo	Macy's	Twin Fair
		Woolworth

On the question of **post-meeting reports**, we find the following ratings:

HONOR ROLL

Allied Stores	Gamble-Skogmo	Marcor
Castle & Cooke	Grand Union	Phillips-Van Heusen
Dillon Cos.	Hughes & Hatcher	Woolworth
Evans Products	Kroger	

INTERMEDIATE

Abercrombie & Fitch	Finast	National Shoes
Amfac	Gamble-Skogmo	National Tea
Avon Products	Great A&P	Penney
Dominion Stores	May Dept. Stores	Zale

POOR

Allied Supermarkets	Garfinckel et al	Lane Bryant
Arlen Realty	Genesco	Safeway
Cook United	Kresge	Sears

RThought: Every corporate officer having responsibility for conducting a stockholder's meeting should regularly read the annual report by Lewis and John Gilbert. They argue their position persuasively. They keep you current on changes (you may have been with the majority when you established your policy but the others may be moving away from you). If you are among the firms the Gilberts follow, you will get a considered, but different, view of your company.

As a higher and higher proportion of retailing is handled through public corporations, with management owning a smaller and smaller portion of the stock, greater attention must be given to communications with stockholders. Annual reports must be complete and accurate (see RT Sept 1974 for latest analysis). Careful consideration must be given to independent proposals placed before stockholders and management probably should back them more often. Well conducted annual meetings should be held at convenient times and places. Complete post-meeting reports should go to all stockholders.

SHORT SHORTS

More on Mary Wells Lawrence. In the March RT, a Short Short reported that "public concern in a changing environment" was the reason given by Sun Oil Co. for adding the boss of Wells, Rich, Greene as a Director. RT thought it was her public anti-consumer statements that endeared her to the Pew heirs. But a sharp RT reader reports an even more devious connect—Ms. Lawrence heads the advertising agency for Sun Oil. She brings true independence on the Sun Oil Co. Board.

The buyer is aware! Fender is an old name in the musical instrument field and enjoyed an outstanding reputation for quality instruments. It was purchased by CBS as part of a diversification program. CBS added their "skills" to Fender with the result that the quality went down (the sales and profit might have gone up—short-run). The result today is that want ads read "Fender guitar. Pre CBS" for which the seller collects a premium! Check your local newspaper.

THE MARKET TREND

February and March saw a marked recovery in the Price/Earning ratio of retail stocks on the New York and American Stock Exchanges but no improvement in the ratio for stocks traded over-the-counter. Despite this improvement, retail stocks are trading well below the ratio for the Dow Jones Industrials (all blue chip companies) or even the much broader Standard & Poors 500.

The first issue of STOCK DATA will be mailed during April showing the individual prices and P/E ratio for more than 300 publicly traded stocks. The subscription rate is $7.50 per year–if you wish a sample copy please write to STOCK DATA, P.O. Box 343, Lafayette, CA 94549.

	New York Stock Exchange			American Stock Exchange			Over-The-Counter		
P/E Ratio	12/31/74	1/31/75	3/31/75	12/31/74	1/31/75	3/31/75	1/3/75	1/31/75	3/28/75
Loss	12	12	14	8	11	15	7	5	10
1	2	--	--	--	--	--	2	1	--
2	9	--	--	4	--	4	26	7	4
3	20	5	1	21	11	4	26	23	15
4	20	12	10	15	21	14	22	27	25
5	17	16	5	4	14	16	16	21	20
6	8	17	15	4	6	16	7	13	16
7	8	15	16	1	4	5	6	4	3
8	2	10	15	1	2	5	--	6	8
9	4	4	5	1	1	2	--	6	4
10	3	4	4	--	1	--	1	2	8
11	3	5	6	--	--	2	1	5	3
12	2	2	7	--	--	1	1	--	1
13	1	3	2	--	--	3	--	1	3
14	--	--	2	--	1	1	1	--	2
15	--	4	3	--	1	2			
16 & up	5	7	14	2	1	4	1	3	6
TOTAL	116	116	119	61	74	90	117	124	128
Median P/E	4x	6x	7x	3x	4x	5x	3x	5x	5x
Mode P/E	3x-4x	6x	7x	3x	4x	5x-6x	2x-3x	4x	4x

SHORT SHORTS

Trouble with magazine subscriptions? Now you and your customers can get help–by sending all information and a photocopy of the cancelled check to Magazine Action Line, Publishers Clearing House, 382 Channel Drive, Port Washington N.Y. 10050. There is no charge. (If you have problems with RT, please write direct).

Isn't it wonderful what tight money and high interest rates produced among conventional retailers–a plethora of plans to let people charge in November with the first payment postponed until February–with no finance charge! Come the 4th quarter report and there will be comments that interest costs increased by "x" cents per share because of the continued high interest rates and large receivables outstanding.

Beware of "storepersons" selling gifts! For 23 years Hess Apparel Stores, which carries only women's clothing, have run a pre-Christmas promotion for men shopping for gifts. Obviously the event is called "Stag Night" and there are models, discounts and hors d'oeuvres. But this will happen no longer–by order of the Delaware Human Relations Commission. Following a complaint filed by a local chapter of the National Organization of Women, the Commission ordered Hess' to run a "compliance Night" on December 23rd–open to both men and women!

If your buyer takes kickbacks, see the U.S. Attorney. A purchasing agent for International Harvester Co. was found guilty of 39 counts of mail fraud for accepting $31,000 in kickbacks from suppliers of parts to International Harvester.

Nothing changes in retailing–customer or management. Get a bunch of top retailers together and they will tell of the wonderful improvements that management has wrought–UPC, EDP, POS, ROI, OTB, and on and on. Just like the comedians who tell jokes by spouting a number. And when you ask consumers, you get the same answers. **Chain Store Age** is celebrating 50 years by looking back at old issues. In 1927, the food chains surveyed their customers and found the customer was annoyed by long check-out lines, wanted more nationally advertised brands, was a one-stop shopper, knew that chains offered better prices but lacked the personal touch of the independent.

Inundated by information. In 1946, the Bureau of Census published a catalog of all their publications between 1790 and 1945. It took 320 pages (2.06 pages/yr.). They have now added the period 1946-1972 but it takes 591 pages (22.73 pages/yr)!

Florida legislates logic into prescriptions. Florida now allows price advertising of prescriptions and allows druggists to substitute less expensive generic or brand name drugs for prescribed drugs when such substitute items are properly approved.

WESTERN BUSINESS IS DIFFERENT

RT has long been aware that the West has different kinds of businesses from the rest of the United States. Lacking much in the way of the natural resources (except for some oil, which does not require great numbers of employees, and agriculture, which is requiring fewer and fewer employees), the West has built its economy on businesses that require management and technical knowledge.

The table below shows for the four major areas of the country (W=West, NE=Northeast, NC=North Central and S=South) the relative importance of two types of business employees—professional and technical, and managers and administrators. The importance in the West is taken as 100. If, for example, professional and technical employees represented 10% of the workforce in the West and 9% in another area, the West would be shown as 100 and the other area as 90.

	Professional and Technical				Managers and Administrators			
Year	W	NE	NC	S	W	NE	NC	S
1950	100	93	80	72	100	88	78	74
1960	100	93	81	77	100	85	79	86
1972	100	97	84	80	100	89	83	94

RThought: The "New South" is gaining rapidly and may soon challenge the West.

CATALOG/SHOWROOMS—THE STORE OF THE FUTURE IS NOW DISAPPEARING

C/S operations were supposed to be the wave of the future—efficiency and economy in mass distribution. The concept was so simple that anyone could run such a store. A large number tried. Now it appears that the future may not be in this head-on competition for big ticket merchandise.

Discount Store News, in a recent issue, ran a census and reported on plans for 1975. It told this kind of story. Jewel Companies has closed their 5 showrooms, making the 7th discounter to pull out since 1973. Goldbro Distributors is still postponing a unit originally planned for 1974 and then deferred to 1975. Ellman's in Atlanta will skip expansion this year, as will Naum who last year cancelled plans to open 3 or 4 units a year. H. B. Davis is in Chapter XI and has closed 1 of 3 units. Modern Merchandising is upgrading instead of adding units. Basco in New Jersey has closed 2 stores and sold their last California unit. Grand Distributors is closing 2 units. GranJewel, a subsidiary of W. T. Grant is in obvious trouble. Schnuck Markets and Value House are undecided. Of the 4 remaining discounters operating C/S units—Shopko, Gaylords, Two Guys and Belscot—all are planning 1 or 2 units. But some chains are adding units—Best will open 1, Service Merchandise 3, H. J. Wilson and Gordon Jewelry 2. Dahnken looks for 5 franchises, O. G. Wilson, a division of Zales, will open 1.

The talk is of fewer catalog pages, reduced mailing lists, lower price items, elimination of toys, and more conventional (tabs, TV, newspaper) advertising.

Under these gloomy conditions it is appropriate that Consumers Distributing, the joint venture of Consumers Distributing Ltd. of Canada and The May Department Stores, announced it will open 100 new showrooms (by some uncertain future date) to go with the existing 57. This may reflect the enthusiasm of the Canadian partner for spending the U.S. partner's money when May takes all the losses and Consumers Distributing Ltd. gets half the profit. Any prudent merchandiser would consider such a plan of action appropriate—although May stockholders may wonder about gambling 11% or more of their net worth in this venture.

THE NATURE OF INFLATION—AS COMPUTED FOR LIFO

The table below shows the precentage price change from January 1974 to January 1975 as determined by the Bureau of Labor Statistics, for use by firms using LIFO in their retail inventory computations:

SOFT GOODS	
Piece Goods	+ 5.1%
Domestics and draperies	+18.0
Women's & children's shoes	+ 4.3
Men's and boys' shoes	+ 8.3
Infants' wear	+23.5
Women's underwear	+ 7.3
Women's & girls' hosiery	+ 4.1
Women's & girls' accessories	+ 9.5
Women's Outerwear & girls' wear	+ 6.6
Men's clothing	+ 4.6
Men's furnishings	+11.7
Boys' clothing & furnishings	+ 6.2
Jewelry	+27.1
Notions	+12.2
Toilet articles & drugs	+11.6

DURABLE GOODS	
Furniture and bedding	+ 8.9
Floor Covering	+ 8.3
Housewares	+17.2
Major appliances	+11.1
Radio and television sets	+ 3.7
Soft Goods Division	+10.4
Durable Goods Division	+11.3
Total store	+10.9

A GOOD NAME IS HARD TO KEEP

Woolworth in Australia has no connection with F. W. Woolworth Company. Years ago an aggressive merchant in Australia noted that no one was using the name Woolworth, which had gained worldwide recognition for the development of the 5 and 10 cent chain store concept, so he decided to use it. Today Woolworth is one of the 5 largest retailers in Australia.

The same is happening to Penneys. Mr. Garfield Weston, who controls such major corporations as Weston's and Loblaws, established Penneys Limited of Dublin. After establishing the name in Ireland he brought it to England and Scotland. The courts in England granted an injuction in favor of the U.S. Penney's against the Weston group; but in Scotland, where the Weston group had 3 stores and the U.S. Penneys only 1, the courts gave Weston the right to use the Penney name!

M.I.T. RE-INVENTS THE WHEEL

Massachusetts Institute of Technology (MIT) is a great think-tank. A lot of our industrial might would not exist except for its work and the work of its graduates. Now MIT is turning its attention to the retail field. It recently announced a study that shows that computer cards and television sets may replace grocery carts and checkout lines in the supermarket of the future. This, they claim, would apply modern technology to food distribution. All that is necessary now is to induce the industry to spend the billions needed to mechanize stores.

This MIT project, financed by federal funds through the National Science Foundation, suggests that merchandise displays would show only an individual item–perhaps even a miniaturized one. If the customer wants that item she would pick up a punched card and deliver it to a desk. The card would be used to prepare the sale information and automatically gather the merchandise from the mechanized back room.

RThought: This sounds much more complicated than the Keedoozle Store that Clarence Saunders was operating 20 years ago. In it you carried a gadget with a paper tape (cheaper than cards). If you wanted to buy something you inserted the gadget in a slot and turned it one time for each package you wanted. The turning caused the product code to be punched into the tape. At the checkout, the tape was removed from the gadget, run through a reader that prepared the itemized tape and activated the automatic warehouse to bring the products together. As to using a plain punch card, I think it was Bill's in Cleveland, before being acquired by Cook United, that used this system in much of their hardware section. Just think how fortunate retailing will be when the government research expenditures start discovering the things we did in the 1960s!

DANGERS IN HOME IMPROVEMENT SALES

The subject is not do-it-yourself, it is the contract home improvement business. The risk is your good name and your fortune. The win, if there is a win, appears to be small.

RT has long maintained that retailers make their biggest mistake when they undertake a business with which they are not familiar. This is true whether you add catalog/showrooms to discount chains or convenience stores to supermarket chains or whether you add conventional department stores to a Radio Shack.

But it is particularly treacherous when you add "Add-a-Room" to a retail business. RT reported in September 1972 on the FTC action against Mannis Industries, a subsidiary controlled by Korvette's (the original complaint did not indicate that Mannis was a subsidiary). In March 1973, RT reported the fiasco at Sears–and an "Add-a-Room" business in their major California, Washington and Hawaii stores operated by a concession connected with the soon-to-be-bankrupt U.S. Financial Corporation. Dozens of jobs were abandoned without notice–some without roofs during the rainy season.

Now comes The Handyman of California, Inc., a subsidiary of Edison Brothers, and a collection of home remodeling contractors, including one that was required to operate under the inconsistent name "Handyman Remodeling Division, Inc." This seems a clear indication that The Handyman of California, Inc., intended that their customers be deceived into accepting a separate corporation as a "division" of the store in which it was located. The case involving these firms was heard before the California Contractors' State License Board (Case 22,187, N-3922 decided July 31, 1974).

For example, in the case of Pacific Remodeling Corp, the license with The Handyman (the store) provided (1) "The Licensee, Remodeling Division, shall operate under the name of Handyman Remodeling Division and no other name, without the written consent of Licensor," (2) that the Licensee shall "at no time hold out to the public that the licensee is operated by anyone other than the Licensor," and further that (3) "No sales slips, labels, or other items, shall display any name other than The Handyman Remodeling Division." It also provided "The Licensor shall set the policy as to relationships with customers and with the public generally, and Licensee agrees that it will at all times comply with such policy."

Handyman then started advertising "Handyman's Unique Room Addition Program" and the ads said "Handyman handles all arrangements details." (sic)

So what happened? There were a number of cases involving the use of false, misleading or deceptive advertising as an inducement for customers to enter into home improvement contracts, false certificates were created that labor had been performed and materials delivered when neither was true, contracts were abandoned without legal excuse, the labor laws of the State of California were violated, the licensees failed to keep the Contractors' Board advised of changes in officers, and facts were misrepresented when licensees applied for contracts.

In the end, Handyman's trip into a territory that they did not know resulted in (1) customers getting hurt, (2) remodelling contractors going bankrupt, (3) Handyman operating in violation of the laws of the State of California, and (4) reputation-damaging publicity.

No one has developed a chain of remodelling contractors (although a Southern California firm, Allied Builders, has established a few franchises) and there may be a good reason for this. It is difficult to make a profit in the home remodelling field. Underestimating the time required on the job or the difficulty of the job can result in a loss. Keeping a qualified crew together during slow periods (which occur every winter in many regions) can become expensive. And, today one must add the problem of large price increases between the date the job is quoted and the date the work is finished.

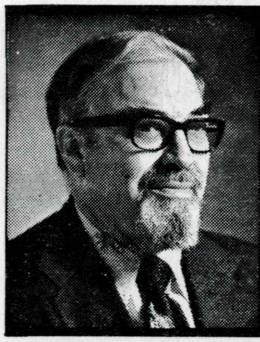
RThought: Edison Brothers is great on shoes and Handyman knows how to run do-it-yourself stores. If Handyman did what it knew best–and avoided that with which it was not familiar–everyone would have been better off.

WORDS TO MANAGE BY

We make every effort to avoid typographical errors in RT. The original draft is checked. It is then retyped and the final typing is checked. The copy is then set for printing and is proofread by two people. Then RT is printed–and the mistakes jump out at us–words like "Decmeber" and "Pitty"! I am indebted to Popular Science magazine for responding to a letter pointing out one of their typographical errors by quoting the following from Lin Yutang's book "The Importance of Living":

> "An American editor will go to enormous trouble to ensure that no mistakes appear in his publications; a Chinese editor, knowing what pleasure it affords readers to detect even a minor error, takes care not to check too closely."

To Lin Yutang's observation we only say "Rgiht On!"



RETAILING TODAY

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BANKAMERICARD MAKES A GREAT PROGRAM FRIGHTFUL!

I am referring to the fact that, to quote **Computerworld,** "Now all 88 BankAmericard processing centers in the country, representing 270 card-issuing banks, are transmitting outgoing, in addition to receiving incoming, draft data on a computer-to-computer basis."

I remember when BankAmericard was first tested in Fresno, California, and the people at the B of A were interested in servicing other people; today the computers have taken command of the operation. Service to people has been forgotten. When I talked to some key people at BankAmericard about my problem–I use the media to account for business expenses separately from personal expenses–they suggested that all I had to do was save the little slips of paper and match them up at the end of the month. I didn't bother to explain that my wife, son and daughter don't absorb such training very well.

I realized long ago that if God had intended me to interface with a computer that he would have given me plugs instead of fingers.

I had a much better idea. BankAmericard has averaged about $400 a month from me. For a variety of reasons I had favored it over Master Charge. My plan of action was simple. First, I got a Shell Oil card to take care of the local Shell station where most of the gasoline and car service is charged. That way I can still get the media back and separate the costs of my business car from two personal cars. Then I got enough Master Charge cards to take care of the family. The solution was simple. I am now just as well off as I was before. I may even find that the Shell card is a little less demanding on finance charges. And, I am certain that BankAmericard will never miss my $5,000 a year.

RThought: I don't really know the point at which computers take over. In the beginning, computers were the tools of people who had ideas–creative ideas, like BankAmericard. Pretty soon the computer personnel, who really never understand the basic ingredient of the product they are computerizing, begin to make suggestions–and almost all of them are along the line of "if you just give me a bit more capacity, I can save you money." I am reminded of the story of the man with a successful road-side restaurant who sent his only son to Harvard Business School. When the son returned, he said "Dad, why do you stay open to 3 a.m., you don't do enough business between 2 and 3 a.m. to pay for it?" . . . but you all know that story. Who would ever think that a computer department could pull a "Harvard Business School" on BankAmericard.

RThought: I will also avoid the new "benefit to me" of BankAmericard's average daily balance computation of the finance charge. One of their top regional salesmen addressed a regional controllers group and made the wonderful announcement that now "the cardholder would save money on the finance charge and the Bank would make more!" That man

A MAN OF ETHICS

The heading, "A Matter of Ethics," is used often in this corner to point out situations where retailers fail to think through the ethics of their conduct. This month we observe the passing of a man who always thought out such situations–Richard H. Rich, of Atlanta, Georgia.

Mr. Rich was one of the last of the great merchants who built their business and their community at the same time–and built both on the basis of meticulous attention to ethical conduct. RT has often observed that the longer it has been since a person bearing the name of the store has been in the executive office of that store, the lower the standard of ethics seem to drift. This is only natural. Professional management–constantly looking for a better opportunity in some other organization or some other town–often does not concern itself with reaction against the name of the store because of unethical conduct. But for the man whose name is on the outside and who has dedicated his life to the town in which the store is located, each unfavorable reaction is felt personally.

In the articles that appeared in the Atlanta press, it was pointed out that during the past 25 years there had not been a single major accomplishment that was not headed by Mr. Rich. He took an early interest in freeways, in rapid transit, in raising funds to build the memorial to the 122 Atlantans who died in a plane crash at Orly Field, France. He headed the Chamber of Commerce, the Rotary Club, the Merchants Association, the Community Chest, the Atlanta Arts Alliance and many other organizations.

I was struck by the words of Mills B. Lane, who did an outstanding job of building Citizens and Southern National Bank into a major banking institution, when he commented on Mr. Rich: "If any man had any more influence on our town over a period of time than Dick, I don't know who it was. He was kind, gentle, foreseeing, but with a keen eye on the business of Rich's store. That came first, because **if you don't have a successful business, you can't do anything else.**"

The quote from Elizabeth Asquith Bibesco that appeared in the store's memorial ad was most appropriate: "It is never any good dwelling on good-byes. It is not the being together that it prolongs, it is the parting."

needs to be re-programmed. I wrote to him about the illogic of his statement, but he never replied—more proof that BankAmericard is off into the wild blue yonder. Good-bye, old friend.

BETTER SERVICE TO STORE CHARGE ACCOUNTS

Descriptive billing is bad enough in a single store (see reaction to BankAmericard's plan above), but such stores could make life much easier on their customers (and, in some cases on themselves).

Some months ago, I received a statement from J. Magnin with an $8 charge in the beauty salon. Neither my wife nor my daughter would own up to the charge. I insisted that it had to be one or the other—and was threatening to call and ask for a copy of the original document. My son overheard the conversation and said, "Dad, that's where I get my haircuts now. They have a great gal there!"

My solution to the problem at JM and a similar one at Macy's was that we now have three accounts at each store! Now, I know who bought what and where. (Please note that it is Dad that doesn't have an account!)

RThought: It would seem that stores could spare a single column on their monthly statement to record up to 10 different card users so that the customer could be assisted in identifying purchasers. All that would be necessary would be to add a digit to the card number. The travel cards have had this service available for years.

RThought: Multiple accounts is also a method of beating the finance charge if the store does not compute on an adjusted balance. If I get three statements for $40 each for a total of $120, I can pay one and be charged only on the remaining $80 instead of $120; or I can pay 2 and have a finance charge applied only to $40. More savings for me—but my savings are only a fraction of the extra cost to the retailer.

STABILITY

The following series of letters that appeared in the London *TIMES* illustrate a stability of business firms that is unknown to Americans. John d'A. Maycock, an attorney, wrote "In September 1828, my firm moved from Verulam Buildings in Gray's Inn to 3 King's Road, now 16 Theobald's Road . . . within a couple of weeks and some 146 years later we shall be moving to new offices . . .

Then came John D. Wilks, of Powell, Eddison, Freeman & Wilks, to comment that when Mr. Maycock's "firm moved into its present offices in 1828, my firm had already been esconced in the Castle Yard, Knaresborough for 50 years, where we have been tenants of Her Majesty The Queen from that day to this." That puts the date back in 1778.

And, then came I. M. O. Andrews of 1 New Square, Lincoln's Inn, who wrote, "Why do these firms move offices so frequently? I am quite satisfied with the choice made by our old partner in 1754." That would be 221 years in the same old place. And that would also be about 22 years prior to our Declaration of Independence.

NONUNION EMPLOYEES ARE PAID LESS—WHICH HELPS UNIONS ORGANIZE

The December 1974 issue of **Monthly Labor Review**, published by the Department of Labor had an article entitled "Measuring union-nonunion earnings differences." The major occupational categories of interest to retailers are clerical and sales (sales also includes such "salesmen" as IBM computer salesmen and the travellers who sell your buyers, as well as the people on your sales floor).

The table below shows the magnitude of the premium paid to union workers:

	Premium to Unionized	
	Clericals	Sales Workers
All workers	+12.3%	+ 3.8%
White men	+ 7.6%	+ 0.9%
Black men	+26.7%	(too few)
White women	+22.0%	+13.1%
Black women	+18.8%	+22.6%

RThought: It takes a lot of employee discount and improved benefits packages to offset the differences above.

NO HYPERMARCHE IN YOUR FUTURE

Discount Store NEWS recently reported the changes being made in Hypermarche Laval, the 270,000 sq. ft. operation by Oshawa that was supposed to lead the parade of hypermarches across the Atlantic. The changes planned, plus the reduction of the size of the second hypermarche to 190,000 sq. ft., confirms the analysis by RT that this was not the form of retailing whose time had come. RT assumes that Jewel Companies saw the same thing when they announced the dismantling of their special hypermarche division.

Among the changes being made in Hypermarche Laval are greater depth in the merchandise lines that are being continued (instead of trying to cherry-pick a classification), a new low profile fixture ending the period of 7' high shelving, moving related non-food items from the food areas and a general upgrading of the apparel departments.

Oshawa Group reported a loss for the first full year of operations of Hypermarche Laval.

RThought: One more great "concept" form of retailing is biting the dust. The quasi-monopolistic position of European hypermarches as a result of major restrictions on building superstores permits a monopolistic profit for those retailers lucky enough to obtain building permits. But such restrictions do not prevail in Canada and the U.S., with the result that customers in these countries are already being adequately served through existing and convenient retail outlets.

MORE RESPONSE TO M.I.T.

In the April 1975 RT we accused the Massachusetts Institute of Technology (MIT) of re-inventing the wheel. Their National Science Foundation grant resulted in a report that someday computer cards and TV sets would replace grocery carts and checkout lines. RT pointed out that the future was really something out of the past.

RT readers have reinforced this comment. Professor Murray Krieger, who teaches retailing at Bronx Community College of

THE EDITOR SPEAKS

It was at the Annual Convention of the International Council of Shopping Centers and the program was "Growth Potential for Small Centers," chaired by W. Edward Brandon, the Convention Chairman. The room was set up for 600, but 700 came. Dr. Grady Tucker, of Larry Smith Associates, spoke on the economy (watch out for the "W" or "L" shaped recession), Leon Cohen of Cal Kovens Construction Corp. spoke on construction costs (they are remaining level because increased efficiency due to desire to hold a job is offsetting moderate increases in the cost of material), and I offered the retailers view (I don't think I encouraged them very much).

I distributed copies of "How Big is your Future Market" from the December 1974 RT, with the hope that each one would read it and understand a bit better that population growth is not going to occur much longer. Among the few points I had time to make I tried to convey the message that during the period up through the mid-1950's when the fertility rate peaked, the Bureau of Census consistantly underforecast the population growth; and ever since that time they have overstated the growth. I pointed out that the actual population in 1975 will not reach the lowest level projected for 1975 back in 1960—or the lowest level in 1965 and probably not even the lowest level projected in 1970!

On the other hand, entrepreneurship is not dead. California statistics show that from 1960 to 1973 many types of stores increased in the number of oultets per 100,000 people (department, gift and novelty, sporting goods, florists, office and school supply, second-hand, farm implement, auto supply, musical instrument, stationery and book, and trailer, boat and airplane dealers). The types that dropped more than 20% in the ratio per 100,000 population were variety, drug, household appliance, farm and garden, lumber and building materials, hardware, plumbing and electrical, paint, new cars, used cars and service stations.

In looking for tenants for small centers, more attention should be paid to independents—because in most cases they did better than their chain counterparts. The Department of Commerce considers chains to be enterprises of 11 or more stores. The table below shows for major catagories of stores the percentage of business done by chains and the change in volume for 1974 over 1973 for chains and non-chains:

Type of Store	% Sales Done By Chains	Change in Sales '74 v '73 Chains	Non-Chains
Department Stores	89%	+7.4%	+2.7%
Variety Stores	80%	+5.4%	+8.9%
Apparel Group	26%	−2.1%	+5.4%
Men's and Boys	13%	−0.4%	+1.3%
Women's	25%	−0.1%	+6.5%
Shoes	44%	−9.0%	−3.4%
Drug	38%	+10.1%	+7.5%
Grocery Stores	56%	+13.5%	+12.7%
Tire, Battery, Accessories	26%	−1.9%	+8.1%
Furniture & Appliance	9%	+11.2%	+5.8%

Credit problems are developing for smaller firms—both as a result of their own operations and as a result of brutally inaccurate use of computer-to-computer, unedited conversations. Companies are tightening up on credit and credit determinations are being made by inadequately programmed computers. Developers are insensitive to the capital requirements involved in a new store. They start with a lease that is strictly "heads I win, tails you lose." The minimum is set to provide the income needed to meet the developer's obligations, while the related percentage is set so that no matter how well the retailer does, he can't get his rent percentage below the normal for his type of store. I gave the example of the men's store faced with a $5 a foot minimum (remember—these were neighborhood centers) against a 5.5% rent. The break-even is $91 a gross square foot. At 1-3/4 turns, that means an inventory of $52 at sell and $26 at cost. To that he has to add $10 for fixtures and equipment for a total of $36. And, this does not include accounts receivable! Then the developer offers a "shell and allowance" deal that will not cover the kind of store both desire and the retailer has to carry even more financing.

RThought: when one of the nationally known center developers suggested to the audience that they just had to do a quality job, as inexpensively as possible, and pass the costs on to the retailers, I had to tell the story of the refrigerator manufacturer whose president called a strategy session to discuss regaining their market position. It was finally agreed that they could accomplish this by reducing their price by $20. The advertising department took the position that they had to increase their expenditures if this goal was to be accomplished. The sales department said that they could not cut their incentive plan if the goal was to be attained. The controller and office manager swore that they had long ago cut out all the surplus expense. So, finally, it was agreed that it would have to come out of the manufacturing cost. When the production manager started to speak, the President told him "You keep quiet. Every time we try to work out a problem, you come up with something negative." When the meeting was over the President turned to the production manager and said, "What was it that was so important that you wanted to interrupt?" The production manager replied, "I wanted to let you know that it doesn't cost $20 to make." With this story I told the audience that most of the retailers I knew were not so hungry for additional locations that they were going to accept higher costs just because the developer wanted to pass them on.

And, finally, I summarized some of the retailers complaints against lease forms. Why do leases eliminate mention of any audit of and joint control over common area costs? And why a 20% administrative charge for supervising common area maintenance? Isn't that what the owner is supposed to do for his rent? I objected to utilities on an "engineered basis" because so many engineers seem to be landlord oriented. I pointed out the absurdity of cost-of-living adjustments in minimum rents as a basis for an option: cost-of-living measures the costs of urban factory and clerical workers, not landlords; and the landlord will probably be paying on the same (or a cheaper) mortgage 5 or 10 years later.

I don't think I won the popularity prize for the day.

CREDIT OFFICE RATING

The normal pattern of credit office billing performance is that fewer stores make the honor roll following peak selling periods. Thus the decline in the number of Honor Roll firms, using an effect-to-cause analysis, could be the basis of arguing that business must have been good in February and March. The Honor Roll is shorter.

HONOR ROLL

Company	Days	Company	Days	Company	Days
Zollinger/Harned	1.4	Oshman's Sporting Goods	3.3	Lord & Taylor (Houston)	4.0
Rubenstein's	2.0	Joske's (Houston)	4.0	Joseph Magnin	4.0
Maison Mendessolle	2.0				

CREDIT OFFICE RATING

Information From Reporters	FEB-MAR 1975 No. of Reports	FEB-MAR 1975 Days to Bill Average	FEB-MAR 1975 Days to Bill Range	DEC-JAN 1975 No. of Reports	DEC-JAN 1975 Days to Bill Average	DEC-JAN 1975 Days to Bill Range
Abercrombie & Fitch (NY)	2	7.5	5-10	2	7.5	6-9
Breuner's (Oakland)	1	5.0	5	--	--	--
The Broadway (LA)	2	5.0	5	2	6.0	6
Brooks Bros. (NY)	1	12.0	12	3	10.0	8-13
Bullock's (LA)	4	6.5	5-10	2	5.0	5
Bullock's (N. Calif.)	7	6.9	4-14	7	7.1	4-12
Capwell's (Oakland)	3	9.6	9-10	9	11.7	9-16
Emporium (SF)	7	6.9	5-9	6	10.0	7-15
Foley's (Houston)	2	7.5	7-8	2	7.5	7-8
Goldman's (Oakland)	1	6.0	6	1	8.0	8
Gottschalks (Fresno)	1	5.0	5	--	--	--
Grodins (N. Calif.)	1	21.0	21	--	--	--
Gump's (SF)	1	6.0	6	2	15.5	15-16
Hasting's (SF)	2	9.0	8-10	1	10.0	10
Joske's (Houston)	2	4.0	4	2	3.5	3-4
Liberty House (Dublin)	2	7.0	7	2	5.0	4-6
Livingston Bros. (SF)	2	7.0	7	1	7.0	7
Lord & Taylor (Houston)	1	4.0	4	--	--	--
Lord & Taylor (NY)	1	5.0	5	--	--	--
Macy's (SF)	10	6.4	5-8	10	7.5	5-10
I. Magnin (SF)	7	4.7	3-6	5	4.8	3-6
Joseph Magnin (SF)	2	4.0	3-5	--	--	--
Maison Mendessolle (SF)	2	2.0	2	1	2.0	2
Montgomery Ward (Houston)	2	4.5	4-5	2	4.5	4-5
Penney's (Oakland)	2	4.5	4-5	2	5.0	5
Penney's (Houston)	2	6.0	6	1	6.0	6
Ransohoff's (SF)	1	5.0	5	--	--	--
Robinsons (LA)	2	5.0	5	1	6.0	6
Roos/Atkins (SF)	4	4.5	4-6	1	5.0	5
Saks (LA)	2	5.5	5-6	--	--	--
Saks (SF)	1	5.0	5	2	4.0	4
Sears (Alhambra)	5	4.4	4-5	6	5.3	5-6
Sears (Dallas)	2	4.5	4-5	2	5.0	5
Shreve & Co. (SF)	2	9.0	9-13	3	11.3	8-14
TOTAL	89	7.0	2-21	78	7.6	2-16

Information From Stores	FEB-MAR 1975 No. of Reports	FEB-MAR 1975 Days to Bill Average	FEB-MAR 1975 Days to Bill Range	DEC-JAN 1975 No. of Reports	DEC-JAN 1975 Days to Bill Average	DEC-JAN 1975 Days to Bill Range
Brock's (Bakersfield)	18	7.4	6-9	--	--	--
Burdine's (Miami)	10	9.9	--	10	11.1	7-16
Holman's (Pacific Grove)	10	4.8	3-7	10	7.1	5-9
Levee's (Vallejo)	20	8.5	5-14	20	8.2	5-11
Levy Bros. (San Mateo)	32	4.9	2-9	30	10.4	6-16
Mervyn's (N. Calif.)	20	4.5	3-5	20	7.2	4-9
Oshman's (Houston)	9	3.3	3-4	11	4.3	3-6
Rubenstein's (Shreveport)	6	2.0	2	6	2.0	1-3
Wineman's (Huntington Park)	10	6.6	5-7	9	9.0	7-11
Zollinger/Harned (Penn.)	22	1.4	1-3	11	2.6	2-4
TOTAL	157	5.0	1-14	127	7.1	1-16

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 HAPPEN–THEN AND SINCE? Initially, I was criticized for publishing the data and especially for naming stores. Since then the reports have been accepted for their intended purpose and many stores have sought to attain the Honor Roll objective, established at the beginning at five working days between cycle closing and postmark date, and now reduced to four days because of the large number of stores that have attained five days. Many stores have reported pride–both to management and credit and data processing personnel–in being listed on the Honor Roll.

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

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

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

the CUNY, wrote "In the summer of 1965, I visited a grocery store at 149 Rue de Javel in Paris with the name of Distelec (Distribution Electronics) which operated in exactly the same method outlined on page 3 of the April 1975 issue. The store contained 1500 empty bottles, cans and boxes of staple items only with descriptive labels. There were no shopping carts, massive displays, signs, refrigeration, checkouts or any of the other components of the normal supermarket. We are in serious trouble if the National Science Foundation and the MIT students have to waste their resources on projects already developed and tested."

The April 1975 issue of **Chain Store Age Supermarkets** continued their review of their 50 years and contained the following item: "In December 1945, CSA reported on a new type of grocery store–the Keedoozle. Conceived by Clarence Saunders, founder of the original Piggly Wiggly, the keedoozle system allowed customers to do their shopping without using baskets or handling items. After picking up a pistol-shaped object (the 'key') with a strip of paper attached to it upon entering the store, the customer passed along rows of glassed-in, labeled and numbered food products. Upon making a selection, she pushes the key into a slot with a number corresponding to the chosen item. Then she presses a button which activates a red light indicating that contact had been made. The key clicks, recording on the white strip of paper the name of the item, the price and a series of dots. When the order is completed, the key is taken to a cashier who runs the tape through a translator. Meanwhile, the grocery order, assembled, totaled and ready for packaging slides down one of four big conveyor belts and is handed to the customer. The first Keedoozle store opened in Chicago in 1947."

And, then there was the letter from Professor Stanley Hollander, of the Graduate School of Business Administration at Michigan State, who wrote, "I share your thoughts about the reinvention of the wheel. Some of the ideas that seem to be in the MIT study, and which also appear with fair frequency in the journals and popular press, probably date back to at least Edward Bellamy and his **Looking Backward** in the 1880s." Professor Hollander enclosed a copy of his article from the Summer 1974 issue of MSU Business Topics which seems best described by the sub-title "Are shopping surrogates scratching the consumer where he doesn't itch?"

RThought: It feels good to know that creative retailers are way ahead of brains at MIT.

THE VICIOUS CRICLE

Manufacturers are complaining about slow pay among retailers and are doing everything possible to tighten up on the credit that they grant. Once upon a time they used human beings–called credit men–to make decisions, but today they use computers, programmed by people who know little about credit (or perhaps anything except how to train a computer to add 2 and 2 and come up with 4–most of the time).

Then they use the computer to send credit ratings to organizations like Dun & Bradstreet on a computer-to-computer basis. They transmit unedited garbage. On the basis of the credit grantor's own inaccurate record, the reporting agency downgrades a store and the very firm that caused the erroneous downgrading now gets a report that the firm was changed from 1st to 2nd or 2nd to 3rd column. It immediately rushes to restrict the credit granted that firm!

Some of the big suppliers, such as the shoe companies, are providing D&B with a magnetic tape twice a year. It lists thousands of stores–many wrong. For example, a store makes a deal with the salesman or sales manager for 5% 45 days. The purchase order confirms the terms. But the invoices are printed "5% 30." The store sends a correction notice when the invoice is received and pays according to the agreed purchase order terms. The computer records the payment 15 days late–and dumps that information to D&B.

In another case, a firm wanted a loaded discount for internal purposes and the prices billed were adjusted to 5%/10 EOM. The normal terms are Net/10EOM. The vendor's account card will show a growing accumulation of unpaid balances because the vendor's procedure does not allow for clearing the discount. On the basis of the accumulated discounts, the vendor reports the firm slow 90 days!

Finally, there is the case of the vendor that was so busy that they were unable to process returned merchandise–sometimes being as much as 60 days behind. The computer, of course, didn't know this so the credits taken on the store's payment voucher–are not cleared by issuance of a credit memo. The store is reported 60 days slow!

This is the garbage that major suppliers are disseminating and which D&B is accepting and processing as accurate.

RThought: In discussing this matter with D&B, they are very willing to re-check but this does little good because so often the re-check is against the same incorrect information. On the request of a store, D&B will ask the vendor if D&B can advise the store of the name of the vendor reporting the firm as slow. I have yet to find a vendor who will permit the release of the firm's name. This appears to be typical of the current quality of vendor credit managers–willing to damage a customer as long as they can maintain their anonymity.

RThought: Every retailer should insist that every credit rating agency issuing a report on him provide a copy of the report so that it can be checked. The credit information agencies should do this automatically–they will do it on request–but they, too, are unwilling to expose their analyses. This raises a question as to how sincere they are in their commitment to the accuracy of their end product.

A MATTER OF DISCLOSURE

One of the things every retailer sweats out at the end of the year is the inventory shortage. There was a day when year-to-year fluctuations might be on the order of one or two tenths of a percent and it was easy to establish an accrual rate for interim reporting purposes. With rapid expansion, installation of new systems, and less permanent personnel who don't fully understand the inventory system, surprises are coming more and more often.

On the same day I read the report of Zayre Corp which said, in part, that the 91% drop in profits for the 4th quarter was partially due to "increased shrinkage costs" and the letter from Glosser Bros., explaining the drop in profits margin which in turn was partially explained by "an increase in shrinkage."

RThought: I do not know, but I suspect that each firm takes only an annual inventory (for Glosser Bros. this would apply to the department stores only–not the food stores) and so this

4th quarter adjustment actually took place ratably over the year. Not knowing what was happening it could not be accrued accurately in each quarter. But, it also raises a point seldom discussed publicly: **"Was the assumed shrinkage rate reasonable?"** It is not unknown for a company to anticipate improvement when they undertake a shrinkage reduction program, by accruing a lower shrinkage rate than the prior year despite a history of 3 or 4 years of increase. If the shrinkage then ends up at the same level as last year the 4th quarter statement reads "reduced profit was attributable to an increase in shrinkage." This is not correct–it was due to an incorrect assumption by management in setting the accrual rate.

Just as more information is being provided investors on the actual bad debt dollars and percentages, the actual shrinkage should be disclosed. The quarterly report should disclose the shrinkage rate assumed and the actual rate for the prior year.

HOW TO RUN A BOOK STORE

FNAC opened a book store in Paris in March of 1974, occupying about 10,000 sq. ft. It was so successful that they closed all of August while expanding it to 15,000 sq. ft. They recently announced the results of the first year–$10.4 million in sales or over $770 a square foot of gross store area! 2 million volumes were sold, 59 people employed, stock shortage was less than 2%, gross margin (reflecting a "20% off" pricing police) was 19.7%, total costs 12.9%, resulting in a pre-tax profit of 6.8%!

NAMES IN THE F.T.C. NEWS

W. T. Grant: Consented in District Court to pay a $150,000 penalty for violating a cease and desist order issued February 8, 1974. Only a few weeks later (April 26-July 6, 1974) Grant issued consumer credit and disclosed the annual percentage rate but not the credit cost in dollars.

Spiegel, Inc.: An administrative law judge has issued an order which would require this firm, which sells national by mail, to bring collection suits in a court in the county where the defendent lives or signed the contract. This decision is subject to review by the Commission. Although the right of Spiegel to sue under the Illinois "long-arm statute" has not been adjudicated, the Administrative judge cited the case of S&H v FTC decided by the U.S. Supreme Court in 1972 to hold that where it is oppressive and causes substantial injury to consumers, such practice may be found unfair and prohibited.

The Great Atlantic & Pacific Tea Company: You may have read a short news item reporting that an FTC administrative judge had issued an order requiring A&P to have advertised items available for sale at or below the advertised price and that the order was based on a study of A&P stores in 1973. The results of the study, which were not widely publicized, showed that 16 stores in each of 40 metropolitan areas were checked. The 16 consisted of 4 stores for each of the four leading chains. A&P was in 20 markets so 80 stores were checked in areas covered by 23 different ads. Of the 10, 798 items surveyed, 402 (3.7%) were overpriced and 1,000 (9.3%) were unavailable. In 47 stores 15% of the items fell in these categories. The worst store was one in Cleveland where 43% of the items were unavailable or overpriced!

The FTC is starting to build a guideline. In this case they are saying 13% is beyond expectation for reasons out of the control of the store. This should not imply that 12% is OK. The FTC seems to have in mind a much lower figure–and so should you.

Gibson's: Herbert R. Gibson, Sr. and Jr., plus 5 or their corporations were named in a complaint alleging violation of Section 5 of the F.T.C. Act by soliciting and inducing descriminatory promotional allowances from suppliers to Gibson stores and by boycotting suppliers that would not grant such allowances. The charges relate primarily to the Gibson Trade Shows and allege as unfair practices the payment by vendors of booth rental or services in connection with booths together with the vendor's agreement to staff the booths; and special prices, terms and allowances on sales made at the Show.

SHORT SHORTS

Here's the true inventory valuation method, as reported by **Administrative Management**. "We've tried FIFO and LIFO. Now we're trying FISH–First In, Still Here."

CPSC looks at the burner instead of the burnee. For some time the Consumer Products Safety Commission has been pushing for flammability standards for upholstered furniture products –and all the while the manufacturers have been arguing that the problem is with the cigarettes. Cigarettes continue to burn unattended. National Home Furnishers Association reports that the CPSC has finally admitted that the industry's suggestions should be investigated. They have asked the tobacco companies to investigate cigarettes that will extinguish themselves. This would reduce the risk of fires in the millions of pieces of upholstered furniture already in homes.

WORDS ONCE USED TO MANAGE BY

An RT reader sent the enclosed work rules. It may well be the work of an active 1975 imagination but I report it exactly as received:

"Recently an old factory building outside Edinburgh, Scotland, was demolished. In the office area, workmen found a list of work rules issued in 1852:

"Godliness, cleanliness, and punctuality are the necessities of a good business.

"The craving of tobacco, wines or spirits is a human weakness and as such is forbidden during working hours.

"A stove is provided for the benefit of the staff. It is recommended that each member bring four pounds of coal on cold days.

"Members of the staff will provide their own pens.

"This firm has reduced the hours of work and the clerical staff will now only have to be present between the hours of 7 a.m. and 6 p.m.

"No member may leave the room without the permission of the employer. The calls of nature are permitted and the clerical staff may use the garden.

"The owners recognize the generosity of the new Labor Laws, but will expect a great rise in output of work to compensate for these near Utopian conditions."

RThought: The next to last rule indicates that the employer worked as long as the staff. The last rule indicates that employers have not changed much over 125 years.

Sears, Roebuck and Co.

PACIFIC COAST ADMINISTRATIVE OFFICES

900 SOUTH FREMONT AVENUE

ALHAMBRA, CALIFORNIA 91802

June 2, 1975

Mr. Robert Kahn
Robert Kahn & Associates
P. O. Box 343
Lafayette, California 94549

Dear Mr. Kahn:

File with

I was very interested in three thought-provocating items in your May, 1975, Retailing Today, and I would like your permission to pass them along to a strickly internal Sears audience. I would like to quote your anecdote labeled "Stability" from Page 2, your FIFO-LIFO-FISH story on Page 4 and your "Words Once Used To Manage By" from Page 4.

I am enclosing a self-addressed, stamped envelope, in hopes that if permission can be granted it will be easier to reply in that way.

Thanks very much.

Very sincerely,

Nat

Nat B. Read, Jr.
Director of Communications

NBR:tm

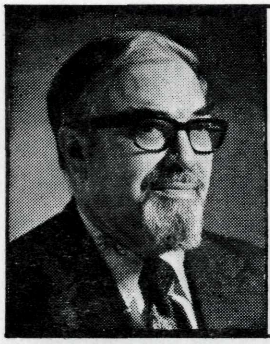
Dear ~~Mr.~~ Read –

You have my permission to reprint the three articles – and I am complimented by your interest.

Sincerely

Robert Kahn

June 6, 1975



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MOVE OVER SAFEWAY AND A&P!

Hidden (?) in the Fiscal Year 1976 Military Budget (the one now before Congress) is a provision for modifying the operation of the military commissaries–some 430 throughout the United States. In the past the commissaries have sold to eligible personnel (active duty and retired) at cost plus a 3% surcharge. The military budget (always described as the absolute minimum necessary for the defense of the United States!) for FY 1976 includes $250 million to pay for 25,000 civilians and 2,500 military employees to operate the commissary stores (the post exchanges are operated through non-governmental funding although the government pays for all occupancy costs including utilities and repairs).

The present budget calls for the surcharge to be increased to cover half the direct costs (no charge for occupancy, interest in investment, etc.) by October 1975, and full coverage as of October 1976. Present thinking is that the surcharge will increase from 3% to 9% and cut estimated savings from 22% to 13%.

Opposition is developing on all fronts–including, interestingly, the Air Force Association which is largely backed by magazine advertising from major defense contractors–the same ones that tell you how tight the defense budget is. One of the prognostications is that with "only" a 13% savings, patronage will drop off so much that many commissaries will close. (This same arithmetic and line appeared in an "original" article in the Reserve Officers Association's magazine).

The services each have their own way of operating. The Navy, for example, operates centrally with central facilities servicing a number of bases. The warehouse serving 6 stores in the Virginia Tidewater area has produced claimed savings of $45,000 a year. On the other hand, the Army and the Air Force make the commissary the responsibility of the base commander, seldom someone with any idea of how to run a store.

There is one suggestion afoot–to combine the commissaries and exchange services into a single agency, centrally operated. If one estimates that the $250 million salaries represent 10% of sales (fringe is not included) then the commissaries are now doing roughly $2-1/2 billion. With the post exchanges added, the volume could well reach the $5 billion range.

All of this is needed, according to the services-supported advocates, because "nothing is too good for our boys," the underpaid servicemen. Today, a new PFC with less than 2 years service gets about $400 a month **plus** clothing, room, board, medical care, life insurance and pension after 20 years! A Captain with 10 years gets $1200 base pay, $158 quarters allowance if married and living off base, and $48 subsistence allowance for a total of $1406 plus medical (there are some

A MATTER OF ETHICS

"Heard on the Street" in the Wall Street Journal, under the heading of "Women's Apparel Firms Continue to Flourish, Attract Wall Street Support Despite Recession," said, "By far, the most popular chain in this category is Petrie."

Every one lauds the ability of Petrie to make money. Many point out that $75 million of the $95 million net worth is in cash or equivalents. Milton Petrie, the founder, has been rewarded by becoming one of the richest men in the United States–currently worth in excess of $250 million!

RT sees Petrie Stores in a different light. It sees the firm as unfair, particularly against little people. RT first became aware of this in a case involving a **very** small firm whose annual revenue is probably less than Milton Petrie spends on a vacation. RT learned that during 1973 Petrie Stores was taking up to 6 months to pay invoices. This was apparently happening to other local suppliers. RT wrote to Milton Petrie but did not receive a reply.

Shortly thereafter, while contemplating how to present his matter, a contact was made with a Petrie director who personally contacted a senior officer. In early 1974 RT received a copy of a reply claiming all of the delay was attributable to moving the Accounts Payable Department in August 1973 from Chicago to Secaucus. The bills were lost! This hardly demonstrates efficiency.

As a result, apparently, of the inquiry by RT, Petrie stopped buying from this man. Why do business with someone who complains about not being paid? The final invoice for $15 was never paid. The vendor was happy to lose only $15 on Petrie Stores.

Recently he received a letter from the Accounts Payable Supervisor saying that "We note we never took the 2% discount for various payments to you dating back to May 1973 . . . in the amount of $32.75 . . . forward us your check . . . in the amount of $17.75 to clear these records." Attached was a copy of the 10 month old, unpaid invoice, clearly showing "Terms: 2% 10 days net 30. Past due accounts subject to 1% monthly late charge." Of 26 invoices listed, only 2 were paid within 30 days! As an example, a February 14, 1973 invoice was paid September 11th!

RThought: Apparently there is no vendor so small, nor payment so late, that Petrie Stores will not try to take an unfair advantage. I have recommended a suit in small claims court for the $15 plus late payment charges.

payments for dependents), life insurance and a pension after 20 years!

RT suggests that you compare this with what the employees/executives get in your organization and determine whether or not they need savings of 13%-16% through a commissary and post exchange "in order to get by."

RETAILERS GIVE THANKS FOR THE WRONG ACT

There is nothing more hypocritical in retailing than programming a computer to print, when preparing descriptive statements, "Payment–Thank You." I have two objections. First, in my entire life only one merchant has ever thanked me for a payment–and he told me one day, "Bob, I've been meaning to tell you how much I appreciate the way you pay your account." Nothing could have gotten me away from that merchant. Second, it would seem more logical on a printed statement to thank me for the purchase!

RThought: RT still does not understand why some computer programmer, who usually is providing less and less service to customers, doesn't come up with a program that will identify those credit customers that made payments in accordance with their credit program for 10 out of 12 months during the year. Then prepare an individually typed and **personally signed** letter from a senior executive thanking the customer for their sterling credit record. This would represent only a fraction of the effort spent on those customers who do not pay–and this group is much more important.

The payment "year" might well run from November to October so that these letters would go out just before the peak Christmas season.

WHY?

Why was it so important for Wickes Corp. to locate their divisional headquarters in Wheeling, Illinois, north of Chicago? It apparently was so important that the company paid $50,000 extorted by two Cook County officials. Now E. L. McNeely, who has just become CEO, plus another officer and a consultant, have been granted immunity from prosecution in exchange for providing testimony at the trial of the officials who extorted the money.

RThought: Why?

EXPERIMENTING WITH HOURS

When discount stores first started, they kept costs down by minimizing hours–restricting store operations to the most productive hours. It was common for such stores to be open from noon to 9 p.m. weekdays except for either a Monday or a Tuesday with a long day on Saturday and a short day, 11 to 5 or noon to 6, on Sunday. Competition got them to open 7 days plus all mornings, and now they have as many unproductive hours as the so-called conventional stores.

When discount food operations came into discount stores, many were open only 48 to 54 hours a week–one of the ways of reducing their labor cost.

Such schemes are appearing again. There are the "4-DAY TIRE STORES," (11 in the L.A. area, 4 in San Diego, 5 in Dallas and 1 in the San Jose area) which are open only Wednesday through Friday, 9 to 8, and Saturday 9 to 6. The ad says "Open only during the 42 most efficient selling hours. We can sell at cut prices by developing maximum sales with 1-shift overhead." Interestingly, the ad also says "If you have any complaint, inform one of our owners, Don Carr, Bob Hofmann, Al DeWeese, Phil Lansdale, 1600 West Coast Highway, Newport Beach, CA 92660." They offer credit only on BankAmericard or Master Charge, but offer 4% off for cash.

In Los Angeles, Dorman-Winthrop, who call themselves Morty & Jay, and who offer promotionally priced men's clothing, are closed on Tuesday! Their hours are 10 to 9 Monday, Wednesday and Friday, 10 to 6 Thursday and Saturday, and Noon to 5 on Sunday.

TAX SAVINGS POTENTIAL ON LAYAWAYS

Revenue Rule 75-96, published in Internal Revenue Bulletin 75-12, opens a possible tax savings (permanent postponement) for stores that have a significant amount of layaways outstanding at the end of their fiscal year. The ruling was issued in regard to a taxpayer that sold 90% of their self-improvement courses on a COD basis, but the analysis applies equally to layaways.

The ruling points out that Section 1.446-1(c)(1) of the Income Tax Regulations provides, in part, that under an accrual method, income is to be included for the taxable year when all the events have occurred which fix the right to receive such income and the amount thereof can be determined with reasonable accuracy.

Layaways, like CODs, are sales that are not completed until the customer makes the final payment and receives the merchandise. Thus, accrual basis stores have been improperly applying the accrual method when they took such sales into income at the time of the initial agreement to lay the merchandise away.

It would appear that the tax savings (permanent postponement) would represent from 15% to 20% of the amount of layaways outstanding at the end of the fiscal year assuming a 30% to 40% gross margin.

MAN BITES DOG–BBB COMPLAINS AGAINST MEMBER

One of the consumer criticisms of Better Business Bureaus is that they protect their members even when the member violates the rules (and laws). Times are changing. The BBB of San Francisco has asked the district attorney to take legal action against the San Francisco branch of The Akron, a Los Angeles-based chain of discount-import stores. The Bureau claims that since 1972 they have been trying to get the firm to correct misleading advertising and merchandising practices, and the Bureau particularly feels that the comparative prices shown may violate the California Business and Professions Code.

RThought: RT has long felt that a BBB is better judged by its acts than by its press releases. Progress has been made in establishing arbitration panels for consumer complaints. But, in the long run, the BBB is best qualified to see that violations of the law are brought to the attention of proper state or federal authorities who have the power to initiate both criminal and civil actions. This policy must be applied uniformly against BBB members and non-members.

In order to survive economically while following such a practice, the BBB needs the complete support of the major

WHAT POSITION SHOULD YOU TAKE ON ROBINSON-PATMAN ACT?

President Ford has indicated that, as part of reducing government control of business, he would like to get rid of the Robinson-Patman Act. That is the act that prohibits (by making it a crime) the granting of preferential prices, selling aids, or other services.

Almost every major "ethical" retailer tells his merchandising personnel to get a better price from a supplier than the supplier gives to anyone else. One would think that the only way some retailers can stay in business is if the suppliers will sell to them below the price charged anyone else—perhaps to subsidize the inefficiency of many retail organizations that demand such pricing.

Business Week (May 12, 1975) indicates that the White House is considering 3 alternatives: (1) outright repeal, which Ford favors; (2) a replacement act that would eliminate all of Robinson-Patman except the restrictions on predatory pricing; and (3) a new amendment to the basic Clayton Antitrust Act that would give business more leeway on special deals.

The Robinson-Patman Act is cursed by the retailers who enjoy sufficient economic muscle to dominate their suppliers; yet it is seldom appreciated by the smaller retailers that it was designed to protect. In the months ahead, therefore, one can expect the large retailers to back repeal of the act; while the small retailers, because they are unorganized, will not even know that something important may be taken away from them.

RThought: Retailers should be doing some deep thinking on this subject. The $200,000,000 a year food chain that dreams of the day when they can use their economic power on some local suppliers of brand goods to really force down the price they pay—had better think a while about what might happen to them if the multi-billion dollar food chains use their muscle. What will happen to the regional chain if the major chains, for example, can force a Green Giant or a Del Monte to sell their labelled goods at less than the chains are now paying for private labels? All of a sudden, the regional chain who has concentrated on what he is going to do with his new economic power suddenly finds himself under great pressure from someone larger.

Note that I have not shown any particular pity for the very small merchant. The very small merchant can probably make a living without regard to price if he is (1) filling a need in his community, and (2) serving people rather than just selling merchandise. The number who go broke will, of course, increase. But it won't mean the end of the small merchant, in those hundreds of thousands of situations and locations where the small independent merchant is the only answer to serving a public need.

It is not just the food chains—what happens when Sears—Penney—Kresge—Ward can buy all the national brand power tools or appliances at discounts that cannot be cost-justified? Will they still continue to use private labels to provide lower price units? They will be able to sell national brands at the same price they formerly sold private labels—and no longer will be required to buy in such large quantities and so far in advance.

There is little doubt about the results of complete repeal of the Robinson-Patman Act. The efficient large retailers will get larger. Moderate size firms will be squeezed. Small firms will retain the peculiar markets that call for small firms. The profit level of the super-giants will increase materially (only a fool would pass on all the price advantage gained) while that of the middle-group of firms will drop. This, in turn, will adversely affect the stock price (or ability to go public) of moderate size firms and also adversely affect the availability of bank and other credit to these firms when under a price squeeze.

Will there be some leadership? Will one or more of the Sears—Penney—Kresge—Ward firms recognize that aggrandizing their position may not be the best thing, in the long run, for our economy or our society? If they do recognize it, will they have the gumption to speak out? If they speak out, will any other retailers follow them? If others follow, will anyone in the Congress or the Administration listen? If anyone does listen, will they be smart enough to devise an improved act?

I am reminded of the story of the man in a strange restaurant who was concerned about the big sign under the coat hooks that read "Not responsible for your hat and coat." The customer concentrated so much on watching his coat that someone stole his steak when he wasn't looking. Don't concentrate so much on how much more money you could make if the Robinson-Patman Act is repealed; be sure to look at what the bigger guys might be able to do to you. Your hot desire for repeal might turn a little cool.

SHORT SHORTS

Financial Executives out of control. Perhaps the reason they dropped the name "Controllers" Congress is that they can't control their publication "Retail Control"—the February 1975 issue was received May 16th—just one month past the deadline for January fiscal year retailers who might have benefited from the lead article "LIFO for Retailers: Analysis of the LIFO Reserve and Related Problems." How can retail controllers look for guidance to an organization that can't get their magazine out in a reasonable time? The situation has existed for about a decade.

Retailing behind locked doors—this is the subject of an article entitled "Shops & Robbers" in **the village VOICE** for February 17, 1975 (80 University P., NY NY 10003, 50¢ a copy). It tells the story of an increasing number of shops in NYC , where 78,000 robberies were reported in 1974, that keep their doors locked and admit customers (using a pre-established criteria or their "6th sense") only after carefully looking them over. It reports 50 such stores in a 20 block section on Lexington. The reaction to fear is natural; the significance to America is heart-rending.

It is easy for merchandising ideas to jump half around the world, from Seattle to Copenhagen, Denmark. It was about 15 years ago that I became acquainted with the program of Ernst Hardware (part of Pay'n Save Corporation, Seattle) of having their do-it-yourself salesmen wear yellow jackets and promoting the theme that to find out how to do something "Ask the Fellow in Yellow." This was copied by some of a group of do-it-yourself stores (Grossman, Hechinger, Forest City, etc.) that belonged to the Merchandise Executive Group that met annually. The **Retail News Letter** of the International Association of Department Stores recently reported the opening of Hans Smith's Mr. Smith's Hobbyland in Copenhagen and reported "A feature of its method is that it gives help and specialist advice to its customers, who are invited to address themselves to 'yellow' counselors (the expert salespeople in each department wear yellow overalls)."

THE MARKET TREND

During the months of April and May The Dow Jones Industrial average increased from the 740 range to 850 range, despite generally lower earnings reported for the first quarter of 1975. Lower earnings and a higher Dow indicate a higher Price/Earnings ratio.

The retail stocks showed only moderate improvement in the typical P/E ratio. Those on the New York Stock Exchange stayed at the same 7-times multiple (both median and mode) as it showed at the end of March. The American did show a good gain–to 6-times when measured by both the median and the mode. The OTC stocks showed a slight improvement–with the mode rising to the median.

The constant pattern of stocks on the Amex showing a lower P/E ratio than those on the NYSE, and the OTC lower than the ASE, confirms the intended array with the strongest stocks traded on the NYSE, medium stocks on the Amex and generally less highly regarded stocks on the OTC exchange.

FREE SAMPLE–if you would like a sample copy of STOCK DATA, showing the price and P/E ratio for over 350 retail stocks, write to STOCK DATA, P.O. Box 343, Lafayette, CA 94549. The subscription rate is $7.50 per year–a statement will be sent with the sample which you can disregard if you do not wish to subscribe.

	New York Stock Exchange				American Stock Exchange				Over-The-Counter			
P/E Ratio	12/31/74	1/31	3/31	5/30	12/31/74	1/31	3/31	5/30	1/3	1/31	3/28	5/23
Loss	12	12	14	22	8	11	15	21	7	5	10	14
1	2	--	--	--	--	--	--	--	2	1	--	--
2	9	--	--	--	4	--	--	--	26	7	4	5
3	20	5	1	1	21	11	4	4	26	23	15	13
4	20	12	10	2	15	21	14	9	22	27	25	18
5	17	16	5	8	4	14	16	10	16	21	20	19
6	8	17	15	7	4	6	16	14	7	13	16	11
7	8	15	16	17	1	4	5	6	6	4	3	11
8	2	10	15	14	1	2	5	7	--	6	8	4
9	4	4	5	8	1	1	2	7	--	6	4	8
10	3	4	4	7	--	1	--	5	1	2	8	3
11	3	5	6	5	--	--	2	3	1	5	3	9
12	2	2	7	1	--	--	1	2	1	--	1	3
13	1	3	2	8	--	--	3	1	--	1	3	3
14	--	--	2	8	--	1	1	1	1	--	2	4
15	--	4	3	--	--	1	2	1	--	--	--	1
16 & up	5	7	14	18	2	1	4	5	1	3	6	11
TOTAL	116	116	119	112	61	74	90	96	117	124	128	137
Median P/E	4x	6x	7x	7x	3x	4x	5x	6x	3x	5x	5x	5x
Mode P/E	3x-4x	6x	7x	7x	3x	4x	5x-6x	6x	2x-3x	4x	4x	5x

SHORT SHORTS

Cited without comment. The Spring 1975 issue of the **California Management Review**, published by the University of California Graduate Schools of Business has an article by Kenneth L. Harris, **Assistant to the President of Daylin, Inc.**, entitled "Organizing to Overhaul a Mess." It was about the mess at the Human Resources Adminsitration of New York City. The article ends "Finally, one wonders what the fate of Lockheed and Penn Central would have been had management elected to implement a far-reaching overhaul strategy using the kinds of techniques HRA employed rather than continually ignoring the problem and making bankruptcy inevitable."

One unemployment figure is understated. Much is made of the fact that the unemployment rate for married males is substantially below the total unemployment rate and that it has not risen as much as the total rate. What is overlooked is the increasing number of males who are establishing what the Census Bureau delicately calls "nonfamily" housing arrangements. It may well be that those who drop out of marriage may well have a lesser commitment to another social arrangement–the work ethic. Had these heads of nonfamilies been married, they might have caused the unemployment rate to reflect a higher percentage.

Confusing the customers–Rabat Imports (Rabat is the capitol of Morocco) specialized in "Treasures from Bali and Java!"

A solution to comparison pricing. The integrity of a firm depends upon the validity of its price comparison. Recently a San Francisco hardware store, closing out "Shopmate" power tools made this presentation: "Shopmate 4" Belt Sander $34.99, Compare Wards 8593B $59.96" "Shopmate 9151 Orbital Sander $9.99, Compare B&D 7404 at $14.99."

"Night blinds," as the British call covers used at night over frozen food displays, can save up to 45% of electricity used in cabinets and also reduce heating costs by restraining cold air. The test was conducted under auspices of a subsidiary of Unilever.

How can you make a stationery store into a gourmet cookery gift shop? Be J. K. Gill, an old-time Portland stationery and book store–and then be acquired by Young and Rubicam International, Inc. (the advertising agency). Then you might run, as they did, a Mother's Day ad including a Romertopf Pot for claypot cooking, Bath Oil Gems to make bathing a ritual, and a bread & cheese board!

retailers—support that is often less than complete. Too many major retailers feel that their own conduct is above reproach (often it is not) and so why waste money protecting consumers from competitors.

BANKING IN RETAIL STORES

First, it was Hinky Dinky in Nebraska with a terminal for First Federal S&L. Fred Meyer bought his own S&L, changed the name to Fred Meyer S&L, and opened limited service in three Fred Meyer stores. Now, California Federal S&L has a pilot project going with Von's and Hughes Markets, major Southern California chains; while San Diego First Federal S&L wants to put terminals in airports. Several California S&Ls have approached BART, the San Francisco rapid transit system, to put terminals in the stations.

There is a side to this development that seldom gets discussed in retail journals—will this plan, if carried to its ultimate solution, lead to the destruction of banking by creating a dozen or so national banks? Right now there is a conflict between Federal Home Loan Bank Board, which says that the terminals are not branches and thus are not subject to the restrictions placed on branches, and the banking authorities that consider the terminals to be branches. The concern raised by the banking authorities—and the American Bankers Association—is whether permitting unlimited installations of terminals will lead to a situation where the people in Kansas City will end up having to choose between Bank of America and Chase Manhattan when the time comes that they have the only national networks. If the terminals are not branches, then banks can go across state borders, just as is the case when B of A and Chase setup out-of-state loan generating offices.

RThought: Don't count on the income from bank terminal machines—yet!

EXTREMES IN TREATING PENNEY CUSTOMERS

The March issue of **Penney News** carries the story of a gal who had travelled to Idaho to get married—and found herself with the banks closed and nobody willing to accept an out-of-state check for the blood tests and license. That is, until she remembered her Penney credit card and the local Penney store happily cashed her check.

The April 9, 1975, **Computerworld** reported two Penney credit customers who were suing for $100,000 because of mishandling of charge accounts. Robert Moorhead returned $16.78 worth of merchandise in August 1973, and instead of giving him credit it was entered as a charge. When he brought it to the attention of the store they promised to correct it—but instead doubled it. Demands were made for payments, the account was assigned to a collection agency. Moorhead mutilated his card and tried to close his account. Penney's admitted its error, but by December 1974 Moorhead had received 42 letters and bills from the Company and decided to sue—for $150 compensatory damage and $100,000 punitive damages.

William E. Smith of Greenville, also got loused up by the Altanta billing center—they put someone else's charges on a statement headed with his name and address—but not with his account number. Then the calling and dunning started—and this was followed with a $100,000 suit. A call at 8:00 a.m. on Saturday morning was apparently the last straw.

Moorhead's attorney reported that after the suit had received some newspaper publicity a number of other people called with similar problems.

RThought: Why can't managers communicate a simple set of instructions to their subordinate personnel—"The most important thing is a customer complaint. If you can't take care of it immediately—bring it to my attention. No complaint should go unacted upon for more than 24 hours and some contact must be made with the customer within 48 hours."

WHAT DO CONSUMERS KNOW ABOUT THE COST OF CREDIT?

One of the arguments often raised against the paperwork involved in compliance with the provisions of Truth-in-Lending and related legislations is that consumers are not aware of the cost of credit despite the years of providing information. A number of years ago a study made at the University of Michigan indicated that after the implementation of T-in-L that consumers became aware of the true annual percentage rates on car purchases but had little increased awareness on other purchases.

Further studies were included in the report of the National Commission on Consumer Finance, one made about the time of the passage of T-in-L and the other 15 months later. The latter report showed a substantial increase in awareness (measured by the ability to report with reasonable accuracy the true annual percentage rate being paid). However, the study concluded the greatest awareness was found among whites with higher incomes and better education. The Commission concluded that the greatest problem was getting the information to the low-income, poorly educated, minority consumer.

It appears, however, that this conclusion was wrong—because the surveyors concentrated on determining the awareness to the "true annual percentage rate" rather than to the "dollar cost of credit." As early as 1955, a study by Jean Mann Due concluded "a higher percentage of families in the lower income classes knew the carrying charges (dollar finance charges) than families in the upper income groups. The opposite was true for knowledge of interest rates—thus the surveys used to challenge the effectiveness of T-in-L appear to have been more a test of one's knowledge of percentages than of finance costs.

This has been confirmed again by a study in Texas where a special form of credit, for loans of $100 or less, is available to and used predominantly by low-income and minority families. On these $100 loans, the minimum annual percentage rate is 108%! Among the sample interviewed, where the actual rates paid were available at the time the questionnaires were tabulated, only 2.5% could report that they knew the annual percentage rate was above 100%—but 64.3% knew the dollar finance charge within plus-or-minus of $1!

RThought: This illustrates how educated and informed people can ask the wrong questions and then compound the error by drawing an incorrect conclusion. It is odd that this should happen to retailers when it has long been a truism among retailers that "you can't pay your bills with percentages!"

HOW THE USE OF BANK CARDS GROWS!

On returning from a talk by Senator Sam Ervin, I found under the windshield wiper an example of protected free speech that the good Senator would have applauded. It also explains why the use of bank credit cards is growing faster than department store revolving credit. You will find the entire message of interest:

"Scandinavian massage provides you with the ultimate in relaxation. At the end of a busy day or any other time from 3 p.m. to 3 a.m., we will sooth your cares and worries with Scandinavian massage and authentic Finlandia Suana. Six young and highly trained Scandinavian girls are ready to serve you. Massage at your hotel or motel by appointment. For the tired executive or the weary tourist we offer private massage rooms, private telephones, the Wall Street Journal, music, and free Finlandia Sauna."

This is something you can't get at Macy's or Gimbels–but the final clincher says "ALL CREDIT CARDS HONORED!"

DO BANKS UNDERSTAND RETAILING ENOUGH TO LEND MONEY TO RETAILERS?

The American Bankers Association has just completed their 1975 National Operations and Automation Survey Questionnaire and some preliminary results have been announced from the tabulation of the first 700 responses (4500 were mailed out). The one that fascinated RT was "The majority of banks expect fully automated point-of-sale operations in retail establishments, as well as organization of a national network of exchange paperless entries, within three years!"

There are fully automated POS operations today in a few retail establishments so it is obvious that neither the question nor the answer was concerned with the pilot model or prototypes of such systems. It can only be concluded that they mean a majority–perhaps a substantial majority–of the retail volume will be accomplished through such systems.

RThought: Forgetting the fact that the POS industry could not deliver this number of systems within the next 2 to 3 years, and forgetting that retailers may not be able to raise the funds necessary to pay for such an installation within three years, there are still a number of retailers who are not convinced that the additional cost will produce greater income benefits. It is true that the giant chains will gain–but much of retailing is still done by non-giants (obviously many are not truly "little guys").

IF YOU USE PRIVATE LABELS, USE GOOD PRODUCTS

The consumer testing organizations in the United States seldom test non-durable products, outside the food field, that appear under retail private labels. In Canada recently the **Canadian Consumer** tested windshield washer anti-freeze and rated the products as good, fair, poor, very poor and unacceptable. They rated both the anti-freeze protection level and the effectiveness in cleaning the windshield. Simpson-Sears Canada Ltd. and Pascal Hardware Co. Ltd. were rated poor and Oshawa Group Ltd. and Interprovincial Cooperatives Ltd. were very poor. The very poor group, it should be pointed out, also include Ford Motor Company of Canada Ltd., Gulf Oil Canada, and one of two Texaco Canada Ltd. products. If you think you project a quality image, be sure to test the quality of your private label items.

SHORT SHORTS

Penney does an outstanding job of consumer education. J. C. Penney makes much material–and always excellent material–available for consumer education. This includes a semi-annual publication **(Forum)**, pamphlets and brochures on such subjects as product selection, product safety, credit and many more, and conducts conferences or seminars for people in consumer education.

A former buyer for Sears was sentenced to 2 years in Federal prison for accepting kickbacks on the purchase of bicycle speedometers for Sears and not reporting them on his tax return. Macy's of California had only one of their many liquor departments closed for 15 days for accepting kickbacks from a liquor dealer. Apparently the fact that Macy's reported the income for tax purposes makes the difference.

FROM THE WALLET OF–SORT OF

The following was sent to RT by Don DeBolt, Executive Director of Menswear Retailers of America, after receiving it from Arthur Pulitzer (a knight of the road?) of Wembley Industries, although it was written by Joan Gray of W. F. Beall Company in Shreveport, Louisiana.

KNIGHTS OF THE ROAD

A Tribute

There are men who are known to the large and the small
Of the retailing stores on whom they may call;
You say: "Here's a salesman . . . just look at his load!"
But consider a while this Knight of the Road

He calls on you often, good-tempered and neat,
No matter how cold–regardless of heat–
He's cheerful and pleasant, will patiently wait,
Will understand why and smile if you're late.

Its natural he hopes that you'll buy from his line,
But if you don't, or you can't, he still thinks it fine;
He says: "I'll be back on my next trip this way,
And I'm glad to have shown you my samples to-day."

He's away from his home, maybe sometimes for weeks,
Not seeing his family whose living he seeks.
Important things happen while he's out on his own,
"Baby took his first step!" so he's told on the phone.

But day after day he goes on with his task,
Trying his best to fulfill what you ask
He alone is aware of the time that it takes
Just to establish each contact he makes.

A true Knight of the Road wants only one thing,
To know that you're pleased and re-ordering;
That his product is good he knows is the reason
Your customers faithfully buy every season.

So, here's to the Knights of the Road, one and all,
We welcome your visits, we're glad that you call;
An example to us is your perseverance,
We count ourselves lucky to have your adherence.

Joan Gray
W. F. Beall Company
Shreveport, Louisiana

various movements.

John d'A. Maycock, an attorney, wrote, "In September 1828, my firm moved from Verulam Buildings in Gray's Inn to 3 King's Road, now 16 Theobald's Road. . . within a couple of weeks and some 146 years later we shall be moving to our new offices. . . ."

Then John D. Wilks, of Powell, Eddison, Freeman & Wilks rejoined with a letter which said in part: "When Mr. Maycock's firm moved into its present offices in 1828, my firm had already been ensconced in the Castle Yard, Knaresborough for 50 years, where we have been tenants in Her Majesty the Queen from that day to this."

That would put it back to 1778.

I'm impressed, but I'm also of the opinion that kind of continuity must have something to do with the economic problems of Great Britain.

It would be unthinkable for firms like that to make any sudden change, yet they live in a world where change is totally pervasive.

MOVING DAY

Imagine the anguish and soul searching that would take place if you felt the necessity of moving your business after being in the same place for two centuries!

I suppose it isn't commonplace even in England, but the London Times, Bob Kahn noted, had an exchange of letters in which some very ancient businesses reported on their

Put in RT 6/4/75

Montclarion 6-4-75

6-19-75

Jack Brandon
Foxmoor Casuals

— asked permission to copy and distribute within his firm the RThought "Why can't managers communicate a simple set ______"

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HECHINGER

901-17th STREET, N. E.,
WASHINGTON, D.C. 20002
PHONE 202-399-1000

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Joan Gray
W. F. Beall Company
Shreveport, Louisiana

7-7-75

to All our Vendors

I sure agree with Joan Gray -- Welcome to Hechinger's! You are an honored guest in our "home".

Richard England - Chairman

OP management newsletter

For Dealers & Dealer Management By The Editors of OFFICE PRODUCTS Magazine

LOWER HOURS EQUALS HIGHER VOLUME, LESS WORK, MORE PROFIT

June 1975
Page 2
"Experimenting with Hours."

When the discount stores first started operations, they kept the costs down by limiting the number of hours they were open and by keeping the frills to a minimum. Now, according to Retailing Today, a newsletter covering the retailing industry (which we highly recommend as reading material for dealers), some of the discounters are losing the distinction between themselves and regular department stores. RT says that, particularly in Southern California, stores such as the 4-Day Tire Stores are taking advantage of the quickest way to lower costs--reducing labor costs. The store advertises that it reduces costs by only being open during the 42 most efficient selling hours and can thus cut prices. For dealers with a high promotional approach to marketing, such a tack could work.

DEDUCTIONS FOR DINNER WHEN WORKING OVERTIME

It has been a long standing rule that when an employee works through the dinner hour, the employee can expense the cost of dinner. The returned money is not taxable to the employee and a legitimate business expense. However, if you work overtime and purchase dinner, you may not take the cost of that dinner as an unreimbursed business expense on your own income tax. For many dealers, it might seem like "robbing Peter to pay Paul" to turn in an expense account for their own dinner when working overtime, but it can also be worth the effort. If you work overtime just two days per week and spend a modest $3.00 for dinner, in 50 weeks you've spent $300. And no matter what your income, that is a tidy sum. Incidentally, while meals are deductible in either manner while traveling overnight, even sleeping at the office may not make a meal deductible on a personal income tax return. That is possible only if an employer requires an employee to sleep at his place of business.

PROTECTION AND PLANNING ALL FREE FROM CIVIL DEFENSE

In our main feature section we cover the facets of coping with and recovering from a disaster. Part of the recovering from is preparing for. For more details on preparing against disaster the Civil Defense agency has several publications available. All of them are free. Publications such as: Disaster Planning Guide For Business and Industry (CPG 2-5), a 53-page publication covering planning and operations which must be taken for various natural and man-made disasters; Industrial Civil Defense Workbook (FG F-3.3), a 36-page guide for small businesses designed to help preparations with basic procedures for

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planning, includes task assignments, and the book can become a company manual for civil defense; Continuity of Corporate Management In Event Of Major Disaster (FG F-3. 11) goes beyond the planning for management which is covered in the Disaster Planning Guide For Business and Industry to describe measures needed to maintain control and gives some discussion of legal problems; Industrial Mutual Aid Associations for Civil Defense (FG F-3.4), a 49-page handbook on how to organize and operate an industrial mutual aid association; Protection of Vital Records (FG F-3.7), a 24-page report that provides criteria for selection and protection of records that would be essential; Industry/Business Emergency Planning Seminars (CPG 2-3), how to plan and organize seminars; Disaster Preparedness Cards (L-83A thru L83N), 14 cards printed on both sides describing emergency actions to be taken during disasters.

Management continuity

Where to write

All those publications, and others, are free from the Defense Civil Preparedness Agency, Liaison Services Division-Industry, The Pentagon, Room 1D543, Washington, D.C. 20301.

A free college

And if you're really serious about preparing for possible disasters, you can even attend a free course entitled, Industry/Business Emergency Planning Course. The course is held at the Defense Civil Preparedness Agency's staff college in Battle Creek, Mich. The 3½-day course is designed to help business executives make plans to work with local community officials to protect personnel and property from natural disasters, industrial emergencies and the effects of nuclear attack. For more information on the course (scheduled for October 20-23 of this year and March and July of next), write the above address and ask for Disaster Planning Can Be Rough! We Can Help You Out (L-88). Or write to: DCPA Staff College, Attention: Registrar, Federal Center, Battle Creek, MI 49016.

DON'T LET YOUR REPAIRMAN GIVE TOO MUCH "FREE" ADVICE

If your repairman goes out to look at a customer's problem and can't repair the problem right then and there, instruct him (especially with electrical equipment) to tell the customer not to use the item until the repairman can return. If the repairman tells the customer the item is okay and further damages result, you might be liable for those damages. In a recent court case a trailer dealer was held liable when a trailer burned to the ground because of faulty wiring. The dealer and the manufacturer were not liable because of a breach of warranty but the dealer was liable because his repairman had been

contents

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features

departments

looking ahead

Next month, in the National Office Products Association convention special, we continue our coverage of disasters with a look at insurance and past disasters and dealers. Also on tap is a report on a survey on outside salesmen, a round table interview with the NOPA Young Executives Forum leaders, an exclusive interview with a wholesaler who survived economic disaster and a nostalgic look at some old and new products.

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PILOT

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Circle 6

editorial

Robinson-Patman, Who Art Thou For?

There is a distinct possibility the Ford administration will attempt to change the current Robinson-Patman Act. Among the possible courses of action is outright repeal, which some sources say the President favors. Other changes might include a new amendment that will provide more freedom in making special deals and/or a new law that would eliminate all the Robinson-Patman prohibitions except predatory pricing.

The Robinson-Patman Act may be the easiest to violate of all laws; it isn't written too clearly and in some cases works against the people it was designed to protect. When it came into direct play in this industry, it worked to the dealers' disadvantage. Its guidelines (in the famous "Knoll Case" against Knoll and several other furniture manufacturers) helped the Federal Trade Commission put architects and designers on an even footing with dealers. But in the net, it has worked to the dealers' advantage.

A complete repeal of the act would result in some smaller dealers being crowded out and put a squeeze on middle-size dealers. All small dealers won't go out of business—not if they continue to provide something the consumer wants, just as they won't go out of business if they do that now. The number of dealers going bankrupt may accelerate however.

That, taking our industry as an island unto itself, would probably be the net effect of an outright repeal of the Robinson-Patman. Perhaps too high a price. It disregards (even if there is no cataclysmic economic change) the changes in the entire economy. It also doesn't touch on the possibility of large chain retailers moving more forcefully in the office products field.

Visualize the pressure a retailer of Sears' size could bring to bear on the manufacturer of a national brand. Now visualize a giant retailer competing with a "small" $300,000 per year retailer. The giants didn't become giants without knowing how to turn a profit. Repeal of the Robinson-Patman will open new avenues to profits. As the giants quickly turn to these avenues, the middle-size retailer will be squeezed hard. And that will happen in just about every channel of distribution.

We'd be surprised if Congress allows a complete repeal of Robinson-Patman. But who knows what Congress is apt to do? Need we make a stronger suggestion of a letter?

Thomas J. Trafals
Editorial Director

June Feature Report
1975

Part I

disaster

Tornado Hits Omaha Dealers

Two machine dealers tell how they regained their balance with little loss of business even though one had his building torn apart and the other had to abandon his.

On Tuesday, May 6, one of the most devastating tornadoes to hit the U.S. struck Omaha, killing three persons. The final damage count is expected to top $150 million.

Traveling an erratic course, in a path about 600 yards wide, it struck to the south and southwest of the center of Omaha hitting apartment complexes, residential districts, the entertainment "strip" of steak houses and lounges, and shopping areas and commercial establishments.

As the tornado passed through the outlying areas of Omaha, it destroyed J.Q. Office Equipment Co. and caused about $100,000 damage to Business Services and Equipment Co.

Joe Quirk, owner of J.Q. Office Equipment, and three employees stayed in the building and somehow were not hurt despite the fact that his building was three-quarters demolished.

Quirk relates his experience as the twister hit. "We were opening the windows to relieve the vacuum when the thing was on us and beginning to take the roof off. As the wall started to come in, I dove between some boxes of paper. I tried to get my secretary to a safe place but the furnace and air conditioner came down between us. I dove under a desk, and through the roof, which was curled back, watched the tornado go by.

"My first thought was about my family and whether any employees were hurt. Then to get the receivables out, because I didn't know if there was going to be looting or another tornado, or what."

Heavy rain and hail the size of golf balls helped Quirk decide what to take from the building. "Receivables are money, and I could see where my inventory was going. A lot of paper was being ruined by the rain or blown away."

Quick action resulted in Quirk setting up business five days after his building was knocked down. The first night he found a place to work the next morning. Also on the night of the tornado, he contacted the telephone company and had his business phone transferred to his home number. Quirk's wife took the calls and passed on messages.

The ease with which Quirk was able to set up suggests he used a prearranged procedure, but he says his actions were spontaneous.

"Although customers realized what happened, they still wanted their machines serviced and their copiers delivered, so we had to get back into business quickly," he says.

The night of the tornado Quirk rented a tractor trailer and his whole staff started salvaging what they could from the ruins. "With my wife handling the phones, even my secretary helped load. We had a truckload transported to the new location and even made a delivery the next morning."

When he found a suitable new location, Quirk says he negotiated on the spot, agreed on terms and closed a gentlemen's agreement. Quirk plans to rebuild the original physical plant and says, "The new office isn't much to look at. Two plain bays with a bare floor and concrete block walls." One bay is the office, with a machine display set up along one side and desks and phone lines on the other. The second bay is for the service department.

The importance of obtaining a new location is emphasized by Quirk. "You can't hang back and wait for the insurance money. My customers need copy paper, toner and service. If I can't supply them, they'll go somewhere else."

RETAILING TODAY

ROUTE TO

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SILENCE CAN KILL YOU

RT would like to present two case studies on silence.

Case No. 1–**Woodward & Lothrop**: In the June 1974 RT, under the heading **"How Can Top Management Tolerate Not Responding To Customers"** was an item that had appeared in the "Action Line" of the Washington **Star-News.** It involved the problem of a man who reported that his wife died in June 1973 and in November 1973 he started getting bills for charges on her account at Woodies. He wrote Woodies but got no reply. Recently I was chatting with an executive from Woodies who took me to task on the item, telling me that the "Action Line" write-up was not accurate. I asked if Woodies had sent the correct information to "Action Line." I was told that they normally responded to a consumer ombudsman on a radio station who they thought was reliable but not to the newspaper's "Action Line."

Assignment: write a one-paragraph essay on what your store should do in such cases.

Case No. 2–**Macy*s California**: Macy*s has a long history of problems with advertising. In 1926 the New York Better Business Bureau (BBB) investigated Macy*s claim of "Lowest in the city prices and 6% less than elsewhere." Macy*s promptly resigned from the BBB! In 1940-41 when I worked for Macy*s the slogan was "6% less for Cash" but their official policy was to undersell by 6% those stores that offered credit and service, to meet the price of those that offered service but not credit (Alexander's, Ohrbach's) and to oversell by 5% those who offered neither credit nor service (Klein's). But to return to Macy*s California. The **Bay Guardian**, the local alternate press, had a story of a reporter's experience at a Macy*s warehouse sale in June 1974. The ad promised floor models, samples, demonstrators, as-is and other goods at reductions of 10% to 40%. She settled on a Maytag Model A407 being offered at $298 and represented as regularly sold at $350. When the sale was written up she discovered that it would cost $315 delivered.

After returning home she checked the local Maytag dealer and found his price, delivered and installed, was $298! A call to the San Francisco store brought the information that the regular price, delivered and installed, was $320, and that the model had never sold for $350.

She returned to the warehouse with a friend and a concealed tape recorder. The salesman proved to be an extra who admitted that he knew nothing about regular prices. A man identified as the manager of the sale also knew nothing about regular prices. The buyer had gone home. A complaint was filed with the San Francisco BBB and brought a reply from Macy*s "After thorough investigation, this case centers

A MATTER OF ETHICS

It looks as though 4 of the 5 major retailers charged with keeping customer's credit balances got to keep most of the money. Gimbel Brothers was charged with taking $1.1 million over 6 years (1969-1974), Genesco $750,000, Carter Hawley Hale $500,000, Associated Dry Goods $400,000 and McCrory $75,000 for a total of $2.8 million. The Federal Trade Commission was concerned about their authority to order retroactive refunds. A recent court decision said the F.T.C. has the authority to stop conduct and require different conduct in the future but not to order damages for past conduct. So it only went back 3 years (1972-74).

As a result of this change, Lord & Taylor (Associated Dry Goods) said they would only have to refund $9,000 since the balance of the $405,000 was taken prior to June 1972, the cut-off date in the order. This statement gives RT some hope. The "little old lady" from Florida who activated the investigation did not complain until 1973. If Lord & Taylor had taken $396,000 in credit balances between 1969 and June 1972 and only $9,000 since, perhaps they reviewed their policy as a result of the efforts of RT in this field. Our first articles appeared in 1971 and, to our knowledge, were the first ones that called this "stealing."

One paper contacted Wally Hocker of Penney's to ask if they had ever kept credit balances and Wally gave a great answer: "It's not our money."

RT is unhappy to see this money kept by the firms named–although they may not keep it for long. The FTC reports that their staff has worked in close coordination with the Attorneys General of the states that have escheat statutes that cover unclaimed credit account balances. The ball is now in the state's court!

The FTC suggested some standards that others might apply: (1) credit balances must be billed at least 3 times in a six month period unless it is cleared; (2) if over $1, the customer must be advised of his right to a cash refund; (3) only balances of $1 or less can be written off; (4) automatic refund must be made after a six month period of inactivity.

Note: Genesco is going to fight–which, if they lose, could make the above conditions the law of the land. Right now the consent orders apply only to the firms that signed them.

around rapidly rising Manufacturer's prices and the subsequent difficulty of a Retail Organization to keep pace with the necessary paperwork required to properly adjust Retail prices in 13 locations" (RT does not recall that Macy*s mentions this problem when appearing before financial analysts). A Macy VP then explained that the buyer just made a little mistake by using as a comparison price the price to which the model was going to be increased the following month!

Macy*s did not respond to the story in the **Bay Guardian**. But **Media & Consumer** did. This is a publication that goes to 14,000-plus people—all interested in consumer affairs: Action Lines, consumer reporters in print and electronic media, consumer organizations. In other words, the story of Macy*s California, unanswered, went national. Macy*s California apparently did not know they had gotten this publicity.

Subsequently the **Bay Guardian** reported "The Consumer Protection Division of the S.F. District Attorney's Office, after nearly a year of negotiation, has finally settled a bait-and-switch complaint against Macy*s—the deal: Macy*s pays $7,500 to the City of San Francisco and agrees to keep its appliance department books open to DA investigators during business hours."

Assignment: write a two-paragraph memo on how you would have handled this case.

DO YOU SELL TO THE APARTMENT MARKET?

If you do, you are already familiar with **"Apartment Life"** magazine. You have seen the advertising by Frigidaire of a laundry center in a 2 foot wide cabinet, as well as the Whirlpool Compact Laundry Pair. You probably are offering the fold-up furniture, folding canvas cots and bedding to fit the cots as well as "flip flop furniture." You haven't heard of "flip-flop"—a sofa that converts to a bed, a coffee table that converts to a dining table and an arm chair that converts to a dining chair? And there are plenty of modular, flexible, inflatable, collapsible, stackable and foldable items for the growing number of apartment dwellers.

RThought: When the magazine says "Many retailers are waking up. Be on the lookout for department stores and smaller shops with realistic merchandising aimed at the 'apartment market'." Are they referring to you?

MENSWEAR RETAILERS OF AMERICA LEAD THE WAY—IN COMPARISON STATISTICS

The Menswear Retailers of America, in their 1974 Annual Business Survey, setting forth operating experiences, have defined their "Star Performers" as ". . . those firms who experienced the greatest return on their invested capital or profit as a percent of net worth."

In a day when every retailer knows that savings and loan associations offer insured savings that pay 7½% a year but no retailer has the slightest idea what profit S&Ls make as a percentage on volume, retailers should be seeking to find out how stores operate that produce a top return on net worth.

MRA can now tell their members—and it is an interesting story. The "Star Performers" started with the same initial markup but had smaller markdowns (8.0% vs 11.5%) producing a higher gross margin. Payroll was only slightly below average (17.0% vs 17.6%) and advertising and rent matched the industry figures. Yet total expenses were below the industry—it showed in areas like supply costs (1.0% vs 1.9%) and services purchased (0.6% vs 0.9%).

Important in gaining the better return was a better stock turn (2.0 vs 1.82 times) and more intense use of total space ($93.19 sales per sq. ft. vs $75.59).

RThought: If other segments (Department and Discount) of retailing had a similar picture of what produces a high return on net worth, they might not be pushing so hard for higher initial markups in the false hope that this is the way to better profits.

ARE BANKS UNDERCAPITALIZED

For several decades banks have been playing the numbers games—how big, how much earned overseas, how much leverage, how much return on stockholders investment and on total capital. Unfortunately, to win may mean putting the entire economy at risk.

The **Forbes** study of 100 largest bank holding companies (July 1, 1975) shows the result of fighting to be largest. The lowest ratio of total capital (including capital notes as well as stock and retained earnings) to total assets is found in the largest banks. The tabulation below shows the ratio for each decile group (composite for 10 banks):

Decile	Ratio
1	5.0%
2	6.1
3	6.7
4	8.3*
5	7.0
6	7.0
7	7.7
8	8.3
9	8.7
10	8.1
Total	5.9%

*If Walter E. Heller International is excluded as non-typical, the composite for the remaining 9 banks would be 7.1%.

The lowest capital ratio of all the banks is the largest of them all—Bank of America at 3.7%.

The government has already said we cannot afford to have Lockheed, Chrysler, W. T. Grant, and several other major firms go broke. Obviously we cannot let Bank of America, Citicorp, Chase Manhattan, J. P. Morgan and Manufacturers Hanover, the 5 largest bank holding companies, go broke even though these banks could improve their combined 4.7% capital ratio by eliminating dividends and raising new equity capital just as they advise their retail clients to do.

RThought: Our banking system is becoming the largest advocate of "do as I say, not as I do." In fact, the banks soon may have to be exceptionally tough on retailers—particularly smaller ones—because of their own imprudent financial planning.

DO TOP RETAIL EXECUTIVES SUPPORT GRANTING CREDIT BY LOTTERY?

It appears that way.

From the attention given by the top executives of major retailers to the various restrictions being placed on granting credit, one would assume that credit is relatively unimportant. One could conclude that some rather large firms (if one agrees that a billion dollar retailer is a large firm) really don't care whether or not they are allowed to use such factors as age, marital status, occupation, or a number of other factors so they can grant credit **without** discrimination.

Perhaps this lack of interest finds its origin in the many years when companies based credit on all sorts of discrimination. I can recall one credit manager telling me that he was working toward the day when he didn't have any Negro accounts ("black" was not the accepted term in those days). Another credit manager explained that "Loc" on an account was the reverse of "Col" in "Colored" and meant that the applicant was a black man. Of course, one didn't even take the credit application of a divorced women–only recently the officers of the International Consumers Credit Association argued before Congress that divorced women didn't deserve credit because they (not their husbands) were the ones who broke their sacred marriage contract!

RT does not know what is behind the "benign neglect" being shown by top retail executives while Congress proceeds to hear "Equal Credit Opportunity" bills and the Federal Reserve Board holds hearings on regulations.

RT does not for one moment support any form of discrimination in credit granting–on any basis. But RT does believe that credit grantors, to avoid discrimination, must use statistically sound methods of determining whether or not credit is to be granted.

In recent years scientifically sound "point scoring" has grown as a basis of granting credit. Point scoring no longer represents the quantification of the prejudices and biases of the credit manager.

Information is accumulated, evaluated and tested by qualified statisticians who are looking, in each case, for the interrelation of readily obtained (and relatively unchanging) data. The point scoring system developed by or for each retailer is different because each retailer appeals to a different mix of customers in different circumstances and locations. Many national companies use a different scoring system in each region.

The Federal Reserve, which controls the money supply of the United States on the basis of estimated economic data derived from statistically reliable sampling, has assigned a bright young attorney to write the regulations under the 1973 Equal Credit Opportunity Act. Unfortunately, this attorney could not recognize a regressive correlation if one was laid on his desk and he probably thinks that two standard deviations are a couple of queers!

This situation should be easy to correct. All that is necessary is that the top men in retailing–the chairman or president of Sears, Penney, Wards, Federated, May, Allied, Dayton-Hudson, Associated, Carter-Hawley–go before the Congressional Committees and/or the Federal Reserve Board and explain–(1) 50% or more of our sales are made on credit–we want to grant the maximum credit we can economically grant because that is the way our customers, our stockholders and our tax collectors gain the most; (2) to do this we are moving further into impersonal statistical analysis to make most of the decisions and we do this for the express purpose of eliminating the chance that some middle-manager will apply his personal prejudices/biases; and (3) in order to do this we must have the right to use all the readily available information on a credit applicant when developing our "point" criteria for granting credit. We will be happy to submit our statistical methods to an independent body for a review of their soundness–and we are willing to pay the cost of having that body check our method so as to avoid imposing a burden on the taxpayer. The results of such an analysis should, of course, be submitted directly to the appropriate government agency.

What is actually happening? **Business Week** of May 19, 1975, covered the situation under the heading "Antibias rules that worry lenders" and they quoted several people–the ones they found available. Who were these people? The most quoted was Richard E. Cremer, assistant corporate credit manager for Wards and certainly one of the best informed retailers on point scoring. But how many who heard him–like the young attorney at the Federal Reserve–were impressed with his position and immediately recognized his name? From Sears they quoted H. R. Lively, director of public affairs for the Sears' general office–by definition a director of public affairs transmits the knowledge of others and is not expected to have independent knowledge of his own. The third retailer quoted was Joel Esquith, senior VP of Macy's of California, who, from his answer, apparently didn't understand the question, or the reporter didn't understand the answer.

Credit is a major cost–but the tremendous gross margin dollars on credit sales is what makes the profit flow for retailers doing a significant volume on credit. Yet top management apparently doesn't give a damn about what happens in the legislative/regulatory field as is demonstrated by their unanimous decision to stay away.

Perhaps the credit retailers should look at what food retailers are doing in response to proposed legislation that would require all food packages to be marked even when the store is using an electronic checkout that reads the Universal Product Code. The cost saving by eliminating product marking is infinitesimal compared with the increased cost/lost gross margin if statistically-sound nondiscriminatory credit granting methods cannot be used.

For example, Safeway devoted half the message to shareholders in their 1975 first quarter report to this subject and the message was signed by W. S. Mitchell, the President and CEO. They covered the subject thoroughly at their annual meeting. Other food retailers are doing the same thing–for what is probably an expense saving of under .15% of sales. Top brass in food retail firms, starting with the CEO, are giving it prime attention.

RThought: bad legislation comes not only from aggressive special interest groups (in the credit case, consumer groups that do not understand the facts and/or the alternatives) but also from benign neglect of those who are to be controlled.

CREDIT OFFICE RATING

It looks like bottoming out of the recession is being matched by a bottoming out in the decline of the Honor Roll. This month the list is back up to 11 from the low of 7 two months ago. We welcome back a number of old friends and some new faces.

HONOR ROLL

Company	Days	Company	Days	Company	Days
Maison Mendessolle	2.0	Oshman's	3.7	Joske's (Houston)	4.0
Rubenstein's	2.2	Mervyn's	3.9	Robinson's	4.0
Joseph Magnin's	2.5	Bullock & Jones	4.0	Sears (Dallas)	4.0
Levee's	3.5	Grodin's	4.0		

CREDIT OFFICE RATING

	APRIL-MAY 1975			FEB-MARCH 1975		
Information From Reporters	No. of Reports	Days to Bill Average	Range	No. of Reports	Days to Bill Average	Range
Abercrombie & Fitch (NY)	2	8.5	8-9	2	7.5	5-10
The Broadway (LA)	2	4.5	4-5	2	5.0	5
Brooks Bros. (NY)	2	12.5	12-13	1	12.0	12
Bullock's (LA)	3	5.0	4-6	4	6.5	5-10
Bullock's (N. Calif.)	8	6.8	5-10	7	6.9	4-14
Bullock & Jones (SF)	1	4.0	4	--	--	--
Capwell's (Oakland)	7	8.4	5-10	3	9.6	9-10
Craig's (Houston)	1	7.0	7	--	--	--
Emporium (SF)	6	7.8	7-10	7	6.9	5-9
Foley's (Houston)	2	7.0	7	2	7.5	7-8
Grodin's (N. Calif.)	1	4.0	4	1	21.0	21
Gump's (SF)	1	6.0	6	1	6.0	6
Hastings (SF)	2	6.5	6-7	2	9.0	8-10
Hinks (Berkeley)	1	11.0	11	--	--	--
Joske's (Houston)	2	4.0	4	2	4.0	4
Liberty House (N. Calif)	2	5.5	5-6	2	7.0	7
Livingston Bros. (SF)	2	5.5	5-6	2	7.0	7
Macy's (SF)	7	6.1	4-7	10	6.4	5-8
I. Magnin (SF)	6	5.5	4-7	7	4.7	3-6
Joseph Magnin (SF)	2	2.5	2-3	2	4.0	3-5
Maison Mendessolle (SF)	3	2.0	2	2	2.0	2
Montgomery Ward (Houston)	2	5.0	5	2	4.5	4-5
Montgomery Ward (N. Calif.)	2	6.0	6	--	--	--
Neiman/Marcus (Dallas)	1	6.0	6	--	--	--
Palais Royale (Houston)	1	11.0	11	--	--	--
Penney's (Oakland)	2	4.5	4-5	2	4.5	4-5
Penney's (Dallas)	1	6.0	6	2	6.0	6
Robinsons (LA)	1	4.0	4	2	5.0	4-6
Roos/Atkins (SF)	6	4.3	3-6	4	4.5	4-6
Saks (SF)	1	6.0	6	1	5.0	5
Sears (Alhambra)	4	4.8	4-5	5	4.4	4-5
Sears (Dallas)	2	4.0	4	2	4.5	4-5
Shreve & Co. (Minn.)	1	8.0	8	--	--	--
Smiths (Oakland)	1	7.0	7	--	--	--
Tiffany (NY)	1	17.0	17	--	--	--
TOTAL	89	6.1	2-17	79	5.7	2-21

	APRIL-MAY 1975			FEB-MARCH 1975		
Information From Stores	No. of Reports	Days to Bill Average	Range	No. of Reports	Days to Bill Average	Range
Brock's (Bakersfield)	9	5.8	4-8	18	7.4	6-9
Burdine's (Miami)	10	8.2	--	10	9.9	--
Holman's (Pacific Grove)	10	4.3	3-5	10	4.8	3-7
Levee's (Vallejo)	20	3.5	2-5	20	8.5	5-14
Levy Bros. (San Mateo)	32	4.8	3-7	32	4.9	2-9
Mervyn's (N. Calif.)	20	3.9	3-4	20	4.5	3-5
Oshman's (Houston)	11	3.7	3-5	9	3.3	3-4
Rubenstein's (Shreveport)	6	2.2	1-3	6	2.0	2
Wineman's (Huntington Park)	9	6.7	5-9	10	6.6	5-7
TOTAL	127	4.7	1-9	135	5.96	2-14

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

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

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

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

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

COMMISSARIES ARE PROTECTED BY CONGRESS

RT reported **(Move Over Safeway and A&P, June 1975 RT)** that the Fiscal Year 1976 Military Budget contained a provision that would modify the operation of the commissaries by increasing the surcharge over the cost of merchandise from 3% to 9% to cover more of the direct costs.

The House Armed Services Committee has rejected that idea, but in a negative way. They inserted a provision that active duty pay raises between January 1, 1975 and June 30, 1976 be limited to 5% IF civil servants also are so limited and IF the commissary system is unchanged. In other word, IF the commissary system is changed Congress would increase pay to cover extra charges by the commissary.

RThought: this would still represent a savings since the pay increase would not increase the pay of retired personnel, who often use the commissary. Retired military personnel already get a pay adjustment based on cost-of-living increases plus an additional 1% every time the cost-of-living goes up 3% and stays up for 3 consecutive months. Ultimately, there will be many more retired military personnel than active duty personnel. Regulars and active-duty reservists can retire after 20 years at 50% of pay plus cost-of-living increases thereafter. Inactive reservists can retire after 20 "good" years at substantially lower percentage of pay plus not receiving retirement pay and commissary privileges until they attain age 60.

THE REBUILDING OF W. T. GRANT

The President came from Sears, the Personnel VP from Wards, and the Chief Financial Executive from Singer. Touche Ross is assisting in revamping the credit plans and administration. Booz, Allen and Hamilton is monitoring the identification of stores to be closed or reduced in size. Ernst & Ernst are working on the new financial organization, internal auditing, cash management and budgets. Dancer, Fitzgerald and Sample are working out a new advertising program utilizing TV-radio. Traditional suppliers are shipping with the credit secured by a lien on inventory. The major NY banks have subordinated their position and extended their notes (at the urging and/or with the advice of the Federal Reserve Board).

RThought: If Grant should fail, one will wonder about the capability for training of such as Sears, Wards, Singer, Touche, Booz-Allen, E&E, Dancer-Fitzgerald and Chase. Never have so many doctors been called–never have they had a retail patient so sick.

LUCKY STORES, THE GENERAL MERCHANT

Lucky Stores is most often thought of as a supermarket chain–and that they once were. However, their self-description in a recent prospectus is much more to the point: "Lucky Stores, Inc., is a diversified, high volume retailer . . . primarily in the west, midwest and south. Based upon published sales figures the Company believes it is the fourth largest retailer principally in the food business and the 10th largest retailing organization in the United States." Although the percentage of volume obtained from food stores (food volume in GEMCO-MEMCO discount stores is counted as department store volume which is in line with the situation in the early American department stores) is 68%, down from 74% in the past 5 years, the contribution to profit stands just barely above half (52%).

In terms of store space, the 5 years ending next January will show a 36% increase in food store space and a 106% increase in non-food store space. Although House of Fabrics claims to be "the nation's largest chain of company owned and operated retail fabric stores" at $97 million for 1974, Lucky's fabric store subsidiary did $103 million in 134 stores plus 31 GEMCO-MEMCO departments compared with the 450 stores operated by House of Fabrics. The fastest growing segment of Lucky Stores is the restaurant business–which will operate 130 units by next January.

Throw in 58 auto and tire stores and 6 sporting goods stores and one can readily see that it is only a matter of time until the general merchandise will exceed the supermarkets in profit contribution.

LONGS DRUGS, THE FOOD CHAIN

With Lucky Stores (see above) moving out of the food field and into general merchandise (but not drugs), it is interesting to watch the pattern at Longs Drugs–probably the most respected drug chain in the United States. Respect, here, is measured by the Price/Earnings Ratio enjoyed by the company–at May 30, 1975 it was 29 times–being exceeded only by Kresge at 33, Penney at 30 and tied by Standard Brand Paints at 29 times.

(Note: RT has eliminated those companies with miniscule profits that sell at liquidating value resulting in an astronomic P/E ration).

As I shop Longs, the baskets ahead of me at the checkout look more and more like the ones at a Lucky supermarket. The big cube and big dollars are often in food. Every ad has a large number of food items. Unfortunately, Longs has not yet installed the food-type checkouts nor do they, in the stores I visit, use registers that can accumulate a taxable total separately. Gradually I am learning not to get in line behind a food customer that wandered into a drug store.

ECONOMY–POSTAL SERVICE STYLE

Issue 105 of the Postal Service Manual contained an explanation of why a new page 257.231 was being distributed: "Reprinted page 257.231 without change since it is the last unchanged page in Issue 72." Makes it sound like issue 72 was in the prehistoric age–but it was only March 8, 1974–less than 15 months earlier. There are hundreds of pages in the Postal Manual and every 15 months everyone is changed? No wonder the people in the department often don't know what they are supposed to do–and no wonder the cost of operation is high. I doubt that United Parcel Service, for example, changes every page in their operating manual during a 5 to 10 year cycle.

Apropos of the Postal Service, the current question making the rounds is "If it's 'Neither snow, nor rain, nor heat, nor gloom of night [that] stays these couriers from the swift completion of their appointed rounds' then what is delaying the mail?"

WHO BELIEVES THIS KIND OF AD?

Color Tile, a chain operated by Tandy Corporation, headlined their ad "EMERGENCY SALE! $2,000,000 IN EXCESS TILE Must Be Converted to Cash at Once! SALE EXTENDED 7 DAYS. We must act Fast! Our pre-inventory warehouse audit has exposed a massive $2,000,000 overstock! Management has ordered a quick, drastic reduction of this heavy overload before we take inventory!"

I've been around retailing a long time and never heard of a "pre-inventory warehouse audit!" If this means that someone walked through the warehouse or looked at the stock control records for the first time, and truly discovered a $2,000,000 overstock that way, then all of us may have to do some re-thinking about the management procedures of Tandy Corporation.

RThought: If I were a betting man, I would bet that most readers were not persuaded that this was an honestly presented sale. The "quick, drastic reductions" were apparently so quick and so drastic that with 12 items in the ad there was not a single price comparison. This would indicate one of several possible explanations: (1) they moved so fast they didn't have a chance to check the regular price; (2) the reduction was so great that the customers would not believe the comparison; (3) there is no regular price; (4) showing the regular price would blow the headline.

PUTTING TEETH INTO ADVERTISING LAWS

Canada has put teeth into their laws on misleading and false advertising and misleading price advertising. Charges are made by the Department of Consumer and Corporate Affairs (in the United States these two groups could never be put into a single department).

Some of the names and fines are of interest. The Robert Simpson Company Limited, a subsidiary of Simpsons, Limited (volume $500,000,000) was fined $5,000 for misleading and false advertising of chainsaws. General Mills Canada Ltd. was fined $750 for misleading and false advertising in regard to statements on the boxes of a snack food. The largest fine during October-December 1974 was $20,000 for misleading and false advertising of eskimo dolls by I.P.S. (Handicrafts) Limited.

A television repairman was sentenced to 2 years in the Federal Penitentiary for misleading and false advertising while another individual was given a 2 year suspended sentence and placed on probation with the condition that within 3 months he reimburse to each purchaser $9.95 of the price of an electronic TV antenna that was presented by misleading and false advertising.

MASTER CHARGE IS FOLLOWING BANKAMERICARD INTO OBLIVION

Master Charge is headed the same way as BankAmericard —pawning off incomplete and inaccurate information on cardholders and yet expecting prompt payment. At the present time Master Charge apparently is unable to meet the proposed Federal Reserve System standards for third-party billing when using descriptive methods. This would require only the disclosure of the vendor's name and the address (city, and state, or the foreign country) where the transaction took place.

That would seem to be simple enough—and certainly far less than a person would expect to be presented as the basis of demanding payment. I recently received with my Master Charge statement a form that said "This slip is issued in lieu of the original document signed at time of transaction." The type of transaction is descibed as "retail sale" and the merchant description and location is "Hertz Corporation Okla City OK." The last time I was in Oklahoma City was the summer of 1944 when I organized the 608th Air Material Squadron for future assignment to Leyte and Japan.

It happens that "retail sales" meant car rental, a transaction that didn't involve any type of sale. The service was rendered in San Antonio, Texas. I guess I am just lucky that it wasn't through a franchise that might have shown something like "J.D.M. Corp."

RThought: One must always wonder how computer programmers can call this type of result "information."

NAMES IN THE F.T.C.

Pay'n Save Corp: agreed to honor arrangements made with delinquent credit customers unless arrangements are violated by the customer and when that happens Pay'n Save agreed to give notice before taking legal action. The complaint alleged that Pay'n Save filed a complaint and then worked out a payment schedule. Despite this agreemnt the debtor was often taken to court without further notice and got default judgements when the debtor thought he had no reason to appear.

RThought: Pay'n Save says action was taken by their collection attorney, apparently an outside attorney, and they were not aware of his conduct. RT has long maintained that retailers have a moral—and apparently a legal—responsibility to know exactly how their agents in the collection field are operating.

SHORT SHORTS

Brentano's the Discounter? It's true! The ad reads "BRENTANO'S—A NEW ERA IN BOOKSELLING. Brentano's beg to reiterate their important change of policy under which they are selling books at **Sweeping Reductions From Publishers' Prices**. This new policy extends through all departments. For out-of-town customers our most important department, to which we desire to call special attention, is our MAIL ORDER DEPARTMENT." Where did this appear? In the 1898 World Almanac!

FROM THE POCKET OF . . .

RT is pleased to pass on one of the favorites of John Roscoe, President of Short Stop, Inc., a chain of California convenience stores and publisher of the "Dollars Per Day Survey of the Convenience Store Industry," a periodical that seems to upset many of his publicly-owned fellow operators.

A quote from **"Autumn Garden"**
by **Lillian Hellman**

"So at any given moment you're only the sum of your life up to then. There are no big moments you can reach unless you've a pile of smaller moments to stand on. That big hour of decision, the turning point in your life, the someday you've counted on when you'd suddenly wipe out your past mistakes, do the work you'd never done, think the way you'd never thought, have what you'd never had—it just doesn't come suddenly. You've trained yourself for it while you waited—or you've let it all run past you and frittered yourself away.

WORDS TO MANAGE BY

I have often mentioned The Christophers in this corner of RT. Recently the Christopher News Notes was devoted to "Only a Consumer." A copy has been enclosed with our distribution to regular readers.

July 25, 1975

Put
~~Put~~ in Binder
with July RT

Father Richard Armstrong M.M.
THE CHRISTOPHERS
12 East 48th Street
New York, New York 10017

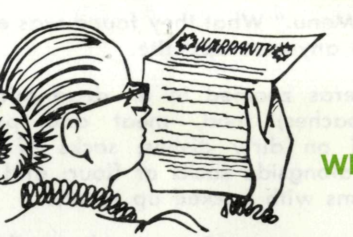
Dear Father Armstrong----

I am enclosing a copy of the July issue of RETAILING TODAY. If you will note the last item on the back page, where I normally have "Words to Manage By" I am finally sending all of my readers your "Only a Consumer?" NEWS NOTES.

My publication reaches one of the top 3 or 4 executives in retail firms doing in excess of $110 billion a year.

Sincerely,

Robert Kahn



WHAT YOU CAN DO

Most of us underestimate our power as consumers. Not Professor David Klein.

When a hotel clerk in Montreal told Mr. Klein that there was no room available — despite a confirmed reservation — the professor quietly told the clerk to find one immediately.

"After three minutes," warned Professor Klein, "I am going to undress in the lobby, put on my pajamas and go to sleep on one of the sofas." He got his room.

1. Complain when necessary. Do you have a valid gripe? Here's how to get heard:

■ Go directly to the source, to the highest-ranking person you can reach.

■ Write, phone or visit. State your complaint clearly, describing the problem and what you want done about it.

■ Include details of time, date, place of purchase, etc. Be brief.

■ Enclose copies of checks, letters, warranties, sales slips, etc. Keep the originals in your own files.

■ If you don't get satisfaction from the manufacturer or seller, take your complaint to your local Better Business Bureau or your State Consumer Protection Agency.

2. Shop carefully. The easiest way to be content as a consumer is to avoid problems:

■ Stop, look, listen. Be wary, particularly in matters involving large sums.

■ Read contracts, including all fine print.

■ Don't be pressured into signing anything. Sleep on it.

■ When in doubt, get legal advice.

■ Read the warranty *before* buying.

■ Read labels and tags *before* buying.

■ Check the store's refund and exchange policy.

■ Inspect all delivered merchandise before signing for it.

■ Deal with established merchants.

■ Refuse to buy overpriced or inferior merchandise. Sales resistance is your single greatest tool.

■ Return faulty merchandise, even inexpensive items. Acceptance of poor quality keeps it coming.

■ Don't be embarrassed. into settling for less. Remember, it's your money that's at stake.

■ Don't buy goods you suspect may be stolen.

3. Know your rights. Have you ever had second thoughts after succumbing to a blitz selling job by a door-to-door salesperson? A new ruling by the Federal Trade Commission gives you three days to cancel your purchase.

■ The Truth-in-Lending Act protects you in certain credit transactions.

■ The Anti-Tampering Odometer Act makes it illegal for a used-car dealer to "turn back" the miles recorded on a car's odometer.

■ The Credit Card Liability Act limits the amount for which you can be held responsible when a stolen or lost credit card is used by an unauthorized person.

4. Give credit where credit is due. Make the effort to let a merchant or manufacturer know that you appreciate quality merchandise and good service. Your word of encouragement can foster an awareness that there is more to consumerism than fault-finding and fixing blame.

5. Deal honestly. Consumers have responsibilities too. Be honest when seeking compensation for damaged or defective goods. Pay bills promptly. Point out when you are charged too little as well as when you are charged too much.

6. Work at your work. People who buy goods and services also produce them. Are you concerned about quality control, productivity and "a day's work for a day's pay" on your job?

"The amount you measure will be the amount you will be given." (Mark 4:24)

CHRISTOPHER CLOSEUP — **CHECK YOUR LOCAL TV AND RADIO LISTINGS FOR TIME AND STATION.**

LET THE BUYER BEWARE

Experts can evaluate products. Laws can be put on the books. Agencies can be set up to see that they are enforced. But in the end, it's your choice — to buy or not to buy a product or a service.

Phrases like these spell caution:

"Easy Credit"
"Painless Way to . . . (lose weight, exercise, earn money, gain friends)"
"Why Work?"
"Get Rich Quick"
"More for Half the Money"
"Buy Now, Pay Later"
"Free Offer"

The desire to get something for nothing is one facet of consumerism over which we have total control. The "easy way" usually turns out to be no way at all.

Any consumer could take as a motto this bit of wisdom left over from the days when saloons started offering "Free Lunch!" and raised the price of beer:

"There ain't no such thing as a free lunch!"

"Do not beggar yourself by banqueting on credit when there is nothing in your pocket." (Sirach 18:33)

HONESTY — EVERYONE GAINS

A restaurant where only the customer keeps tabs is proving that people like to be trusted.

Caesar's in southern New Jersey has no waitresses and no checks. The operation is self-service, and the cashier takes the customer's word — no questions asked. Owner Caesar Campana says the honor system works beautifully.

"People like to be trusted," he says. "You'd be surprised how many times a customer will return and say he forgot to pay for a drink or a piece of pie."

Most people are honest. But all of us—businessmen, workers and consumers—need an occasional reminder.

Conscience is God's gift. And He has created us to be more content and to function better when our actions reflect the standards of conduct we profess to believe in. When we make honesty our business, everybody gains.

No. 213

CHRISTOPHER NEWS NOTES
12 EAST 48 STREET NEW YORK, N. Y. 10017

ONLY A CONSUMER?

"The milkman waters milk for me;
there's garlic in my butter,
But I'm only a consumer,
and it does no good to mutter."
—N. Waterman (1911)

WHAT IS CONSUMERISM?

"I want my money back," a buyer wrote to a company that had guaranteed "money refunded if not entirely satisfactory."

"Your money is entirely satisfactory," came the reply, "and, therefore, we decline to return it."

Consumer protection agencies around the country get thousands of complaints monthly. These are typical:

- A man in Sugarloaf, Pa., reported that a van he bought for business spent half its first nine months in the repair shop.
- A musician in a Washington, D.C., suburb found that a 300-mile shipping cost had to be paid in order to collect on a manufacturer's guarantee on a new piano.
- A housewife in Long Island, N.Y., signed a $350 contract with an exterminator to rid her basement of termites. Later inspection showed that the "termites" were harmless ants.
- A father in Georgia discovered his baby hanging by the head. The child had worked his body through badly spaced crib slats.
- A student hospital technician in Hartford, Conn., lost $1,600 when the vocational school closed down after the second class.
- A man in Salt Lake City bought a faulty dishwater which ruined his hot water heater. Improperly repaired, it damaged a second heater he installed. The company ignored his complaints.

Are you "only a consumer"? Does it really do "no good to mutter"? It *does* do good.

Consumerism. What is it? It is the effort to equalize the rights, access to information and power of the buyer with those of the seller. And it is on the increase. Voices are being raised — and heard. Yours can be one of them.

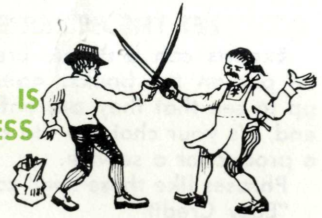
"Consumer protection," says consumer advocate Bess Myerson, "is economic justice based on moral law."

"Integrity will bring peace, justice give lasting security." (Isaiah 32:17)

WHERE TO GET HELP

For a free list of publications and public and private consumer-protection organizations, write Consumer List, The Christophers, 12 East 48th Street, New York, NY 10017.

CONSUMERISM IS GOOD BUSINESS



"A disturbing number of businessmen view consumerism in 'us' versus 'them' terms, as something to be resisted and openly attacked," says Frederick E. Webster, professor of business administration at Dartmouth College.

Things are changing, though. Harvard Business Review polled 3,418 corporate executives. Most agreed, "Consumerism is both good for business and good for the consumer."

Here's what some firms are doing:

- Pepsi Cola developed a plastic bottle, degradable in solid waste treatment.
- Sears put out a phosphate-free detergent that is now a big seller.
- General Motors introduced a "service superiority" program for dealers that has caused a measurable drop in complaints.
- Kodak strengthened its policy of anticipating customer mistakes and "designing them out" of the product.
- Whirlpool introduced a more readable warranty and a "cool line" telephone to handle customer problems quickly.

Business is responding. And the pace of response is accelerating. As one executive put it, "We'd better listen and act—soon."

"He who seeks dishonest gain brings trouble on his house." (Proverbs 15:27)

CONSUMERISM IS GOOD GOVERNMENT

In 1202, King John of England issued this proclamation:

"If any default be found in the bread of a baker of this city . . . let him be drawn upon a hurdle, from the Guild Hall to his own house, and the false loaf hanging from his neck . . ."

Penalties have changed. But government still has a role to play. Your taxes pay for 6,500 federal employees whose job it is to defend consumers. Laws are on the books, and regulatory agencies exist on all levels.

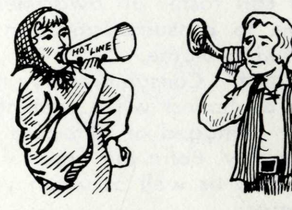
But government can be slow. It took the Food and Drug Administration seven years to rule that frozen cherry pies must contain at least 25 per cent cherries.

Lewis A. Engman, chairman of the Federal Trade Commission, the nation's largest watchdog body, attacked the performance record of federal regulatory agencies. He charged some with protecting the industries they are set up to regulate, thereby raising costs to the consumer.

Consumerist Betty Furness points out the important function government must play: "The consumer can't tell Detroit to build cars that get 20 miles to the gallon, but government can. When consumers want one thing and business wants another, it's essential for the government to be the arbitrator."

Your efforts are needed to prod government agencies and the Congress into action.

"Hate evil, love good, maintain justice at the city gate." (Amos 5:15)



CONSUMERISM IS GOOD NEWS

WTVJ-TV, Miami, sent camera crews into local restaurants to film a series called "Not on the Menu." What they found was enough to spoil anyone's appetite.

Cameras zoomed in on dead mice and live roaches; food, meat and potatoes heaped on dirty dishes; sacks of poison stored alongside sacks of flour; and grimy restrooms with backed up toilets.

Restaurant owners reacted angrily, cancelling an estimated $75,000 in advertising. But WTVJ-TV refused to back down. Broadcaster Bob Mayer pointed out that the series also filmed restaurants with a clean bill of health and that camera crews revisited places that had cleaned up after the exposé.

Miami health officials tended to agree with Mr. Mayer. "If we had cleaner restaurants," said one, "we wouldn't have this hassle."

A similar public-interest role is being taken on around the country by other television and radio stations, newspapers and magazines. WMCA Radio, New York City, is typical.

Ellen Sulzburger Straus, wife of the station's president, helped turn WMCA into a powerful source of help for local consumers. WMCA's "Call for Action" tells callers where they can go for help, follows up on results and steps in if needed. Volunteers working the "hot lines" can also alert a reporter, using the threat of unwelcome publicity.

Call for Action has chapters in 43 cities. Public-interest journalism in behalf of the consumer is a voice that can be raised in any community.

"Uphold the rights of the poor, of the needy." (Proverbs 31:9)

THE PURPOSE OF THE CHRISTOPHERS is summed up in the word "Christopher" which comes from the Greek "Christophoros," meaning "Christbearer" . . . Our aim is to encourage everyone to show a personal responsibility and individual initiative in raising the standards of all phases of human endeavor, especially 1) government, 2) education, 3) labor-management relations, 4) literature and 5) entertainment . . . Positive, constructive action is essential. Little is accomplished by complaining or criticizing. "Better to light one candle than to curse the darkness" is the Christopher motto. St. Paul put it: "Be not overcome by evil, but overcome evil with good." (Rom. 12:21) All gifts are deductible from taxable income . . . Legal title for wills: The Christophers, Inc.

The Christophers
12 E. 48th St., New York, N.Y. 10017
Father Richard Armstrong, M.M., Director
Telephone 212-759-4050

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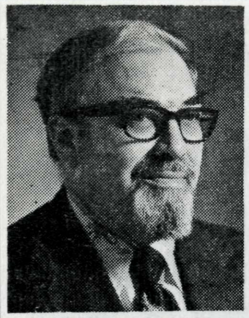

RETAILING TODAY

ROUTE TO

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AUGUST 1975 VOL. 10, NO. 8

ON-SITE MEDICAL SERVICE FOR RETAIL EMPLOYEES

The New York TIMES (July 10, 1975) carried a story of a three year program in Gimbel's New York for the identification and treatment of hypertension. The article summarized the program as follows: ". . . nurses and paramedical workers wrapped a blood pressure cuff around an arm of each of the 1,527 employees and the recorded blood pressure values from the sphygmomanometer. Evidence of high blood pressure was found in 186 workers of whom 65 rejected the medical teams offer of free treatment. However, 121 workers accepted. Of these, 102 workers were free of other serious medical problems so that the Cornell (University) team at Gimbel's could prescribe diuretic and other pills to counter the hypertension. 18 of the 121 workers were referred to their private doctors or to NY Hospital because these persons had additional medical problems . . ."

But a more important step is being taken by the Retail Clerks Union in the California Central Valley area (Fresno to the Oregon border). For years the Union health program has provided for an annual multiphasic screening. Because of the problems of making appointments, of using clinics open only Monday to Friday, 9 to 5, located in areas with limited parking and the lack of an incentive to take the tests, fewer than 7% of the eligible individuals (employee, spouse and children) took the test. As a result the desired early-detection of correctable conditions was not being accomplished.

But all that changed in June of 1975. **The Union is now utilizing a service that brings testing facilities to the members**—and the tests are conducted at convenient locations with adequate parking. Union members do not need an appointment and family groups can come together, knowing that they will complete the test in about an hour. Testing is done on Saturdays, Sundays and evenings—at hours convenient for the employees.

Members are encouraged to avail themselves of the service through direct mailings, follow-up mailings, publicity in the labor press (and, incidentally, in the general press and on radio and TV) and shop stewards. Based on the experience with a similar program, now in its 5th year for the Operating Engineers through the North Central area, the cost of testing (under $50 per adult, under $25 per child) will be more than offset by directly measurable savings in hospital and surgical benefits and plus unmeasured savings in sick leave and life insurance costs. By the 3rd year the Clerks' Union expects that 80%-85% of those eligible will be participating. The same testing can be provided in the luncheon room of a large department store, in the meeting room of a shopping center, or in the banquet room of a nearby motel. A recent report to a Union local on the abnormal results detected in their members shows 10% blood pressure abnormalities, 9% spirometry (chest and lungs), 16% vision, 5% audiometry, 17% blood chemistries, 12% blood count, 7% thyroid, 2% mononucleosis, 6% Rheumatoid arthritis test, 4% urinalysis, 8% electrocardiogram, 14% chest X-rays, 7% Pap smear, and 25% thermography detection. Of 999 Pap smear tests, 1 cancer was detected plus 4 early abnormal cell findings.

RThought: Before expressing my thoughts, I do want to point out that the firm providing this service is a client of Robert Kahn and Associates.

Much talk is heard about what can be done through early detection and preventive medicine—yet most medical service (and virtually all retail health programs) provide only crisis care. This is expensive, it places an excess demand on facilities, and it is hard on people (they die—when early detection is not available).

A MATTER OF ETHICS

The matter of price-fixing on Fifth Avenue, involving three of the outstanding names in American retailing—Bergdorf Goodman, Saks & Co., and Bonwit Teller—owned by three of the major retail firms—Carter, Hawley, Hale, Inc., Gimbel Bros., and Genesco—is finally drawing to a close. The three corporations entered pleas of no contest and were fined $50,000.

The Vice President and Merchandise Manager of Saks Fifth Avenue and the Executive Vice President of Bergdorf Goodman were also charged—and entered motions asking that charges against them be dismissed. Subsequently, the former changed his plea to guilty, making him subject to a maximum penalty of 1 year in jail plus a fine of $50,000. The judge levied a fine of $15,000 and 1 day of unsupervised probation.

Retailers should observe carefully the response of Federal District Court Judge Henry F. Werker to the argument of the Saks VP that he was merely following orders. The Judge said "There is a certain amount of coercion which falls on a junior executive when the boss tells him to do something—(However the defendent) had the choice of doing what he was instructed to do or to resign."

RThought: Top management has no moral or legal right to make such demands on executives, especially when the same top management has been honored by their peers as leaders in retailing; subordinate executives will have to have the guts to say that they will not break the law.

The Unions are taking the lead in offering this service–an unfortunate situation because it implies that management does not care (although the health funds are often jointly controlled by employer and employee representatives). The cost can be covered through many existing employee benefit plans; *in an increasing number of cases, insurance companies will pay* the cost without additional premiums.

If you want further information, write to MULTIPHASIC TESTING, c/o **Retailing Today**, P.O. Box 343, Lafayette, CA 94549.

MINIMUM WAGE LAW BITES WINN-DIXIE

I constantly run into merchants–sometimes my own clients–who insist that they aren't going to obey some law. It may be how they report for property tax or what they consider as an "ordinary and necessary" business expense or how they comply with some federal law like Truth-in-Lending, Occupational Safety and Health or even Wage and Hour (Fair Labor Standards Act).

I have always counseled them to comply fully with the law–and I point out that everything is fine when they get away with it (sometimes following the advice a consultant/accountant/fellow merchant/friend who tells them how to save a million dollars) but when they get caught it is their name that goes in the newspaper and they are the ones who will have to face their friends. Fear of being caught is, for most people, the major deterrent to misconduct.

For many years Winn-Dixie has produced the highest profit as a percentage of sales among all the major food chains, as well as one of the highest profit returns on net worth. Yet, Winn-Dixie, located in the south, was harder hit than many major food chains when the minimum wage law was extended to retailing–the study made prior to the inclusion of retailing under the Act showed more than half the people employed in retailing in the south were getting less than the then current minimum wage of 75¢ an hour.

In 1962 and again in 1967, court orders were issued enjoining Winn-Dixie from violating the minimum wage, the overtime provisions, and the record-keeping provisions. Apparently someone forgot or someone thought they could still get away with violations–with the net result that Winn-Dixie consented to an order to pay $1,000,000 in back pay plus reimbursing the Labor Department and the court for all of the costs incurred. Counsel for the company said "the infractions involved department heads and assistants . . . who improperly recorded hours worked in violation of company policy."

RThought: The test of management–which is the art of accomplishing desired end results through others–is how effective it is in obtaining compliance with policy. The world is your oyster–as Kresge learned–when you have built an organization that can properly and efficiently carry out the directives of top management.

4day Tire Stores

The signature above is that of a growing California and Texas tire store chain previously reported for their offer that appears in every ad: "If you have a complaint, help us by informing our owners: John Harper, 293-8323; or write Don Carr, Bob Hofmann or Al DeWeese, 17622 Armstrong Ave., Irvine, CA 92705," as well as reporting the store hours–only Wednesday through Saturday.

Now RT wants to report their approach to pricing. For example, they present a White side-wall 195-15 Michelin steel belted radial tire with a 50,000 mile guarantee on the following basis:

Price elsewhere	$67.49
Price on BankAmericard or Master Charge	58.80
Cash or check	56.45
Cash and Carry unmounted	50.81

Finally, they announced on Tuesday, on page 6 of the Oakland Tribune, a policy that I followed 22 years ago in developing a local store–they word their ad this way–"Our plan is to run an ad this size every week in The Tribune, 52 weeks a year. On the same day of the week, every week. The purpose of our ads will be to give you information, and not shout at you or try to fool you. No advertising jumble of confusing prices. No sales. No specials. No price ups and downs. No razzle and no dazzle."

And the ad gives the name of the manager of each branch!

RThought: Expanding, as 4day Tire Stores is now doing, appears to be proof that their method is working.

ARE STORE PRESIDENTS HEADED FOR JAIL?

They can and should go to jail under certain circumstances, said the U.S. Supreme Court.

The case involved Acme Markets, a part of American Stores, which is the 4th or 5th largest food retailer in the country. The case involved a charge under food and drug laws that they caused interstate shipments of food to become contaminated by rodents **after** receiving warning from the Food and Drug Administration.

Acme Markets pleaded guilty but President John R. Parks pleaded not guilty. The jury felt otherwise and convicted him; the apellate court reversed saying that Parks could not be shown to be personally involved in the violation.

In a Supreme Court decision written by Chief Justice Burger and joined in by BOTH Justice William O. Douglas AND Justice William Rehnquist, it is pointed out that the Food and Drug Act requires action to see that violations do not occur. After all, the decision pointed out, John Parks did not have to become President of Acme Markets and accept the salary, pension and other benefits unless he was willing to see that the business was run in reasonable conformance with the law as the public has the right to expect. The law clearly provides for both fines and jail sentences for violations.

RThought: Most reports on jails, except for the country club established for Watergate-types, indicate rather poor accommodations and badly overcrowded conditions.

GUILT THROUGH SILENCE

A.A. Sommer, Jr., member of the Securities and Exchange Commission, in a recent address, made the following observation which is applicable to retailers as well as other businessmen:

> "Businessmen have been singularly slow to raise their voices in criticism of the conduct of their fellow businessmen, conduct which inevitably hurts all businessmen. Not surprisingly in the face of such silence Americans assume that the misdeeds are either condoned or are simply representative of practices universal in the business community. Such conclusions are unfair to the mass of businessmen who, despite the recent exposés, I

I DON'T BELIEVE IT!

Once upon a time, when I had thoughts of teaching at university level concurrently with being a management consultant, having the absurd idea that schools would want that type of concurrency (that's when I found out that the "union card" to teaching in many business schools is a Ph.D., not actual business experience) I collected a lot of items in an "I don't believe it" file. I planned to distribute copies to students and ask them whether or not they believed it–and why they felt as they did.

It is most important to think and question everything you read. Don't accept something as a fact just because it is printed and appears to be from a responsible source.

In reading the May 1975 issue of "Consumer's Right to Know Newsletter" published by Kraft Foods, I was stopped by the following statement:

> "Although higher food prices have encouraged changes in home food shopping and menus, in a national consumer survey 74% reported that the family is eating as well or better than a year ago . . . The survey also indicates that consumers have been resisting impulse purchases and are making greater use of coupons and specials . . . 65% are buying fewer snacks and luxuries; 55% purchased fewer convenience food; **34% are selecting day-old bread**; 53% are buying cheaper cuts of meat; 48% are serving smaller meat portions."

What stopped me was "**34% are selecting day-old bread.**" I couldn't buy that figure–there isn't that much day-old bread around. Bakers are smart enough to plan their production closer to demand.

This led me to believe that the survey was not properly designed to compensate for a "halo effect"–the situation that arises when the person interviewed understands that the questions are designed to find out how smart a shopper she is. She then fudges a bit and answers what she thinks she should be doing rather than what she actually does.

Dorothy Holland, VP for Consumer Relations at Kraft Foods, was kind enough to send a copy of the tabulation (not the specific Questions) of the Yankelovich, Skelly and White survey, based on 2010 interviews throughout the nation. The figure is there–I still do not accept it.

But there are a lot of other interesting disclosures that were not mentioned in the Newsletter. For example, when asked what they "worry a lot about" the cost of food came in first at 64%–and in 6th place at 9% was "losing my job." The survey was made in September 1974–but it is apparent that all the talk of rising unemployment was not yet registering on the consumers (the tabulation did not tell how many of those interviewed had jobs).

More people (39%) thought utility rates would rise sharply in the next 6 months than were concerned about food (2nd place at 35%). As to major complaints about types of stores–supermarkets, department stores and discount stores–30% had no complaint about either of the first two while 40% had no complaint about discount stores. On the other hand, 30% complained about service in discount stores compared with 11% and 26% for supermarkets and department stores.

When asked where government/supermarkets should do more, the consumer reported: unit pricing (41%/38%); honesty in advertising (44%/44%); teaching nutrition (46%/52%). Yet, most food operators kid themselves by saying "consumers don't really care about unit pricing."

Perhaps the reason food operators kid themselves is that only 11% of the consumers interviewed classed themselves as activists. What operators should be concerned about is that 26% consider themselves "potential activists." A quarter have boycotted or are ready to boycott specific stores or products.

Another answer that I questioned was that 36% indicated that as an economy measure they were growing their own produce. Once again I responded "I don't believe it."

How can I react to the report that 66% are buying store brands and 56% are using price-off coupons. I don't know how these figures stood 1 and 2 years ago.

When it came to the trade-offs the consumer would make for lower prices, the most willing give-up was less brand choice (54%) followed by "do own packing at checkout–47%," stores open shorter hours–46%, and only returnable bottles–45%. On the other hand, the least willing give-up was "no dating on packages"–7%, 4th from last was "no unit pricing"–16% and 7th from last was "no prices on items, only shelves"–20%.

Once again, many food operators sincerely believe that open dating, unit pricing and individual package pricing really are not important. They should keep in mind that 89% of the shoppers are not "activists." When they disagree with what you do they start shopping other stores and pretty soon you may find yourself saying "Whatever became of Mrs. Jones? . . . and Mrs. Smith . . . and Mrs. Martinez . . . and Mrs. Chang . . . and Mrs. Yamata . . . and Mrs. Goldberg . . . and Mrs. Garibaldi . . . and Mrs. Marks?"

SHORT SHORTS

Annual reports to taxpayers? That is what Thomas G. Bolton, President of Dominion Stores Limited of Canada suggests in his preliminary year-end report when he says "In light of the heavy tax demands of government we need regular public financial reporting by all levels of government in a manner that is meaningful to the shareholders of government, the tax paying public. Government has placed strict reporting requirements on business but is lax in providing regular, coherent and up-to-date information on its own revenues and expenditures." Since the revenues of General Motors, Sears, Exxon and American Tel and Tel, to select a variety of firms, exceeds that of all states and providences and most countries, and since they are able to provide a meaningful annual report to shareholders, the task should be entirely feasible for governments.

Why does it take a recession to get businessmen "back to basics"? Or is it just that the people who put on convention programs think that this is a good merchandising theme? It is recessions/depressions that highlight, through a process called Chapter XI and Chapter X, those businesses that disregarded basic. By then it is too late for them to get "back to basics."

THE MARKET TREND

During the months of June and July, retail stocks roughly paralleled the performance of the P/E ratio for the Dow Jones Industrial Average—which stood at 8.9 at the end of May and 8.8 at the end of July. The median P/E ratio was up from 7x to 8x on the New York Stock Exchange and unchanged on the American at 6x and on the Over-The-Counter group at 5x.

Since more stores reported lower earnings for periods ending in March and April than reported increases, this indicates that the market evaluation of retail stocks has not materially changed. This also indicates that the market is not anticipating a rapid economic recovery. Retail earnings tend to rise faster and sooner in a recovery period than in many other fields (improved sales can be obtained from existing inventory—without having to increase purchases). Had the market anticipated a near-term recovery the P/E ratio for retail stocks would have increased relative to the P/E ratio for the Dow Jones Industrial Average.

Some satisfaction can be gained, however, from the material improvement that has been maintained over the depressing levels existing at the end of 1974.

FREE SAMPLE—if you would like a sample copy of STOCK DATA, showing the price and P/E ratio for over 350 retail stocks, write to STOCK DATA, P.O. Box 343, Lafayette, CA 94549. The subscription rate is $7.50 per year—a statement will be sent with the sample which you can disregard if you do not wish to subscribe.

P/E	New York Stock Exchange				American Stock Exchange				Over-The-Counter			
Ratio	12/31/74	1/31	5/30	7/31	12/31/74	1/31	5/30	7/31	1/3	1/31	5/23	8/1
Loss	12	12	22	18	8	11	21	19	7	5	14	28
1	2	--	--	--	--	--	--	--	2	1	--	--
2	9	--	--	--	4	--	--	--	26	7	5	2
3	20	5	1	--	21	11	4	3	26	23	13	8
4	20	12	2	3	15	21	9	3	22	27	18	8
5	17	16	8	8	4	14	10	14	16	21	19	24
6	8	17	7	7	4	6	14	12	7	13	11	14
7	8	15	17	17	1	4	6	7	6	4	11	13
8	2	10	14	13	1	2	7	10	--	6	4	5
9	4	4	8	10	1	1	7	5	--	6	8	9
10	3	4	7	5	--	1	5	6	1	2	3	8
11	3	5	5	2	--	--	3	3	1	5	9	1
12	2	2	1	9	--	--	2	1	1	--	3	6
13	1	3	8	9	--	--	1	2	--	1	3	3
14	--	--	8	8	--	1	1	2	1	--	4	1
15	--	4	--	2	--	1	1	--	--	--	1	--
16 & up	5	7	18	13	2	1	5	7	1	3	11	13
TOTAL	116	116	112	124	61	74	96	94	117	124	137	143
Median P/E	4x	6x	7x	8x	3x	4x	6x	6x	3x	5x	5x	5x
Mode P/E	3x-4x	6x	7x	7x	3x	4x	6x	5x	2x-3x	4x	5x	5x

SHORT SHORTS

Food shopping makes the savings grow. That is what Fred Meyer, Inc., reported in their first quarter report for 1975. Having completed the purchase of the stock in Fred Meyer Savings and Loan Association from Fred Meyer (at his cost), the expansion from a 1-branch to a 4-branch organization (the branches are in Fred Meyer stores) has increased deposits from $4 million to $20 million! The report also points out that there are start-up expenses, resulting in initial operating losses, in starting a branch S&L—and that the rapid expansion of branches to more Fred Meyer stores will cause such losses to be reflected in the quarterly reports.

Gambles continues retailing's romance with banking. The first quarter report to stockholders carries a mail order coupon for Gambles Continental Bank offering FDIC-insured 7½% 6 year notes for $1,000 or more. Next they may solicit checking accounts, promoting the advantage of float when banking from around the country with a St. Paul bank.

"Don't be afraid to make an offer" says an article in the Canadian Consumer dealing with the purchase of a home. To prove their point they continue "In 1867 the United States Government offered Russia $7,200,000 worth of 1867 gold for Alaska and the deal was sealed. Later, it was discovered that Alaska could have been purchased for $5 million (Which, incidentally, is the current value of a well placed 250 x 100 foot lot in downtown Toronto)."

Hat's Off to Loehmann's of New York. This appears to be the last major store—at least in New York or the San Francisco area—that really thinks of their customers. As on all major holidays, Loehmann's had an institutional ad on Father's Day. It said "Happy Father's Day to all the fathers whose wives and daughters make us a family tradition." Everyone else said, in effect, forget Father (except for those open for last minute gift sales) and rush down and spend his money.

am convinced are much more comfortable hewing to a narrow line of right than engaging in illegal payoffs, secreting caches of money, or bribing foreign officials."

RThought: Mr. Sommer does not go to a vital part of the current problem—the general agreement within the business community that the heads of businesses found guilty of violations of the law, or entering into consent decrees in the face of allegations, are "honest men." In too many cases other businesses rely on the graces of the heads of firms exposed in such conduct. This raises the basic question: Can the condoning retailer make any claim to personal virtue and integrity when he offers his approval of such executives for either his own personal gain or the gain of his corporation?

WHEN PEOPLE COMMENT ABOUT THE UNEMPLOYMENT RATE . . .

You should be able to remind them that the following figures represent the average unemployment rates for the years indicated:

1929	3.2	1934	21.7	1939	17.2
1930	8.7	1935	20.1	1940	14.6
1931	15.9	1936	16.9	1941	9.9
1932	23.6	1937	14.3	1942	4.7
1933	24.9	1938	19.0		

This may even make you feel better about the present unemployment rates. But you must keep in mind several factors:

1. In the early part of the period above, the government did not have current information on unemployment—the first studies were made by Metropolitan Life Insurance Company when Mr. Hoover refused to believe the amount of unemployment reported to him.
2. This serious problem developed first under a President who felt very strongly that there was nothing that the country could do but accept the penalty—in a talk at Valley Forge May 30, 1931, Mr. Hoover counseled his fellow citizens to await with resignation and individual fortitude for the day when good fortune might again bring better economic conditions and urged that we "pin our faith upon the inventiveness, the resourcefulness, the initiative of every one."
3. Despite Mr. Hoover's campaign promise in 1928 to "abolish poverty" there was no unemployment insurance, no Social Security—not even a governmental responsibility for individuals in distress. The City of Toledo was the first city to challenge the assumed restraint against using tax money for the care of indigent individuals. Their action was challenged by a taxpayer. The case was carried to the U.S. Supreme Court. Toledo won. Until that case, all aid to needy individuals had come from private charities—but charities were unable to cope with the magnitude of the problems in the 1930s.
4. The figures themselves explain why many analysts feel that the pump-priming, Keynesian programs of the 1930s did not solve the unemployment problem. It was solved by a war in Europe. It should be pointed out that the start of the war in 1939 did not have a great impact on unemployment in the United States, despite the development of the Lend-Lease program to provide supplies and equipment to the Allies.

RThought: It is hard to determine whether this information should make one feel better or worse about the present situation.

CONVENIENCE STORES JUDGE REPORT ON HOW WELL (POORLY) THEIR COMPANY DOES

In the old days, the King killed the messenger who brought him bad news. Today, retail executives in convenience stores praise a report that shows that their firm is doing well—and curse the same report if it shows that their firm is doing poorly.

Such is the thanks and non-thanks heaped upon John Roscoe, recently "removed" officer in the National Association of Convenience Stores (after all, what association really wants a man moving up the chairs to President who actually—and in public—criticizes the Association?) for publishing, at his own expense, a report on publicly held convenience store chains called the "Dollars Per Day Survey" which reduces published data to comparative dollars per day per store.

Munford, Inc., the second largest convenience store chain behind Southland, has not shown up too well on the report—and as a result Dillard Munford has been very critical of the report. Shop & Go, on the other hand, had done very well. Thus it was amusing to read the President's Letter in their annual report—"Another of the highlights was . . . achievement of first place rank in terms of growth and profit per store among the nation's 13 publicly held leading convenience food store chains. This is the finding of the 1974 Annual Dollars Per Day Survey, one of the most thorough and prestigious reports in the food trade."

RThought: Sometimes shooting at the messenger who brings bad news just gives the messenger more strenth to continue his delivering.

WHY HYPERMARCHES WORK IN EUROPE

RT has long maintained that the success of hypermarchés in Europe are less related to their merchandising technique than they are to restriction on competition. In 1974, France established national control over the establishment of large retail units. The "Royer Law" established a commission within the Ministry of Commerce and Handicraft that must approve all such units with appeal allowed only to the Minister.

The Commission report for 1974 indicates that the Commission approved 233 stores with an average size of 41,700 sq. ft. and rejected 212 with an average size of 62,700 sq. ft. In a number of cases, appeals were filed from the Commission's decision—appeals of both approvals and denials. Based on the final action by the Minister, 279 stores with an average size of 44,700 were approved and 166 with an average size of 62,200 were denied.

These include all types of stores—supermarkets, furniture, department, discount, home improvement centers, variety stores and others as well as hypermarchés. If you already operate a 200,000 sq. ft. hypermarché in France, it is unlikely that another will be allowed within many miles of you. Thus, the success of the hypermarché may be more related to monopoly than management.

RThought: The Hugo Mann organization found expansion in Europe so restricted that they turned to the United States and acquired the FedMart chain. Time will tell whether they can remake FedMart Stores into hypermarchés.

HOW TO COMPETE WITH K-MART

At the Mass Retailers Institute's Annual Meeting the question came up about how to compete with K-Mart when they open 40,000 sq. ft. stores into smaller towns. The moderator passed the question to Aaron Goldberg, Senior Vice President of King's–King's has faced the problem a number of times.

Goldberg's reply should be required reading for all retailers: "If you have run your store properly and continue to run your store properly and have built a group of satisfied customers, you won't be able to fight their grand opening, **but you will get your old customers back**. You cannot build satisfied customers overnight. There is no easy way or magic solution. Those who were not too efficient in the past will suffer drastically."

BROOKS BROTHERS READS–AND WRITES–AND ACTS

RT has frequently railed against retail firms that fail to respond to customer complaints after the customer has gone to the trouble of either phoning or writing the store.

RT has fewer occasions to applaud firms that do a good job in this area–and one of them is Brooks Brothers. A new customer opened a charge account at the time he purchased a custom tailored suit. The suit was cut incorrectly and so he returned it two or three times for alterations. The suit never was corrected–basically the pants were cut too small around the seat and there was nothing to let out. Finally, he hung the suit in the closet and reminded himself regularly that he had learned something–not to buy another suit from Brooks Brothers.

About a year later Brooks Brothers sent a form letter saying "we note you have not been using your account lately" and our customer replied to the effect that Brooks Brothers might as well close the account because the customer was going to buy his suits from stores that knew how to make them so people can wear them. Immediately a reply was received from the Merchandise Manager in New York saying that Brooks Brothers had prided themselves on making men's suits for more than 125 years and would the customer please take the suit back to the store where it was purchased.

The customer did and showed the letter and the suit to the store manager. The measurements were checked personally by the store manager and it was obvious that somehow the seat measurement had been recorded 3 inches too small. Since the fabric was no longer available so that a new pair of pants could be made, the store manager instructed the tailor to send in the correct measurements for a new suit.

RThought: This story is told in length because it contains many lessons. If the tailor had been willing to admit the mistake in the first place, the pants could have been replaced at less cost than the entire suit. Brooks Brothers did a good job in following up inactive accounts. Whoever in the credit office received the reply from the customer should get at least a Good Conduct Medal for acting immediately on the complaint. The person who took the letter to the Merchandise Manager, and the Merchandise Manager, deserve a Silver Star for their prompt action–and I guess, to carry this a bit further, the store manager deserved a Congressional Medal of Honor for the manner in which he handled the customer. But, the end is where it started–I am advised that there was an unbelieving tone in the tailor's voice when he repeated "a NEW suit?"

A SURPRISING NAME ON A BETTER BUSINESS BUREAU LIST!

It is a shock to see a subsidiary of Thrifty Drug Stores, a half-billion dollar retailer, appear on the Consumer Alert list of the San Francisco BBB. But there was the name of Big 5 Sporting Goods with a code reference indicating "Firms that have not responded to advertising challenges or made suggested revisions." As this disclosure plan for local BBB units develops, RT will expand the reporting of these facts.

NAMES IN THE F.T.C.

Kroger Co.: The complaint alleges that the 3rd largest supermarket chain, in various trading areas, listed or depicted in ads a substantial number of items that were not readily and conspicuously available for sale at or below the advertised price or were sold at prices higher than in the ad. The consent order (D.9040) says that Kroger will not do this in the future, excepting times when conditions beyond Kroger's control exist, and that Kroger will include in ads a statement about the availability requirement, post in stores a copy of ad and list of items not available with provision for rainchecks and inviting customers to notify store of incorrect prices, **and maintain a special program of surveillance to insure compliance.** The consent order was accepted by a 3-2 vote of the Commission.

City Stores Co.: The FTC, by unanimous vote, adopted the recommendation of the Administrative Law Judge directing City Stores to stop obtaining or enforcing shopping center leases that give it the right to disapprove the entry into a shopping center of any other tenant, and that contain other anticompetitive provisions such as the size of a tenant's store and restrictions on merchandise lines and prices.

Amterre Development, Inc.: (Shopping Center Developer:) FTC accepted a consent order prohibiting entering into or enforcing shopping center leases which exclude competitors, fix retail prices, eliminate discount selling, and otherwise restrain trade. It specifically prohibited the making, enforcing or carrying out of agreements that specify that any retailer shall or shall not sell or advertise merchandise or services at any particular price or within any range of prices; specifies that any retailer shall not be a discounter or sell merchandise or services at discount prices, or specifies the content of or prohibits advertising outside the shopping center (**NOTE:** Commissioner Nye did not vote to accept the agreement–he felt that Amterre should be ordered not to refuse to renew tenants' leases because of their pricing policies).

SHORT SHORTS

Remember when Levitz was selling at 100 times earnings? It is doing it again but the price is $5 instead of $60. And now Levitz is in second place among retailers with Jewelcor selling at 200 times earnings–at $4 a share.

WORDS TO GIVE US PERSPECTIVE . . .

The following quote has gotten here by a circuitous route. The words are from the biography of William the Silent by C. V. Wedgewood–but they have been recalled by Merle Miller in "PLAIN SPEAKING, the oral biography of Harry S. Truman:"

> "History is lived forwards but it is written in retrospect. We know the end before we consider the beginning and we never wholly recapture what it was to know the beginning only."

The Crawford DEPARTMENT • STORES •

CRAWFORD MANAGEMENT CORPORATION

2509 W. DEVON AVENUE, CHICAGO, ILLINOIS 60645

Telephone: (312) 338-2500

August 25, 1975

Ret w/ August RT

Multiphasic Testing
c/o Retailing Today
P.O. Box 343
Lafayette, CA. 94549

Gentlemen:

We would appreciate details concerning the On-Site Medical Service for Retail Employees, which was written up in Vol. 10, No. 8, in August.

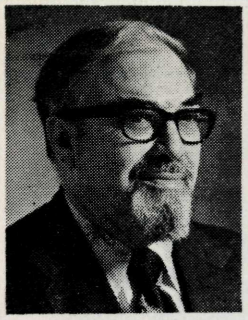
Yours very truly,

CRAWFORD MANAGEMENT CORP.

A. J. Garber

ALAN J. GARBER
President

AJG/f



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THE GHOST OF LINGAN WARREN!

Who was Lingan Warren? He was the last major supermarket executive truly committed to serving the consumer instead of just making a profit. **Business Week** (8/26/72) put forth a typical statement on Warren after Safeway's policy was changed to one of making more money rather than serving consumers better–"By then [the 1950s], the company was run by Lingan A. Warren, a crusty autocrat who eventually steered Safeway into its first choppy waters. Though a master of mass merchandising, Warren engaged in a series of costly, fruitless battles against trading stamps, national brand policies of the major food companies, milk price floors, etc."

The "etc." covers his fight against coupons–he proved that it cost more than the then-allowed 2¢ for handling and he fought them in principle by honoring coupons on products carried by Safeway whether or not the customer bought that product.

We might look for a minute at Safeway as it stands today, leading all other supermarket companies in volume and profit. Stamps are gone and Safeway offers discount prices. That was Warren's policy. Fair Trade laws are about to be repealed and California is about to repeal the retail milk price controls (now dropped experimentally in some areas). That was Warren's policy. Safeway reported a dramatic increase in private label sales in 1974. That was Warren's policy.

It took a couple of decades of Magowan management, following the 1955 resignation of Warren, to bring the Company to this success via the policies that, initially, caused a drop in profits.

But what about a Ghost? A recent article in **The Sunday Times** (London) reports that two major chains–Sainsbury and Waitrose are fighting couponing–the Lingan Warren way. The report says they "are prepared to accept the coupons even if you are not buying the product. The only stipulation is that the product must be something stocked on their shelves."

RThought: Safeway might be even bigger and more profitable if this neglected principle of Warren's had also been adopted.

KNOW YOUR COLLECTION ARRANGEMENTS

RT has long urged that management a level above the credit department should be thoroughly familiar with the manner in which the company's collection agencies are operating. When management picks agencies solely on the basis of the amount collected it creates an irresistible pressure on an agency to use either illegal or unethical procedures. Before you permit such action against your customers, it is well to remember that the starting point of the collection problem was your decision to grant the credit.

DUCKING RESPONSIBILITY

What group of retailers spends the most money telling the public that they are on the consumer's side? If you answer the supermarket chains, you are right.

What group of retailers is fighting hardest to eliminate legal responsibility for the manner in which they operate their massive chains? If you answer the supermarket chains, you are right.

The Supreme Court, in a case involving John Parks, President of Acme Markets (American Stores) (See RT August 1975) held that the provisions of the Food and Drug Act, holding executives responsible for what happens under their control **after** it is brought to their attention, are reasonable.

That was too much for the food industry. The Supreme Court decision was hardly dry–giving the provision strong legal status 37 years after it was enacted–before the trade associations were lobbying to have the provision repealed.

Do the retailers take newspaper ads outlining their argument? Not on your life. Have any of the leading chains become personally identified with this lobby? Obviously not.

Has a single major chain supported this provision which was in the law to protect their customers? NO.

But there is an additional reason for knowing your collection agency–and it came to light in the unhappy case of the former credit manager of Woodward & Lothrop, a $30,000 a year executive. Over a 2 year period the credit manager defrauded Woodies of $16,800 through the process of setting up a collection agency that would do business with Woodies and take kickbacks from other agencies. Now the credit manager has to pay a fine of $1,500, spend 30 weekends (from 8:30 p.m. Friday to 6:00 a.m. Monday) in jail, and try to keep his wife and 3 children together following the trauma of the case.

RThought: Not only does the employee have a responsibility to be honest, top management has a responsibility to see that lack of supervision or other management lapses do not create temptation.

THE WORLD DOESN'T WAIT FOR EVEN THE GREATEST MERCHANTS

This is a lesson that retailers have had to learn over and over again. Gimbel's was great in Vincennes and even in Pittsburgh and Philadelphia–but before World War I they quickly learned that New York City had never heard of them. White Front set the world on fire in Los Angeles, but the fire went out as they moved north and out of the smog. Bullock's Northern California is doing a bit better but is years behind schedule. Lazarus learned that people in Indiana were not panting for a branch of an Ohio store. And St. Louis may not have been waiting for Neiman Marcus.

Now comes the same story from Europe. There is no more successful British retailer than Marks & Spencer–the 5th largest in Britain. Millions of foreigners visit their stores every year. Management was persuaded that France was waiting eagerly for them–so they started opening stores–3 in very short order. Then they learned that French women had not been praying for a store where they could **not** try on clothing. They couldn't balance that drawback against the unknown, to them, "money-back-on-return" policy.

M&S was shocked to learn that near the English Channel only 9% of the women had ever heard of them, while in Paris it dropped to 4% and in Lyon, where they opened a branch, it dropped to 1%. They rushed in with a £300,000 ad program and even that was done wrong. In retrospect they realized it would have been better to spend half as much over twice as long a period of time (when you don't advertise in Britain, how do you know what to do in France?).

WHO IS AN EXPERT ON CREDIT?

In the Feature Report in the July 1975 RT "Do Top Retail Executives Support Granting Credit by Lottery" the point was made that the Federal Reserve Board and the Committees of Congress will not understand the importance of proposed regulations/legislation unless the heads of the retail firms appear. On this point I observed "From Sears [Business Week] quoted H. R. Lively, director of public affairs for the Sears general credit office–by definition a director of public affairs transmits the knowledge of others and is not expected to have independent knowledge of his own."

RT has since been advised "Believe me when I tell you that [Randy Lively] is one of the 'giants' in the field of credit legislation . . . I would trust him to represent our industry on any credit issue, in any state, at any time." RT brings this observation to you because it comes from Bob Devine of J. C. Penney Company who concludes "the nicest compliment I can pay him is that I wish he worked for Penney's."

RThought: Sears might well consider a new title for Mr. Lively–perhaps something like "Director of Legislation Analysis" instead of "Director of Public Affairs."

THE ADVANTAGES OF BEING PRIVATE

While most publicly-held retailers are fighting any requirement that they make financial forecasts, no such rule applies to private companies. Once again **4day Tire Stores** is leading the way. In a recent ad celebrating their 6th birthday (6 always was a precocious age) they said such things about themselves as "Even during the energy crisis, even during the general business slump our sales have constantly increased. In total sales, as well as store by store sales . . . We manage our growth with projections which are reviewed and adjusted every 3 months. These include a 1 year . . . 2 year . . . and 5 year plan. Here are our sales patterns right from the beginning, projected through the year 1980."

Calendar Year	No. of Stores	Sales
1969	7	$ 230,954
1970	9	1,388,045
1971	13	2,513,399
1972	17	4,960,099
1973	20	7,188,309
1974	21	7,862,192
1975	25	9,500,000
1976	30	12,000,000
1977	35	15,000,000
1978	40	19,000,000
1979	45	24,000,000
1980	50	30,000,000

RThought: It is nice to be able to make these projections before going public. It helps a great deal. RT suspects that if **4day Tire Stores** goes public, they will suddenly find that they no longer want to make such projections.

THE ALL-STATES CREDIT AGREEMENT

Roos/Atkins, a division of Genesco, Inc., has sold their receivables to Citicorp Custom Credit, Inc. As a result of sending all customers a new Retail Installment Credit Agreement, Citicorp may well be disclosing more than they want to disclose. It also indicates why Citicorp has been able to boost their profits so much–they use every possible angle to boost earnings.

But, first let's look at the disclosures. Roos/Atkins, a proud old (especially the Roos part) name in San Francisco is disclosed as a division of Genesco, Inc. The customer will now deal with an "Assignee." In reading the agreement the customer will find that instead of the 1-1/2% to $1,000 and 1% above charged in California that the residents of Arkansas pay only 5/6% per month, 4 states charge only 1%, 1 charges only 1-1/4%, 12 cut off the 1-1/2% at $500 instead of $1,000 and 3 cut off the 1-1/2% at $700. They learn that there is a 50¢ minimum Finance Charge except in 15 states of which California is not one. They also learn that 6 states do not permit the inclusion of unpaid finance charges in the balance subject to a new finance charge.

This may well be more than many Roos/Atkins customers wanted to know–but it is just the kind of information that prompts California consumer groups to lobby the California legislature to protect California citizens "just like Arkansas does."

But the fine print brings forth two additional angles that Citicorp uses to boost their income. First, they allow 25 days for payment but the payment must be received at Huntington Station, New York 11746, before credit will be given. The post office, on first class mail, allows about 4 or 5 days for delivery from the West Coast (where virtually all of the Roos/Atkins customers are located) to New York City–and there appears to be a good likelihood that there is an extra day getting from New York City to Huntington Station. Citicorp, of course, knows this and may have carefully picked an address outside New York City as an expedient method of boosting finance charge income, especially with the new method of computing the finance charge.

The other new provision is the definition of the balance subject to the finance charge. This is a true average daily balance–but with the gimmick of adding purchases on the

THE CHRISTMAS MAIL ORDER CATALOGS ARE COMING!

And coming and coming and coming.

Last year our home received mail order catalogs from 81 different companies. That doesn't count the ones that came in the New York Times (like Altman's) or from local stores (most were not designed for mail order). It doesn't count the companies that sent out two or three "Christmas Issues" like Sunset House and Spencer. And it doesn't count the companies that picked up our name from several mailing lists and sent duplicates.

A few were companies that serve businesses–but they offered items that could be used as personal gifts. Check to see how many firms you recognize or you received in your home. The initials after each indicate the credit cards they honor–to show how easy they make shopping. The codes: AX = American Express; BA = BankAmericard; MC = Master Charge; DC = Diner's Club; CB = Carte Blanche; and O = Own charge accounts.

Aldens–O
Alsto Company
Amsterdam Co.–AX,BA,MC,CB
Johnny Appleseed's–AX,BA,MC
Artisan Galleries–BA,MC

L. L. Bean
Bruce Bolind–BA,MC
Brooks Bros.–O
Brookstone Hard-to-find Tools–BA,MC

Wallace Brown–AX,BA,MC
Business & Institutional Furniture Co.
Casual Living
Harriet Carter–AX,BA,MC

Childcraft–AX,BA,MC
Christian Family Catalog–BA,MC
Columbia University Press
Country Gourmet
Joan Cook–AX,BA,MC

Day–Timers–AX,DC
Deerskin Trading Post–AX,BA,MC
Deluxe Saddlery–BA,MC,O
Downs–BA,MC

Walter Drake–BA,MC
The Drawing Board–O
Dunhill–O
Edcom Systems–BA,MC
Fidelity Product–O

Figi's
Foster House–BA,MC,O
Helen Gallagher–BA,MC,O
Game Room–AX,BA,MC,DC
Harry & Davids

Hoffritz–AX,BA,MC,DC
Holiday Gifts–BA,MC
Horchow Collection–BA,MC,DC
House of Minnel–AX,BA,MC,CB
Johns Hopkins Press–BA,MC

Miles Kimball
The Kregs–BA,MC
Lafayette Radio–BA,MC
The Little Gallery–BA,NC
Lewis & Conger–AX,BA,MC,DC

Daniel Low's–AX,BA,MC,O
Myron Mfg. Corp.–O
National Geographic
National Rifle Assn.
New Hampton Gen. Store–AX,BA

Newsweek Books–AX,BA,MC,DC,O
North Face–BA,MC
Old Guilford Forge–BA,MC
Old Pueblo Traders–BA,MC

Oxford–AX,BA,MC
P&S Sales–BA,MC
Pepperidge Farms–BA,MC
Postamatic–AX,BA,MC
Publishers Central

Quality Hill–MC
Radio Shack–BA,MC
Recreation Equip.–BA,MC
Rombins' Nest Farm–BA,MC
FAO Schwarz–AX,BA,MC,DC

Nat Sherman Smokers–AX,BA,MC,DC,CB,O
Ship's Wheel–AX,BA,MC,DC
Shopping International–AX,BA,MC

Sleepy Hollow Gifts–AX,BA,MC,DC
Southwestern Desert House–BA,MC
Spencer's

The Stitchery
Suburbia Mail Shopping Serv.–AX,BA,MC
Sunset House–BA,MC
The Swiss Colony–AX,BA,MC,DC,CB

Taylor Gifts–AX,BA,MC
The Top Shop–AX,BA,MC
U.S. Pencil & Stationery–O
Unique Products Co.–AX,BA,MC,DC,CB

Wisconsin Cheesemakers Guild
Yale Press–BA,MC
Yield House–AX,MC,BA

An increasing number of catalogs offered free telephone calls, primarily for credit card orders (minimum order from \$10 to \$25) by use of an Incoming WATS line. These include:

Amsterdam Co.
B&I Furniture
Childcraft
Joan Cook
Deerskin Trading Post
Foster House
Helen Gallagher
Horchow Collection

Some unusual companies showed up in 1974. Recreation Equipment is a cooperative and returned \$1,500,000 in rebates in 1973. F.A.O. Schwarz offered a 10% discount for early orders (postmark October 31 or earlier). Yale Press offered 20% off. Ship's Wheel, on rush orders by telephone, promised that the merchandise would be on a plane in 4 hours. The Ferry House said that items in the catalog would be backed for 12 months (many garden and outdoor items). Aldens had an unusual restriction–"No cash sales at our low catalog prices." Edcom Systems combined a Christmas and going-out-of-business sale–with a chatty letter telling the new ventures planned.

Many stressed that United Parcel Service would give faster and safer delivery–but you had to include a street number. Firms offering higher ticket merchandise asked for the telephone number so that questions could be answered quickly.

An increasing number indicated that they belonged to organizations they thought indicated the integrity of their company. These organizations were Chambers of Commerce, Better Business Bureaus, New England Mail Order Association (4), Direct Mail Merchants Association (3), Postal Service Mail User's Council (3), Manufacturing Jewelers and Silversmiths of America (1), and Parcel Post Association (1). Several listed their banks and a couple listed D&B.

Great stress is placed on guarantees of satisfaction. You may find the key words in their guarantees interesting. They get away from the traditional "Satisfaction Guaranteed or Your Money Back." "Your money **tearfully** refunded" (Casual Living). "Money back if not delighted" (Harriet Carter). "You must be satisfied . . ." (Christian Family Catalog). "If for any reason you are not completely satisfied . . ." (The Ferry House). "A guarantee of absolute satisfaction" (Figi's). "Our merchandise must please you . . ." (Holiday Gifts). "Everything is guaranteed to please . . ." (Quality Hill). "If there is any reason you don't like . . ." (Ship's Wheel). "A simple guarantee of complete satisfaction" (Yield House).

And finally, there were a few odd items, Joan Cook offered a discount for larger quantities for businesses or clubs–write for information. Daniel Low's said, "Ask about cash or credit for your old gold, silver or diamonds." Columbia University Press offered free delivery on orders over \$15. Unique Products pointed out "Orders with payments enclosed can be shipped faster."

RThought: There are two features of mail order catalogs that make them unique. First, the catalogs often have items that are not found in local stores, no matter how large the community. But the second reason is even more important–with 6 to 12 items on a page, a person scanning each page is more likely to notice an item, in a picture or drawing, by itself, than they would if the same item was displayed in a store. This is particularly true of small items–many of the catalog items are available in local stores. But in local stores the items are on pegboards or shelves and a person walking past at 80 to 100 steps a minute just doesn't have the ability to "see" each individual item in the same way that he can when scanning a page.

The new law on guarantees will have an impact in 1975. However, it is doubtful that many of the houses making broad "Satisfaction Guaranteed" representations will go to a limited warranty. The return rate has always been low–and the broad statement is important in overcoming the doubts of new customers. But such an unlimited statement will mean that a person who becomes unhappy years later can return the item. RT suspects that the mail order houses will wait until they have some bad experiences that compel them to restrict their guarantee.

CREDIT OFFICE RATING

The Honor Roll list is only 1 shorter than in July—however, most of the stores barely made it. I would like to attribute this to a sudden boom in business but it is more likely related to summer vacations in the credit/edp office.

HONOR ROLL

Company	Days	Company	Days	Company	Days
Sears (Dallas)	3.0	J. Magnin	4.0	Robinson's	4.0
Roos/Atkins	3.3	Maison Mendesolle	4.0	Sakowitz	4.0
Zollinger/Harned	3.6	Montgomery Ward (Houston)	4.0	Mervyn's	4.0
Brooks Bros.	4.0				

CREDIT OFFICE RATING

Information From Reporters	JUNE-JULY 1975 No. of Reports	JUNE-JULY 1975 Days to Bill Average	JUNE-JULY 1975 Days to Bill Range	APRIL-MAY 1975 No. of Reports	APRIL-MAY 1975 Days to Bill Average	APRIL-MAY 1975 Days to Bill Range
Abercrombie & Fitch (NY)	3	12.0	11-14	2	8.5	8.9
Bloomingdale's (NY)	1	8.0	8	--	--	--
Brooks Bros. (NY)	1	4.0	4	2	12.5	12-13
Bullock's (LA)	2	7.0	6.8	3	5.0	4-6
Bullock's (N. Calif.)	6	5.5	4-9	8	6.8	5-10
Capwell's (Oakland)	6	7.0	6-8	7	8.4	5-10
Emporium (SF)	5	6.4	5-7	6	7.8	7-10
Foley's (Houston)	1	7.0	7	2	7.0	7
Gottchalks (Fresno)	2	5.0	5	--	--	--
Grodin's (N. Calif.)	2	6.0	6	1	4.0	4
Gump's (SF)	1	7.0	7	1	6.0	6
Hasting's (SF)	2	5.5	5-6	2	6.5	6-7
Hink's (Berkeley)	1	16.0	16	1	11.0	11
Liberty House (N. Calif.)	2	5.5	5-6	2	5.5	5-6
Livingston Bros. (SF)	1	5.0	5	2	5.5	5-6
Macy's (SF)	5	6.6	6-8	7	6.1	4-7
I. Magnin (SF)	5	4.4	4-5	6	5.5	4-7
Joseph Magnin (SF)	1	4.0	4	2	2.5	2-3
Maison Mendessolle (SF)	1	4.0	4	2	2.0	2
Montgomery Ward (Houston)	1	4.0	4	2	5.0	5
Montgomery Ward (N. Calif.)	2	5.0	4-6	2	6.0	6
Penney's (Oakland)	1	7.0	7	2	4.5	4-5
Robinson's (LA)	1	4.0	4	1	4.0	4
Roos/Atkins (SF)	3	3.3	3-4	6	4.3	3-6
Sakowitz (Houston)	1	4.0	4	--	--	--
Saks	1	6.0	6	1	6.0	6
Sanger-Harris (Dallas)	1	5.0	5	--	--	--
Sears (LA)	5	5.4	4-6	4	4.8	4-5
Sears (Dallas)	1	3.0	3	2	4.0	4
Tiffany & Co. (NY)	2	13.5	13-14	1	17.0	17
TOTAL	67	6.2	3-16	77	6.3	2-17

Information From Stores	JUNE-JULY 1975 No. of Reports	JUNE-JULY 1975 Days to Bill Average	JUNE-JULY 1975 Days to Bill Range	APRIL-MAY 1975 No. of Reports	APRIL-MAY 1975 Days to Bill Average	APRIL-MAY 1975 Days to Bill Range
Brock's (Bakersfield)	18	5.9	4-8	9	5.8	4-8
Burdine's (Miami)	10	7.1	--	10	8.2	--
Holman's (Pacific Grove)	6	4.8	4-6	10	4.3	3-5
Ivers (Los Angeles)	10	4.7	4-5	--	--	--
Levee's (Vallejo)	20	4.5	3-7	20	3.5	2-5
Levy Bros. (San Mateo)	32	6.6	4-10	32	4.8	3-7
Mervyn's (N. Calif.)	20	4.0	4	20	3.9	3-4
Oshman's (Houston)	10	4.1	3-6	11	3.7	3-5
Wineman's (Huntington Park)	8	5.6	4-7	9	6.7	5-9
Zollinger/Harned (Penn.)	11	3.6	3-4	--	--	--
TOTAL	145	5.4	3-10	121	4.8	2-9

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

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

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

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

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

date of purchase but subtracting payments and credits on the date of posting. Thus, no matter how long it takes for the record of purchase to reach Citicorp, the computation is retroactive but it is tough luck for the customer if a payment is delayed.

Tied into computerized dunning, Roos/Atkins customers could be faced with an extended period of abuse.

RThought: Based on the trend of court cases restricting the site where retailers can file court actions for unpaid accounts (the court must be reasonably convenient to the customer) RT anticipates successful court action by some consumer groups to compel Citicorp to have a reasonable point in California to which payments can be made by the due date.

The agreement indicates the obvious efforts of Citicorp Custom Credit, Inc. to maximize the revenue from West Coast customers. One might assume that they will mail bills on the 11th day following closing–14 days prior to the 25th day–realizing that if mail takes 4 days each way that the customer will have less than 6 days in which to respond with a timely payment.

Finally–after putting in bold face type **"Do not sign this Credit Agreement before you read it or if it contains any blank spaces,"** they proceed to put in small print "signature of a Buyer on a Card or any sales slip charging a purchase to Buyer's account will indicate acceptance of this **RETAIL INSTALLMENT CREDIT AGREEMENT**." There is nothing like getting clear instructions from the second largest bank in the country.

DID THE SOFT GOOD MANUFACTURERS BRING ON THEIR OWN PROBLEM?

So often, when reading an annual report from a soft goods manufacturer, I find statements that the retail industry is in a depressed condition–although national sales figures refute this. The report then mentions that many retailers are undertaking intensive inventory reductions. This is true.

But the question is: did the retailers get into an overbought condition all by themselves? Or did the manufacturers, with their pressure to place advance orders or take the risk of not being included in the cutting, trigger this condition? It is only natural that manufacturers want to pass on to the retailer as many of the risks as possible–and one of the risks to be avoided is holding inventory at the factory level.

Now that plants are producing at a fraction of their capacity, all orders are welcome and remarkably fast delivery can be arranged. In fact, many deliveries are much faster than specified in purchase orders.

When the manufacturer complains that retailers are placing advance orders on a limited basis–they forget that retailers are just getting back, in many cases, to the conditions existing prior to product scarcity and threats of allocations.

EQUAL CREDIT OPPORTUNITY ACT (ECOA)

On October 28, 1975, there will be some changes in credit granting procedures according to proposed regulations recently issued by the Federal Reserve System. The ECOA provides that sex or marital status not be used to determine the credit worthiness of an applicant. The proposed regulations require:

1. Marital status cannot be a factor in point scoring.
2. Credit granters would be required to supply a written statement setting forth the reasons for denying credit or terminating the processing of an application.
3. Stores could continue to restrict "family" type "joint" accounts where the account is in one name with a card issued to the other spouse of those applicants who are married.
4. Alimony and/or child support income would have to be considered when determining creditworthiness.
5. Credit grantors cannot inquire about whether the applicant intends to have children or uses any birth control methods.
6. Income earned by an applicant cannot be discounted because of sex.
7. By October 28, 1976, one year after the act becomes effective, credit grantors must maintain accounts in both names when used by husband and wife.

You will be able to require a new credit application in order to update an account when there is a change in an applicant's marital status, when the spouse of applicant goes through bankruptcy, or when there is a denial of responsibility for an account by any person liable for it.

And then there are the penalties–up to $10,000 in punitive damages in an individual suit and the lesser of $100,000 or 1% of net worth in class actions.

RThought: This in another example of legislation because of abuses of consumers by some credit grantors (and most such abusers are retailers). Discrimination because of sex has been, in the not too distant past, the customary practice of leading retailers. Even the Federal governement discriminated when not allowing the income of a wife of childbearing age to be recognized in determining if family income could qualify the family for an FHA mortgage.

Retailers have often expressed strong discriminatory views, most of which could not be supported statistically. During the hearing on this act the spokesman for the International Consumer Credit Association put forth the argument that "Credit is a contract. And so is marriage, which is also a sacred one. Divorces and separations in the vast majority of cases (Note: documentation not known) are initiated by the wives." The legal counsel for ICCA assures RT that every one of these statements is factual. He rejects the entire idea that wives initiate divorces (as plaintiffs) on the allegation that husbands have breached the marriage contract.

I am certain you can recall expressing your own view that a married woman's income would not support granting credit because she would probably quit soon and have a baby or that a single woman would get married and quit.

WHAT DO RETAILERS WANT FROM ELECTRONIC FUNDS TRANSFER?

Banking (July 1975–350 Broadway, NY, NY 10013, $10/yr.–an excellent source of info on EFTS–which will impact retailers) reported that Lee Paulson of Lucky Stores outlined the following priorities of demands by retailers:

1. A single POS terminal which can operate as part of the store's own EDP system.
2. Honoring bank cards at par–no discount (Note: this would be of greater advantage to food chains who do not have their own credit systems–Ed).

3. Produce income—not just reduce expense.
4. Reduce bad check losses.
5. No exclusive contracts with a single institution.

RThought: Access to bank credit cards without a discount as part of a money-making EFTS terminal would permit a massive movement by food and discount outlets in big ticket merchandise plus permitting customers to load credit accounts with daily food/tobacco/liquor purchases.

RETAILERS IN THE COURTS

Ralph's Grocery Co. (Federated Department Stores): Paid $25,000 in suit brought by California Attorney General (in a stipulated judgment) charging Ralph's mislabeled beef cuts and sold ground beef with illegally high fat content. Ralph's president claimed that the company could have beaten charges—but the legal fees would be high and the company didn't want the publicity.

Kroger: Company paid a $50,000 fine and two officials paid $1,000 each on charges of storing rodent-contaminated food in a warehouse. Fines for officials were suspended.

Daitch-Shopwell (Shopwell, Inc.): In New Rochelle paid $7,500 fine for selling items at prices higher than newspaper advertised prices.

Grand Union: In Rockland County, New York, paid a fine of $3,800 on charges that ground beef patties were underweight.

The Treasury (J. C. Penney): Fined $12,500 in civil penalties plus $3,000 for Contra Costa County (Northern California) costs on charge of making false and misleading statements about Reliaride "Heavy Duty" and "All Weather" motor oils. Labels indicated oils were approved and safe when actually they were not permitted under warranty on some late model engines. The Treasury must dispose of all remaining cans and must for 2 years submit samples of future oils for tests.

NAMES IN THE F.T.C.

Baza'r, Inc. and **Pacific Gamble Robinson Co**: FTC accepted consent orders requiring each to have advertised items readily available for sale at or below advertised prices and to do the following: use shelf signs to identify advertised items; post ads at entrances and checkouts, and maintain a continuing surveillance to insure that order is followed.

Allied Stores Corp.: agreed to consent order prohibiting Allied from making unsubstantiated cosmetic claims. Original ads were run by Bon Marche/C. C. Anderson Stores. Advertising claimed the products would remove wrinkles: "Wrinkles are an accumulation of dead skin which can be removed with a gentle new creme product." Allied executives now have enough wrinkles to test the product—to see if they agree with the FTC.

RThought: Should a store publish claims when common sense tells them they are not true just because the claim is made in the name of the manufacturer?

Pay'n Save Corp.: Here the Company ran mats prepared by Porter & Dietsch, distributors for "X-11 tablets" which claimed that you could "eat well . . . and lose that fat." Charged along with Pay'n Save were the distributor, its President who reportedly wrote the ad, and the advertising agency involved. The advertising agency has announced plans to appeal to the Supreme Court! Pay'n Save President M. Lamont Bean stated the ad ran in 1972 and was discontinued when "the matter was brought to our attention."

RThought: FTC is starting action to hold retailers responsible for the ads that run in their name; this in only common sense because the customers have long relied on the reputation of the retailer when new and/or unusual claims are made for products in the retailers ad.

SHORT SHORTS

Bank of America turns A. P. Giannini face down in grave. "A. P." built the B of A into the largest bank in the world—by catering to the needs of the little people. It is good that he is not here to see the new center of B of A attention—their own internal needs. B of A is changing the billing system on their BankAmericard to descriptive and limited information (no description of merchandise, no signature, no detail of items). In the most recent statement envelope, on a check-size panel, in big letters, is this statement "BANKAMERICARD'S NEW DESCRIPTIVE STATEMENT WILL CUT OUR PAPERWORK . . ." Our paperwork . . . OUR paperwork. Damn those customers that keep getting in the way.

WORDS TO MANAGE BY

For some 10 years I have read a poem as part of a retail advertising program sponsored by newspapers. Many old-time retailers remembered it and dozens ask for copies. I have been told that International Shoe once distributed thousands of copies. But I am thankful for an item in the National Home Furnishers Association **Reports** about Clark-Dunbar in Alexandria, Louisiana, who identified the author as Edgar Guest.

IF I POSSESSED A STORE
by
Edgar Guest

"If I possessed a shop or store
I'd drive the grouches off my floor
I'd never let some gloomy guy
Offend the folks who came to buy.

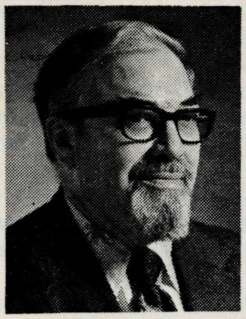
"I'd never keep the boy or clerk
With a mental toothache at his work,
Nor let a man who draws my pay
Drive customers of mine away.

"I'd treat the man who takes my time,
And spends a nickle or a dime
With courtesy and make him feel
That I was pleased to close the deal,

"Because tomorrow who can tell
He may want the goods I have to sell.
And in that case then glad he'll be
To spend his dollars all with me.

"The reason people pass one door
To patronize another store
Is not necessarily because the busier place
Has better silks, or gloves or lace,

"Or cheaper prices, but it likely lies
In pleasant words, and smiling eyes.
The only difference, I believe,
Is in the treatment folks receive."



RETAILING TODAY

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ROUTE TO

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MAKE HIGHER RETURN ON INVESTMENT YOUR GOAL

It helps an industry to straighten out its thinking when the trade association identifies the "goal results" in the trade's comparative statistics by selecting the top group of stores on the basis of the attained return on investment or net worth rather than on profit as a percentage of sales.

The first association that RT observed using this criteria was the Menswear Retailers of America in their report based on 1974 data. Now the National Retail Hardware Association has modified their three 1974 reports–Home Centers, Lumber/Building Material Dealers, and Hardware Stores–to report their "High Profit Dealers" on the basis of their profit on investment.

The major factor that comes through is that leverage (heavy debt in relation to net worth) does not produce a high return on net worth despite all the examples that can be given. The stores–in all 3 reports–that were included in the "High Profit Dealers" had substantially lower ratios of debt to equity than either the average for all stores or the low profit stores.

RThought: Someday NRMA may quit going so fast in the wrong direction that they will reprogram their reports. Although many within the Financial Executive Division understand the importance of looking closely at stores that produce a high return on net worth, they balk at helping their members because of the cost of changing the FOR/MOR computer programs.

IS ELIMINATION OF ITEM PRICE MARKING CRITICAL TO ECONOMIC USE OF SCANNERS IN SUPERMARKETS?

Operators are mixed in their view. The majority insist elimination is critical and that radical consumer spokesmen are out to stop all progress; a minority say they can make money on scanners even if they have to price-mark.

Anyone interested in this subject should certainly be reading the **Retail Automation Report**, a newsletter published by Paul Close Associates (4340 Stevens Creek Blvd., Suite 275, San Jose, CA 95129 $60/yr). The May 1975 issue summarizes two studies as follows:

"Retail Automation Report believes that the price removal question is not going to be critical, that the benefits of improved sales information, productivity, and accuracy of systems will justify UPC scanning with or without price removal. . . . We believe that favorable public reaction to the speed, accuracy, and descriptive receipt of scanning systems will help in overcoming many of the consumerist objections."

Note: the issue reports on the installation at Marsh Supermarkets and the NCR survey of shopper attitudes.

WHY BUSINESS WILL NOT IMPROVE THEIR IMAGE

Haskins & Sells publishes an outstanding internal/external weekly bulletin, THIS WEEK IN REVIEW. In the September 5, 1975 issue they extracted the following ideas from a meeting of the National Association of Manufacturers' Public Relations Council which addressed the subject "Business Ethics and How to Improve the Image of Business and Corporate Executives," which concluded that:

"Chief Executives need to be more visable and speak out and help educate the public.

"Businessmen should share their views with the media.

"Companies must favor every measure to protect public safety and the physical environment.

"Quality control and safety measures must be maintained.

"A code of ethics should be established."

Note that on matters of public safety and quality control the word used was "must" (mandatory) while on the question of a code of ethics the word "should" (permissive) was used.

No mention is made of the fact that business should quit bribing foreign officials, quit keeping dishonest cost records on government contracts, quit scheming with the CIA to overthrow South American governments, quit shuffling people back and forth to the government agencies that control their particular industry, quit hiring former government employees to gain inside favors, and on and on.

RThought: It is apparent that the NAM doesn't have the slightest idea of the meaning of the word "ethics." Ethics is the study of standards of conduct and moral judgment. What the NAM wants is another one of their dishonest representations through massive use of media to "tell it as it isn't." They appear to have no thought of actually changing the manner in which too many of their members actually conduct business. The NAM isn't about to kick out their members who have been publicly exposed for unethical conduct–they might not have any members left and the executive director might not collect his salary.

HOW TO INTRODUCE A FINANCE CHARGE

It takes a British firm to do it right–in this case Blackwell's on Broad Street in Oxford, England. The entire letter is worth quoting.

"Dear Customer,

"Tempora mutantur . . . that we accept: nos et mutamur . . . that goes against the grain.

"We have come to the reluctant conclusion that we must follow the example of others and make credit charges on overdue accounts. This is a sad departure from the ethos of the firm, which for nearly one hundred years has been generous with its credit, a liberality which has been the source of many stories. It is, for example, recorded in the earliest ledger of the firm that in November 1879 Dr. Jowett, Master of Balliol, bought a copy of Cogan's translation of **Diodorus Siculus** for which he paid in March 1881.

"It is, however, impossible for us to defy the bitter constraint of modern-day costs, and from the 1st June 1975 an interest charge of 1-1/2% will be added to accounts for invoices which are still outstanding six weeks after the invoice date. Within this period we would send out at least one statement reminding you of outstanding invoices, before an interest charge became due. Once the charge becomes appropriate, it will be added to the overdue items each time we send a statement. If in future we do not receive payment within the time shown above, we shall presume that you accept our terms of interest.

"We have no doubt that you will regard these charges as regrettable but reasonable.

Yours sincerely,
(Sgd) C. P. Wareham, Chief Accountant"

WHAT KIND OF PAYMENT IS THIS?

Let us assume the following facts: the developer of a shopping center gives a department store a parcel of land in consideration for building and operating a department store on the land. The developer, obviously, intended to recover more than the value of his gift out of the traffic that the department store would attract, but he would not have any interest in the department store, its land or its building.

Would you think that this was taxable income to the department store?

For the second time (this time in the case of May Department Stores Co. v Commissioner of Internal Revenue in the Eighth Circuit Court) the courts have held that this is a tax-free contribution since the benefit to the donor, despite building cheek-by-jowl with the department store, is construed to be "indirect" and "intangible"!

The first case involved Federated Department Stores some years ago when Federated received a gift of 10 acres of land plus a payment of $200,000 a year for 10 years! All this was tax-free to Federated.

RThought: this latest decision came just at the time the public is considering the manner in which Lockheed, Northrup, et al, obtain their overseas munitions business. It appears that the difference between a bribe and a tax-free gift to a company is whether the recipient is an individual or a corporation. Does the difference disappear if the gift of land is to a corporation with a single stockholder?

TEACHING RETAILING AT THE COMMUNITY COLLEGE LEVEL

Most of the big-name graduate schools of business have "phased out" their programs in the retailing area—an adjustment to their market demand. Retailers do not recruit. Students are not attracted to the industry, perhaps because success depends too much on performance and too little on "talking a good game."

The more practical schools—such as the community colleges—do offer such programs. Many are expanding their programs. And now Foothill College, near San Jose, reports that students are operating "The Owl and the Pussycat" boutique—which sells only to students. This gives students experience in buying, selling, promoting, display, operating costs—and even the final disappointment—markdowns!

Local retailers and suppliers cooperate—instructors are drawn from such stores as Bullock's, plant visits are made to Levi Strauss and others.

IT IS THE TIME OF YEAR . . .

Now is the time of year to be advising your suppliers on your policy in regard to gifts to your employees. As a suggestion, I would like to quote from two outstanding 1974 letters.

The late Jake Gottlieb, of J. M. Fields, wrote:

"Dear Friends:

We at J. M. Fields pride ourselves on our high standards of ethical behavior. . . .

It is J. M. Fields policy that:

1. All purchasing will be predicated solely upon satisfaction with respect to the quality, price and reliability of services, supplies and/or products furnished for use or sale by J. M. Fields, Inc.
2. The Company's relationship with its suppliers will be protected by the elimination of any and all influences or obstacles which may tend to adversely affect objective judgment.

It is our belief that the acceptance by any member of the J. M. Fields staff of gratuities, favors or services destroys the objectivity essential in dealing with our suppliers. . . .

Sincerely,
(Sgd.) Jacob I. Gottlieb"

Avram J. Goldberg of The Stop & Shop Companies wrote:

"Dear Friend:

As the Holiday Season approaches, we are mindful of the long-standing tradition observed by many of our good suppliers—giving Christmas presents not only to friends and relatives, but also to business associates and customers.

The times are changing and particularly in these days, we believe businesses must focus not only on the substance of our daily actions, but also on the standards we set for others throughout the community. For that reason, we have asked our employees not to accept gifts at Christmas, or indeed at any other time of the year, from companies with whom we do business. We sincerely ask your cooperation in refraining from offering Christmas gifts to any of our people. . . .

It is certainly not our intention to lessen the tradition of warmth associated with this season, but the most appreciated gift to us and to all of our people is still your continuing effort to help us grow together in a profitable relationship and to serve our customers. . . .

Sincerely,
(Sgd.) Avram J. Goldberg, President"

KEEPING FAITH WITH YOUR CUSTOMERS

Recently Art Graham, in his column "retales" in **Home Furnishings Daily** told the story of two New York Department Stores—Macy's and J. W. Mays—who suffered misprinted prices on color TV sets advertised in the Daily News (Macy's wanted

The same statement was made in January 1973. Neither footnote discussed leased equipment. By January 1974, Mangel was in trouble. Borman now disclosed that the annual rental obligation of Mangel subleases alone was approximately ,340,000 and that the overall minimum annual rentals for ngel and Hartfield-Zody was $2,200,000! The encouraging ement that "The Company has been notified that it is the intention of Mangel Stores Corporation to continue operating all stores" proved to be wrong—all were closed.

By January 1975, HZ was in trouble. Suddenly the annual liability for HZ alone was $2 million for an average of 14 years, and an extraordinary write-off was taken for $6 million. Even when these stores were leased again, the company continued to be contingently liable on the leases. What was reported in January 1972 and 1973 at $997,000 on subleases suddenly had increased, without any changes in the contract arrangements, to some $3.4 million a year pre-tax and a $6 million write-off.

Auditors are going to have to watch carefully the games played by retail companies that are regularly in the real estate business. They can control profits by controlling the sale of property at capital gains rates, yet they report the income as ordinary income. Amfac is a classic example. For their 1972 year, one had to study the footnotes carefully to learn that Amfac owned 86,000 acres of land (77,000 in Hawaii) at an average book value of $248 per acre. Amfac managed that year to report a $5,238,000 increase in after-tax profit on a $5,252,000 pre-tax increase of which $4,600,000 was capital gains on land!

Auditors must also look carefully at the comments made in the narrative section of the report. Many of the comments on current ratio and the absence of short term bank rrowings assume that everyone agrees that one can disregard nconsolidated finance subsidiaries.

Pension disclosure is a terrible situation. The minimum disclosure should be the policy, or assumption, used in determing the annual liability (entry age normal, etc.); the amount of unfunded past service liability and the period over which it is being amortized; the excess, if any, of vested interests over the current value of fund assets; how assets are valued; and what percentage of the assets are in the company's stock. It is important that a stockholder be able to compute the relationship of unfunded past service liability to both current income and net worth. In a growing number of cases this is a very high percentage (with increasing frequency the unfunded past service is more than the profit for the most recent year).

With the possibility that the new issue market may revive, it is important that accountants challenge audits that show a materially higher gross profit for the year preceding the public offering. In the past, too many companies permitted past undervaluation of inventory to flow into the year on which the public underwriting price would be based—and the following year the gross profit declined. In all cases, auditors should disclose the implications of the inventory policy, particularly during the current rapid inflation. For example, the policy of Allied Supermarkets (Haskins & Sells) to report inventory at the latest purchase price tends to increase the ending inventory valuation over historic cost and thus boost profits (or reduce loss!). A&P (also H&S) says that inventory is valued on replacement cost which is assumed to equal market—but which may be materially above historic cost.

All auditors have been grossly negligent in not catching companies that steal credit balances from customers. In many jurisdictions this is theft or embezzlement. But even more important, in a good number of the larger states, particularly California and New York, unclaimed credit balances are subject to the Unclaimed Property Laws and escheat to the state. Auditors are certifying annual statements where stores are not only stealing from customers but failing to comply with escheat laws of the state in which they are located.

Caution was raised about abuse of generally accepted accounting principles. It was Seidman & Seidman, a firm that has provided Mr. Ford with one of his closest advisors, that certified the statements of C&R Clothiers when it went public. Seidman & Seidman created something called "Deferred Advertising Cost" representing TV advertising that was amortized over a period of 2 years after the date costs were incurred. As a result of this dandy new GAAP, plus deferred preopening expenses, stock was sold to the public when C&R Clothiers had a negative tangible net worth of $97,000. C&R (individuals named Correnti & Reisbord) were able to take about $400,000 a piece as their share of underwriting a company with a negative net worth of $97,000, perhaps a tribute to the knowledge gained by Reisbord when employed by Price Waterhouse.

One can see that I had an enjoyable time and I think the audience did too. I just wish there had been more time to cover the subjects more thoroughly—and less quickly—and to answer more questions.

SHORT SHORTS

Satisfaction is guaranteed at I. Magnin's. They may not put it in their ads nor make it a basic part of their credo as does Rich's, but then they did not remove it from their ads or qualify it as does Sears. Some months ago, I complained to Sears about custom auto carpets lasting less than 6 months and was told Sears only guaranteed the sewing!

A credit office rating reporter explained that she had purchased from I. Magnin a $100 "all purpose" coat for a 2 month European trip—and it "leaked like a sieve," to quote her. When she told the buyer that it should not be offered as all purpose coat the buyer offered to ask for an justment—which resulted in a full refund.

How good can a restaurant be when it is identified as Numero Uno No. 2, Inc.?

Wickes looks at the 21st Century but what about the rest of the 20th? Wickes announced "Object Twenty-First Century" to re-examine all aspects of current operations and to recommend action plans for improvement. They will assess 35 specific factors—RT would hope that one of them would be what to do as a warm-up between now and the 21st Century.

Where does a jewelry chain compete with a home improvement chain for a prize formerly held by a supermarket chain? That would be on the water, in a boat, where the current champion is "Pride of Pay'N Pak," (a much better name than "Miss Eagle Electric" that Dave Heerensperger formerly used) which is being chased by Weisfield's. 20 years ago Miss Thriftway from a Supermarket chain of the same name was the champion, putting northwest retailers in the water for the first time.

THE EDITOR SPEAKS

Arthur Andersen & Co. was brave enough to ask me to address their seminar on "General Retailing, Food Distribution and Drug Industries," attended by partners and managers from both domestic and foreign offices, who work with retail firms. They placed no limit on my comments except that they relate to auditing problems peculiar to retailing or material in annual reports.

This was my first visit to their Center of Professional Development (formerly a college) in St. Charles, Illinois, about 50 miles west of Chicago. I was greatly impressed by the operation. They have room for 650 students—all rooms were taken the night that I was there. Eight or ten different programs were being conducted, varying in length from 2 or 3 days to 2 or 3 weeks. Students stay on campus during the evening. A bar/lounge is available, plus rooms where bridge, gin, poker, pool, billiards and other games can be played, or people can just talk. I am certain that the process of people getting acquainted—people whose paths will cross during their career with Arthur Andersen (AA)—will prove to be as valuable to the firm as is the subject matter being taught.

I was allowed only an hour and a half—I took a bit longer—and as a result I wasn't able to deal fully with each subject. But, I did express the thought that I always wanted to meet the people who audited the May Company statement for February 2, 1974. That was the year when Arthur Andersen reported on the May Company's side of a partnership venture with Consumer Distributing, Ltd. who had Laventhol Krekstein Howarth & Howarth as their auditors. The two footnotes, describing the same partnership agreement, illustrate forcefully the abuses that slip into the system. AA concluded that May Company had to report only half the loss and LKH&H reported that CD did not have to report any of the loss. One half of a $3.6 million pre-tax loss evaporated.

My remarks were made against the background of the promise made by CPAs, when the original Securities and Exchange Act was passed, that the independence of the CPAs would protect the stockholders—although most audit certificates are addressed to the Board of Directors! The September 1974 issue of RT had been distributed in advance. It contained a summary of annual reports for 1973 for major food and general retailers. It was pointed out that none of the reports indicated the status of accounts payable (several firms, audited on a going-business basis, shortly filed under Chapter XI) or of accounts receivable. None indicated that the company was experiencing problems getting deliveries. Going back a year or so, the situation with Kenton Corporation (audited by Arthur Young) was reviewed where the auditors accepted the word of the Kenton directors that the excess purchase price of $14 million for companies operating at a loss of $9.7 million for the past year had not decreased in value although Kenton had a negative tangible net worth of $5.5 million! Kenton soon after filed for protection under Chapter XI.

I urged that annual reports should be signed by the audit partner, the CEO and the Chairman of the Audit Committee. We must start introducing identifiable personal responsibility into the audit/report-to-shareholder process.

Long time readers will understand the emphasis that I placed on a discussion of the irresponsibility of the accounting profession in permitting the perpetuation of the myth that the retail method of inventory, to quote accounting literature, "accomplished the objectives" of a cost or market valuation method "if adequate markdowns are currently taken." I distributed copies of old articles from RT entitled "The Inner Workings of the Retail Method of Inventory" and "Retail Method of Inventory—The Profit Maker" (copies available on request—send stamped self-addressed #10 envelope). I quoted Jim Powers of Peat, Marwick, Mitchell, who said in the revised NRMA Manual, "The Retail Inventory Method Made Practical," "cost under the Retail Method, ignoring the effect of markdowns, will often give a 3% to 7% higher valuation than cost developed from vendors' invoices." The IRS, from 1923 (Mimeo 3077) to 1937 (Mimeo 4703) ruled that the stepped-up value of inventory arising when stores switched from cost or cost-or-market to retail method was not the kind of profit Congress intended to tax under the Income Tax Law!

The failure of the accounting profession to correct this phony fiction is costing an increasing number of their clients additional property tax every year as auditor-appraisers, more and more, rely on intermediate accounting textbooks as being factual. Fortunately, I am winning an increasing number of tax appeals on this issue—obtaining up to 3% adjustments for mathematical overstatement under the retail method and up to 7% adjustments for known and recognized but unrecorded obsolescense of inventory as of the tax lien date.

I pointed out that the valuation method under retail method grossly overstates cost-or-market—and when the adjustment is made under LIFO the penalty is amplified.

I highlighted information that I thought annual reports should disclose. Are credit insurers refusing to insure credit? What is the shrinkage rate—a 10 year history of the shrinkage rate gives a pretty good picture of the control that management has of the operation of the business. What shrinkage rate is being assumed in quarterly reports? CPAs should be concerned about this because an incorrect assumption may result in an abnormal adjustment in the 4th quarter which is often shoved off on to the auditor.

How promptly are receivable statements being mailed? Firms now face serious penalities if bills are late. What about compliance with Wage and Hour Law, Truth-in-Lending, OSHA, Consumer Produce Safety Act, Equal Employment Opportunity Act and more? The auditors for Winn-Dixie made no mention of the facts which, shortly after the sign-off of the audit, resulted in a $1 million cost for violation of the Wage and Hour Law.

Accountants should insist that firms disclose the annual sales of major divisions in department store groups (Federated, Allied, Associated, etc.) rather than hide behind the fiction that these corporations are in just one line of business. The readers of **STORES (NRMA), Women's Wear Daily** and other publications regularly are informed of the sales of the individual divisions—often with a high degree of accuracy—but corporate management, with the consent of auditors, keeps this information from being available to the shareholders.

Are any taxes delinquent? Are any rents past due? Are contingent liabilities accurately stated? Here I used as an example the situation at Borman's (Price Waterhouse). Borman's disposed of Yankee Department Stores, their discount chain, by subleasing stores to Mangel Stores Corporation and Hartfield-Zody (HZ), both of which ended up in Chapter XI. The report for the year ending January 1972 disclosed "A... the Company has subleased certain stores for the full amount of the minimum annual rentals of approximately $997,000."

to advertise a set at $299 that came out $229 and J. W. Mays wanted to advertise at $299.99 but it came out $229.99).

Both companies took firm positions and refused to sell at the erroneous price. Graham checked the New York Department of Consumer Affairs and found that the stores were within their legal right—although it was suggested that the store post a notice at the point of sale declaring that the advertised price was in error.

RT thinks that is the wrong solution. Both companies probably had a number of customers who responded immediately and showed up at one of their stores. Only little people hide behind a newspaper's error. It takes merchants to think first of the customer.

Many years ago, shortly after joining a firm as vice president, I arrived one morning to find a long line waiting outside the store. I quickly learned the reason—the local paper had made an error and the ad price was 88¢ instead of $1.88 for Cannon sheets. I didn't know what the owner might want to do—fortunately he arrived soon after. His response was immediate, "Sell every Cannon sheet in the house at 88¢—our problem is with the newspaper and not with our customers."

Sherwood Swan passed on a few years ago—after being a merchant for more than 50 years. I am sure that thousands of his loyal customers were waiting that day to welcome him.

DISTORTIONS IN THE CONSUMER PRICE INDEX

RT has often written about the relative worthlessness of the Consumer Price Index as a measure of the impact of price changes on the consumer. The basic operation of the price index is to study the distribution of consumer expenditures in a base period and then use that as a starting weight, adjusted solely by price changes of commodity components in the index. For example, if food has an original weight of 20% and Housing 10%, later increases in food prices of 100% while housing prices increase only 50% would increase the relative weight given to food in the index.

The fact that consumers make adjustments in their expenditure patterns is not recognized until the next major expenditure study. The longer the series goes without a basic study of expenditure patterns, the more gross the maladjustment.

RT has just reviewed the scale of adjustment made the last time the series was adjusted. A consumer expenditure study was made in 1950 and first reflected in the Index in 1952. The most recent study was made in 1960-61 and reflected as of January 1964. At that time the relative weights were adjusted as follows:

Major Group	Based on 1960-61 expenditure pattern	Based on 1950 pattern with price adjustments
All items	100.00	100.00
Food	22.43	28.18
Housing	33.23	30.71
Apparel and Upkeep	10.63	10.58
Transportation	13.88	11.65
Health and Recreation	19.45	18.03
Miscellaneous	.38	.85

The pattern shows that a major drop had occurred in the percentage of income devoted to food, which provided additional amounts to be spent on housing, transportation and health and recreation. Apparel and apparel upkeep remained about the same.

Gross sales figures indicate that the same type of transfer has been occurring (out of the food component and into other groups)—for most of the years since the 1960-61 study. Thus, the greater the increase in food prices, the more grossly overstated is the current index. In the case of the health and recreation component, the application of price increases without regard to the transfer of much of the cost of health care from the employee to the employer greatly overweights that group. Those components which are relatively lower in weight—apparel and apparel upkeep and transportation—are the ones that have had lesser price increases since 1960-61.

HOW MASTER "ELECTRONIC FUND TRANSFER SYSTEMS" WILL DEVELOP

Most retailers do not fully understand how control of the Electronic Fund Transfer System will ultimately give economic control to a relatively few major banks. When finally developed, as some bankers view the plans, banks will control all consumer credit of the type now represented by bank credit cards or store charge accounts.

Citizens & Southern, based in Atlanta and one of the most aggressive regional banks in the United States, explained how this is proceeding according to plan in their 2nd quarter report. C & S started in 1971 with 24-hour automated terminals for credit card customers. In 1973 they introduced "Instant Key Banking" which permitted transactions for anyone with a checking or savings account.

Now read what C & S is reporting: "C & S took another step . . . with the announcement that it would license use of the 'Instant Bank Key' to any bank in the Southeast which now uses or elects to use C & S's on-line demand deposit accounting service. Under the license, each participating bank will issue its checking account customers a plastic 'Instant Bank Key' card imprinted with its own name.

"Regardless of where the customer's bank is located, he will be able to use his card at any 'Instant Banker' location, to make withdrawals from his checking account at his own bank . . . C & S Chairman Richard L. Kattel said, 'So I think one of the most significant aspects of our new system is that all banks in our area, large and small, now have equal opportunity to take advantage of the potential of electronic funds transfer.' "

RThought: What happens when C & S decides to end the license arrangement—will the small banks lose masses of customers? What happens if C & S raises the cost of this service to prohibitive levels—will small banks lose masses of customers? What happens when small stores honoring the C & S credit cards are tied into the "Instant Banker" service and can honor "Instant Bank Keys" for cashing checks?

IF YOU THINK THE PRESS DOESN'T UNDERSTAND YOU . . .

Then you will want to read the article by Sam Crystal, Vice President Public Affairs, The Oshawa Group Ltd., Toronto, Canada, that appeared in the August 1975 issue of **California Grocers Advocate,** (1941 O'Farrell St., San Mateo, CA 94403, 60¢ single copy). If you have ducked reporters in the past, you probably won't do it again after Mr. Crystal shares some real-life experiences.

Having been a "reliable source" for reporters in several news media for a number of years, I have been able to help reporters produce accurate reports and have been able to provide reporters with factual material that sometimes convinces them that an original article, detrimental to a particular retailer, would not be accurate.

HOW PENNEY'S IMPROVED THEIR FINANCIAL REPORTING

Every publicly held company should read the article in the July 1975 **Journal of Accountancy** (1211 Avenue of the Americas, NY, NY 10036, $1.50/copy) summarizing the Scott Memorial Lecture in Accountancy given by Kenneth Axelson, Senior Vice President-Finance and Administration of the J. C. Penney Company (and now on loan to the City of New York).

Axelson outlines the process by which Penney arrived at the conclusion that the best interest of Penney's–and of retailing–would be served by complete disclosure on the cost (and loss) in offering credit and a sound evaluation of the liabilities involved in lease commitments which are peculiar to the retail industry.

"... in order to serve this increasingly complex society, individual companies have become much larger and more complicated ... Is it inevitable, then, that investment decisions will become more difficult both for the individual and the professional? Continuing effort is being directed toward the improvement of accounting practices in order to present more meaningful financial statements. But, it seems that two new problems erupt for each one resolved. So, more disclosure will be required, and these will result in bigger prospectuses and annual reports–which will further compound the decision-making problems of investors."

Penney's seeks guidance by keeping records on interviews with analysts and using their questions to guide disclosures "when preparing the annual report, earnings releases and speeches before analysts ..."

Axelson points out that "CPAs have a long record of foot-dragging when it comes to taking on more responsibility for company financial information" and that "Corporate management has traditionally been reluctant to expand disclosure voluntarily ..." Neither policy has served the interest of either the company, the industry or the investor.

Axelson's strongest point: "The initiative must rest with management to establish the specialized information needs of its investors."

SHORT SHORTS

What happens when computer specialists have unlimited numbers? Capwell's (Carter Hawley Hale) demonstrated how to impress the public when they printed a sample of their descriptive billing statement. It makes one wonder why they printed in a prominent position the following number, reproduced exactly as shown:

20649990199200012003000100050000500

The bold-face numbers are the account numbers but why does the customer need the other numbers? And it is amazing that a multiple location store will not disclose the branch in which the purchase was made.

Illustrate your price cuts! That's what Fidelity Products Co., a supplier of cardboard and other products for offices and industry, did in their catalog. They designed the character below, a dollar sign being run over by a steamroller, to identify the price reductions from the catalog a year earlier. Unfortunately, they didn't indicate the year-ago price so it may have been only a one cent reduction.

WORDS TO MANAGE BY

RT has long been impressed by a statement that appears in the Thrifty Drug Stores Co., Inc., annual report under the title "Code of Personnel Administration" and is pleased to pass it on to others:

"Code of Personnel Administration

Objective

The Thrifty Code of Personnel Administration is designed to create and maintain a State of Attunement (or Harmony) throughout the entire organization.

Attunement is achieved when understanding, trust and respect exist in and between all of us who comprise Thrifty, and when each person in the Company is afforded the opportunity to derive the maximum satisfaction and pride from the performance of his duties and from his association with the Company.

The Code

THRIFTY PLEDGES TO EACH PERSON IN THE COMPANY THE FULFILLMENT OF THE FOLLOWING PRINCIPLES:

1. To respect each employee as an individual and to be courteous and considerate to each employee in order that personal dignity may be maintained.

2. To treat each employee fairly and without discrimination with regard to race, color, creed, age, sex or political affiliation.

3. To encourage employees to voice their opinions freely, whether favorable or unfavorable, about the policies, programs and practices of the Company, and to provide an orderly system by which employees will be given thorough and sympathetic consideration of any job or personal problem which they may have.

4. To keep employees informed of the policies, plans, problems and progress of the Company, including those of the specific department or division in which the employee works.

5. To afford employees the opportunity to train and become better skilled in their jobs, as well as better prepared for advancement in the organization.

6. To promote from within Company ranks, whenever qualified persons are available.

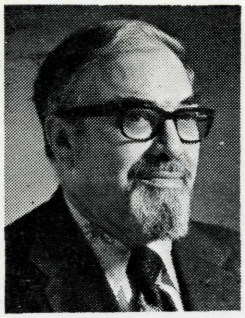
7. To provide and maintain safe, clean and orderly work facilities and areas.

8. To maintain a standard of pay and benefits equal to or higher than that of competitive establishments in the retail drug, variety and department store fields.

9. To operate in complete compliance with all applicable agreements and federal, state and local laws affecting employees.

10. To do all other things which will create and maintain an environment which permits employees to take pride in the Company and inspires them to give wholeheartedly of their best efforts.

The management of Thrifty holds each executive, manager and supervisor who directs the work of others responsible, consistent with his authority, for the execution and implementation of the above set of principles."



RETAILING TODAY

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ROUTE TO

NOVEMBER 1975

THERE IS NO THERE, THERE!

VOL. 10, NO. 11

That's what Gertrude Stein once said about her (and my) birthplace, Oakland, California.

And that may well be what the future holds for our society and our economy–and our retailers.

The great American spirit is based on being bigger (but not necessarily better) tomorrow. A chief executive officer is subject to immediate dismissal if he does not announce a long-range plan for 15% a year compounded sales growth and a corresponding or better improvement in profits.

Let us look for a moment at the forces that will mold our future. As a starting point, let us examine three national policies:

1. Commitment to a minimum legal wage (law since 1938)
2. Commitment to a full employment policy (law since 1947)
3. Commitment to an investment credit to stimulate industrial expansion (law since 1962)

It is official policy that we can improve our standard of living by trying to assure a living wage through establishment by law of a minimum wage. Over the years we have extended the concept of a minimum wage to additional types of business and to smaller and smaller enterprises. The policy of full employment, set at 3% or less unemployment in 1947 and now considered to be 5% or less (a figure we probably will never see again unless we are involved in another war) is predicated on the concept that federal government expenditures are now so large that they can be utilized to stimulate the economy and help generate jobs. Commitment to an investment credit assumes that the best way to an industrialist's heart is through his income tax return. If a businessman invests $100,000 in eligible capital investments and can take $10,000 off his income tax that year while still being able to take depreciation on the full $100,000 over the life of the asset, he is more likely to make such an investment; and the investment will provide employment in the capital goods sector of the economy as well as expand our ability to make goods.

Unfortunately, these three policies conflict. President Johnson was proud of his Great Society programs–and especially the work done in Appalachia to retrain people who had been jobless for years as a result of mechanization of the coal industry. The same newspaper that carried the report of the first graduating class of people trained to operate equipment in commercial laundries also reported that Congress had brought under the minimum wage law all laundries doing in excess of $250,000 a year. For two generations there had been few jobs in a commercial laundry that could not be mechanized–they were not mechanized because it was more costly than using cheap labor (paid below the minimum wage law set for many other industries). Just as people were being retrained to laundry work the government changed the economic factors and laundries started to mechanize. The investment credit incentive hastened the mechanization.

Thus, we see that despite a national policy of seeking full employment, our policy of a minimum wage combined with an investment tax credit produces an even stronger force on business to eliminate jobs!

At times like this I am reminded of the story of two people driving across country–one slept while the other drove. One awoke after a nap and after looking around and spotting a highway sign, asked "Aren't we on the wrong road?" to which the driver responded "Yes! I made the wrong turn 50 miles back but we were making such good time I didn't want to turn around."

One of our major objectives is to get our young people to enter our free enterprise system and become self-supporting and productive individuals. A lot of RT readers got their start in our system through a job as a carryout boy in a supermarket. When was the last time you saw a carryout boy?

You see, as we increased our minimum wage and eliminated many low paying jobs, we took away the entry jobs that so many millions of young people had used to get started. After a year or so of "carrying-out" on Friday afternoons and Saturday, a high school graduate in the 1950s had a letter of recommendation saying "John is a reliable, hard working boy, and did a good job for me." Girls got such letters for being Saturday extras or summer vacation replacements in retail stores. Today stores schedule their regulars so such jobs don't exist.

There is a direct correlation between the increases in minimum wages and the ratio of teen-age (16 to 19) unemployment in our society. The Table below shows it:

Year	% Unemployed Total Labor Force	Teenage Unemployment Rate As Multiple of Total Rate: Blacks	Whites	Ratio of Black to White Teenage Unemployment
		Minimum Wage = 40¢ per hour		
1948	3.8%	2.6x	2.6x	1.0x
		Minimum Wage = 75¢ per hour		
1949	5.9%	2.8x	2.3x	1.2x
1950	5.3	2.8	2.5	1.1
1951	3.3	2.8	2.4	1.1
1952	3.1	2.9	2.9	1.0
1953	2.9	2.8	2.8	1.0
1954	5.6	2.5	2.4	1.0

Note: The ratio of teenage Black unemployment was relatively steady at 2.8-2.9x the total rate while for Whites it fluctuated in a 2.3-2.9x range. Generally the unemployment rate for Blacks was the same as or up to 1.2x the White rate.

Year	% Unemployed Total Labor Force	Teenage Unemployment Rate As Multiple of Total Rate: Blacks	Whites	Ratio of Black to White Teenage Unemployment
		Minimum Wage = $1.00 per hour		
1955	4.4%	3.1x	2.5x	1.2x
1956	4.2	3.6	2.5	1.5
1957	4.3	4.3	2.7	1.6
1958	6.8	4.0	2.3	1.7
1959	5.5	4.6	2.5	1.8
1960	5.5	4.4	2.5	1.7

Note: The ratio for Blacks has jumped to the 4.0-4.6x the total labor force rate while the ratio for White teenagers has remained in the 2.5-2.7 range. This means that the ratio of Black unemployment rate to White has increased to the 1.6-1.8x range.

Year	% Unemployed Total Labor Force	Blacks	Whites	Ratio of Black to White Teenage Unemployment
		Minimum Wage = $1.25 per hour		
1961	6.7%	4.0x	2.3x	1.7x
1962	5.6	3.9	2.4	1.6
1963	5.7	4.8	2.8	1.7
1964	5.2	4.7	2.8	1.6
1965	4.5	5.2	2.9	1.8
1966	3.8	5.6	2.8	2.0
1967	3.8	7.0	2.9	2.4

Note: The ratio is rising for both Black and White teenagers–but more so for Blacks.

Year	% Unemployed Total Labor Force	Blacks	Whites	Ratio of Black to White Teenage Unemployment
		Minimum Wage = $1.60 per hour		
1968	3.6%	6.9x	3.1x	2.3x
1969	3.5	7.0	3.1	2.2
1970	5.0	N.A.	N.A.	N.A.
1971	5.9	N.A.	N.A.	N.A.
1972	5.6	6.0	2.5	2.4
1973	4.9	6.2	2.6	2.4
		Minimum Wage = $2.00 per hour		
1974	5.6%	5.9x	2.6x	2.3x
		Minimum Wage = $2.10 per hour		
1975 (Aug)	8.4%	4.5x	2.3x	2.0x

Note: The only reason that the ratio for Black teenagers is dropping is the extraordinary height of the general rate–the Black teenager unemployment rate is 37.4% while the White teenager rate is 19.1%!

We now see what our minimum wage law has done–made it almost impossible for unskilled teenagers to enter the economic system. There isn't a major executive among the RT readers who doesn't recall when his firm employed hundreds or even thousands of teenagers. Every step you took in eliminating those jobs was logical–induced by reaction to incentives or disincentives in the economic system. Yet the net result is disasterous.

But there is another facet of this mixture of incentives. As the minimum wage law plus the investment credit has resulted in massive job elimination, the remaining jobs have required higher skill levels. After all, it is the simple and repetitive jobs, like operating an elevator or being a telephone operator or digging ditches that lend themselves to mechanization.

The Table below shows the distribution of jobs in our economy for 1900 and 1974–the change is dramatic:

	1900 #(000)	1900 %	1974 #(000)	1974 %
Total Employed	29,030	100.0	85,936	100.0
Jobs providing portable energy				
Laborers	3,620	12.5	4,380	5.1
Farm Workers	10,888	37.5	3,048	3.5
Sub-Total	14,508	50.0	7,428	8.6
Other Jobs				
Professional & Technical	1,234	4.3	12,338	14.4
Managers, Officials, Proprietors	1,696	5.8	8,941	10.4
Clerical	877	3.0	15,043	17.5
Sales Workers	1,307	4.5	5,417	6.3
Craftsmen & Foremen	3,062	10.6	11,477	13.4
Operatives & Foremen	3,720	12.8	13,919	16.2
Service Workers	2,626	9.0	11,373	13.2
Sub-Total	14,523	50.0	78,508	91.4

In 1900, half of the jobs were essentially the application of portable energy to simple tasks, the energy being packaged in the form of human bodies. The distribution of electricity and gas and the application of the internal combustion engine has made far more energy available–in a simpler form. Even the jobs that remain in the farm worker/laborer category are substantially more complex. On the other hand, a substantial portion of the service worker jobs can be classified as low skill level–although the "service" category also includes such skills as barber, beautician, bookkeeper, insurance salesman, and the like.

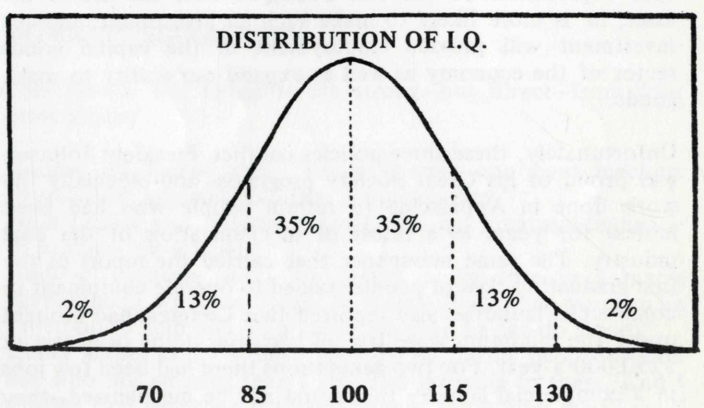
At this point we have succeeded in eliminating the unskilled jobs–through pursuit of soundly conceived and completely humane policies. But we have eliminated them just the same.

This recalls John Jay's problem. His tombstone reads "Here lies the body of John Jay. He died maintaining his right of way. He was right, by God, as he sped along but he is just as dead as if he were wrong." And we go speeding along.

The unskilled worker who is out of a job because there are no unskilled jobs is just as much outside the economic system as if we had a recession and his job was eliminated.

But, there is another problem that is now looming ahead–and that is the question of whether or not the distribution of intelligence available within our society matches the distribution of intelligence required to do the jobs in our society.

Let us use the Intelligence Quotient or I.Q. as a measure of the **ability** to learn. And let me do this without entering into an argument about the shortcomings of I.Q. and the inadequacy of tests developed in one culture when applied to people raised in another culture. The chart below shows a bell-shaped curve, one of the most common patterns in nature. Roughly half of the population has an I.Q. above 100–and the other half below. 35% fall between 100 and 115 while another 35% fall between 100 and 85. Similarly, 13% fall between 115 and 130 and another 15% between 85 and 70. 2% are above 130 and 2% are below 70.



Retailing cannot claim much glory in providing the United States with its second largest bankruptcy–following the Penn Railroad.

Everyone is trying to disassociate themselves from this failure. The discounters object that Grant's was improperly classified as a discounter. A Discount News editorial even had the audacity to comment that "Had (Grant's) gone (the discount) route, as did Kresge and a few other conventional retailers some 15 years ago, I could make a pretty good case for the point that Grant might not be where it is today."

RT doubts that any route that Grant's took would have ended up in any other result–given the competence or incompetence of the management and the miserable performance of the financial community who provided funds to Grant's.

Look for a moment at the Table below showing a 9 year history of Grant's.

Year Ending January 31	Total Sales (000,000)	Store Area (000)	Sales/ Sq.Ft.	Sales/Sq.Ft. Adjusted by LIFO Index
1975	$1,762	54,770	$32.17	$22.40
1974	1,850	53,719	34.44	26.62
1973	1,645	50,619	32.50	26.62
1972	1,375	44,718	30.75	25.80
1971	1,254	38,157	32.86	28.11
1970	1,211	33,855	35.77	31.46
1969	1,096	31,182	35.15	32.25
1968	979	28,736	34.07	32.87
1967	921	27,476	33.52	33.52

The sales per square foot are moderately understated because the above table reflects annual sales divided by the year-end space. Actually, a weighted average should have been computed but it would not have changed the conclusion. In constant 1966 dollars there was only one year in which productivity increased–the year ending January 1973. Over the 9 years it appears there was a drop of 33% in the unit volume per square foot.

Someone–outside directors, banks, shopping center developers–must accept responsibility for forcing money and locations on a management that could not produce sufficient sales to stay alive. The fact that certain Grant employees have been indicted for taking bribes to deliver Grant leases is consistent with this low productivity.

These same people permitted the debt structure of Grant's to reach the following condition as of January 31, 1974, the last year in which a profit was reported:

Total Equity		$295,000,000
Long Term Debt	$220,000,000	
Commercial Notes	453,000,000	
Other Current Liabilities	208,000,000	
Total Tangible Liabilities		$881,000,000

It has become a truism in retailing that many companies live by the income statement and die by the balance sheet. In the thousands upon thousands of conversations that I have overheard between retailers, I have always heard them talking about sales and profits–and have never heard them talking about who had the lowest debt to tangible net worth ratio or the highest current ratio or the greatest working capital. Grant's just carried it further than anyone else. Every bad loan has two responsible parties: the one who extended the loan and the one who asked for it.

We have read about a number of management failings. Grant's has disclosed the acceleration of finance charge income on conditional sales contracts and their failure to establish effective control on either credit granting or collections. We know that private labels like Bradford, for TV, were hardly recognized even by the companies that made the product.

But, there are a number of things about Grant's that someone should explore further. Why did Grant's throw out unit controls and settle for total store sales as their basic sales information? How could management expect to run a billion dollar business without open-to-buy controls? Why, during inflation, were additional markups offset against markdowns (which served to overstate profits)?

Why did they fail to reorder merchandise that was selling well so as to concentrate dollars in big ticket merchandise that was not moving? Why did they pay their collection people a bonus based on how many accounts made payments during the bonus period rather than the dollars collected, making it practical to implore debtors to send in $1 and $2 payments instead of full installments?

Why did management offer–and directors accept–meaningless listings showing everything but true profitability? The lists showed the stores with the highest sales per lineal foot of counter space or the stores with highest sales (but not sales per square foot).

Why were the internal reports unable to produce a single total for the cost of advertising media? Why was no attention given to return on investment? Why did Grant's follow a policy of releasing employees from obligations to the Company for the purchase of stock (many employees bought at prices well above $50) if they quit–but insisting on payment from those borrowers who stayed with Grant's? It was argued that to forgive indebtedness while still employed would have resulted in taxable income to an employee. All this did was drive the smarter executives out of the company in order to get out of the responsibility for paying for stock at prices many times the current market price.

RThought: The essence of the free enterprise system is that each person has the right to go into business for himself and the privilege of succeeding–or going broke. In Grant's case, too many people helped when they should have restrained. Someone in the banks must have noticed during the past 10 years that Grant's was not getting the necessary minimum sales per square foot out of their stores–common sense would suggest asking the question "Shouldn't we build smaller stores?" Common sense would suggest to someone the question "If we can't sell our private label big ticket items, shouldn't we try to sell national brands?"

Someone could have asked "Can't we see financial reports that tell us something–like inventory turnover or contribution to overhead or return on investment" or "If we can't get more equity into the business shouldn't we stop taking on debt?"

Stockholders in Grant's may start asking questions in law suits–as may stockholders in banks who loaned the money without checking the skill of the management.

The Honor Roll dropped from 10 to 9 stores but there are a number of new names. It is good to see Abercrombie & Fitch on the list—once upon a time Sylvia Porter wrote a national column on their slow billing and other problems. It is unfortunate to see figures like 17 days for Hink's in Berkeley now that the Fair Credit Billing Act is operative—after October 28th this may mean losing all finance charges for an entire cycle for a month. Statements must now be mailed 14 days prior to the expiration of any period during which payment can be made in full to avoid a finance charge.

HONOR ROLL

Company	Days	Company	Days	Company	Days
Rubenstein's	2.0	Levee's	3.0	Joseph Magnin	3.5
Abercrombie & Fitch	3.0	Routzahn's	3.0	Oshman's	3.9
Jurgensen's	3.0	Joske's (Houston	3.5	Mervyn's	4.0

CREDIT OFFICE RATING

Information From Reporters	AUG-SEPT 1975 No. of Reports	AUG-SEPT 1975 Days to Bill Average	AUG-SEPT 1975 Days to Bill Range	JUNE-JULY 1975 No. of Reports	JUNE-JULY 1975 Days to Bill Average	JUNE-JULY 1975 Days to Bill Range
Abercrombie & Fitch (NY)	1	3.0	3	3	12.0	11-14
Bergdorf-Goodman (NY)	1	5.0	5	- -	- -	- -
Bloomingdale's (NY)	1	6.0	6	1	8.0	8
Breuner's (Oakland)	1	7.0	7	- -	- -	- -
The Broadway (LA)	2	6.5	6-7	- -	- -	- -
Bullock's (LA)	2	4.5	4-5	2	7.0	6-8
Bullock's (N. Calif.)	5	7.6	6-10	6	5.5	4-9
Capwell's (Oakland)	7	6.1	6-7	6	7.0	6-8
B. Dalton (LA)	1	12.0	12	- -	- -	- -
Emporium (SF)	6	5.8	5-6	5	6.4	5-7
Foley's (Houston)	2	7.0	6-8	1	7.0	7
Goldman's (Oakland)	1	6.0	6	- -	- -	- -
Grodins (N. Calif.)	1	5.0	5	2	6.0	6
Gump's (SF)	2	5.0	5	1	7.0	7
Hasting's (SF)	1	8.0	8	2	5.5	5-6
Hink's (Berkeley)	1	17.0	17	1	16.0	16
Joske's (Houston)	2	3.5	3-4	- -	- -	- -
Jurgensen's (LA)	1	3.0	3	- -	- -	- -
Liberty House (N. Calif.)	2	5.5	3-8	2	5.5	5-6
Livingston Bros. (SF)	3	5.0	5	1	5.0	5
Macy's (NY)	1	6.0	6	- -	- -	- -
Macy's (SF)	7	6.3	6-7	5	6.6	6-8
I. Magnin (SF)	6	4.2	4-5	5	4.4	4-5
Joseph Magnin (SF)	4	3.5	3-4	1	4.0	4
Montgomery Ward (Houston)	2	4.5	4-5	1	4.0	4
Montgomery Ward (N. Calif.)	1	5.0	5	2	5.0	4-6
Neiman Marcus (Houston)	1	7.0	7	- -	- -	- -
Penney's (Oakland)	1	5.0	5	1	7.0	7
Penney's (Dallas)	1	6.0	6	- -	- -	- -
Robinson's (LA)	2	5.0	4-6	1	4.0	4
Saks (NY)	1	5.0	5	- -	- -	- -
Saks (SF)	3	5.0	4-6	1	6.0	6
Sears (Alhambra)	5	7.0	4-12	5	5.4	4-6
Sears (Dallas)	1	5.0	5	1	3.0	3
Smiths (N. Calif.)	1	6.0	6	- -	- -	- -
A. Sulka (NY)	2	12.0	12	- -	- -	- -
TOTAL	83	6.1	3-17	56	6.3	3-16

Information From Stores	AUG-SEPT 1975 No. of Reports	AUG-SEPT 1975 Days to Bill Average	AUG-SEPT 1975 Days to Bill Range	JUNE-JULY 1975 No. of Reports	JUNE-JULY 1975 Days to Bill Average	JUNE-JULY 1975 Days to Bill Range
Brock's (Bakersfield)	18	5.9	5-7	18	5.9	4-8
Holman's (Pacific Grove)	10	5.0	3-7	6	4.8	4-6
Iver's (Los Angeles)	10	4.2	3-6	10	4.7	4-5
Levee's (Vallejo)	20	3.0	2-4	20	4.5	3-7
Levy Bros. (San Mateo)	28	5.5	4-9	32	6.6	4-10
Mervyn's (N. Calif.)	20	4.0	4	20	4.0	4
Oshman's (Houston)	10	3.9	3-6	10	4.1	3-6
Routzahn's (Maryland)	2	3.0	3	1	4.0	4
Rubenstein's (Shreveport)	6	2.0	2	- -	- -	- -
Wineman's (Huntington	8	7.6	6-10	8	5.6	4-7
TOTAL	132	4.6	2-10	125	5.2	3-10

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

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

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

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

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

It was great to be an employer in 1900—when perhaps 3% of the jobs required an I.Q. above 115 but there were 15% of the people competing for them. This was the golden period when a person with an I.Q. of more than 115 could go as far as he could claw his way.

But, today it is more likely that 75% of the jobs in our economy require an I.Q. of above 100 and yet we only have 50% of the people with an I.Q. above 100. We all understand what happens when we need 100 doctors and only 15 are available; or when we need 800,000 auto mechanics and there are only 500,000 available. We don't understand the problem when we require 75% of the jobholders to have an I.Q. of more than 100 but only 50% of the population can fill the bill.

In fact, we go even further. A large portion of our society—particularly those who have a job—are brutally critical of people who have been unemployed for a long time. It seems that people with an I.Q. above 100 just cannot understand what it is like to try to get through life with an I.Q. below 100—and yet, half the populace in that category. It is not their fault. I.Q. is inherited—and there is little that one can do to boost it (although it appears that malnutrition, common among poor families, can destroy intelligence rapidly during the early years of life).

Before leaving the question of I.Q., it is only fair to go back to the original statement that I was using I.Q. as a measure of the **ability** to learn. There are two factors about learning that are subject to improvement—the creation of a desire to learn and the development of better techniques for transferring knowledge. Relatively little is being done in our economy to improve training techniques—and practically none in the retail sector. RT is aware of only a few uses of such proven techniques as "programmed learning."

It is entirely possible that we can, to a certain extent, fill a higher portion of the available jobs with people of lower I.Q. than I have assumed above by improving our teaching techniques—but this remains a theoretical response because no one is seeking this goal (perhaps the investment credit should be replaced with a credit for using approved advanced teaching techniques).

Finally, the pressure to produce people who can fill increasingly complex jobs has created a situation where every parent demands that their child be given a chance to go to college. According to 1973 statistics the percentage of each age group (considered to have completed their education) who had completed **some** college work stood as follows:

Age Range	% Who Completed Some College
25-29	36.4%
30-34	31.6
35-44	27.3
45-54	22.4
55 plus	15.7

It was just a couple of years ago that I read a statement by the head of our local community college saying that within a decade more than half of our young people would be going to college! Since only half have an I.Q. above 100, the speaker was arguing that college was the proper place for people with an I.Q. below 100.

In fact, with 36.4% of the people between 25 to 29 having some college education (and the figure will be higher 5 years from now) and if we assume that not everyone with an I.Q. above 110 has had some college, it appears that a substantial number of people with an I.Q. of 100-105 are now being admitted to college.

Is this who you think should go to college? Yet, this explains why it is commonly understood that one must now go to graduate school to get the same relative benefit that pre-World War II students got by going to college.

And finally, we are further reducing job opportunities by changing from an expanding society to a stabilized or declining society. The cohort fertility rate has dropped every year for 19 years—and finally the Bureau of Census had produced a forecast (Series III) based on the assumption that the fertility rate is going to stay at the present level (roughly 1.7 or substantially below the 2.1 rate needed to arrive at a zero population growth). The result is that by about 2010 the population in the U.S. will start to decline despite assuming 400,000 a year net in-migration.

Homes will soon be built on a replacement basis—not to serve an increasing number of families. All the regions that built a school a year in the 1950s will be able to plow under a school a year in the 1990s. With fewer people we will need fewer roads. The great capital investment stage will have passed—and demand will tend to be based on replacement. We will need far fewer people to produce for a stabilized population than we needed for a rapidly growing population.

The idea that the standard of living will increase materially is *wishful thinking.* First, it is doubtful that we can consume much more in the way of material things. It is a problem today to keep our present wonderful gadgets—car, TV set, dishwasher, washing machine, dryer—working. There is nothing on the horizon to match the billions of dollars and millions of jobs that went into providing a TV set in almost all the homes with electricity and a color TV set in a substantial portion of those homes. Cars are becoming a "disluxury," to coin a horrible word, and soon "smaller will be better" in cars as well as our society.

RThought: Let us summarize. Our national goal is full employment. Yet our policy of minimum wages has eliminated the entry jobs—while a combination of the minimum wage plus the investment credit has hastened the mechanization of jobs, thus eliminating the low skill level jobs. We are developing a situation where a growing percentage of our society will not be able to find a job within their mental capacity. Those who are working will increasingly resent being taxed to raise money to support those who are not working. Resentment and friction is likely to grow. Violence may be the result.

We are faced with serious alternatives:

A. Do we continue to increase job skill levels and the technological efficiency of our society because the incremental output will pay the cost of supporting those who are forced out of the job market and still leave a surplus to improve the standard of living for those who are working?

B. Do we limit the technical efficiency of society by forcing business/industry to provide low skill level jobs on a formula basis related to the size of the business/enterprise so as to reduce the number who are supported by society on welfare?

What would you do?

WRANGLER® TRIES TO WROB WRETAILERS OF INTEGRITY

Rather than use the poop-sheet put out by Wrangler on how to setup dishonest and misleading store windows, one retailer sent it to RT. Wrangler wants to promote their "No-Fault"™ denims and apparently there isn't enough quality in the product so they suggest that retailers use a misleading display.

They suggest windows showing their product and a competitive product after each has been laundered 6 times. For the competitive product they suggest "High contrast top lighting with 150WR40 **spotlights** focused on jacket and pants to emphasize wrinkles and puckers. Keep background dark for added contrast." For their own product they say "sott, diffused lighting with 150WR40 **floodlights** enhance the soft smooth feeling of the fabric."

The sheet goes on to say "Comparisons are dramatic. Especially with the right lighting. To demonstrate that Wrangler "No-Fault" denim pants and jackets are free of wrinkles and puckers, **light them head-on**, as though holding a spotlight to the side of your head. To demonstrate the faults of ordinary denim pants and jackets, **lights from the side at a strong angle, or from directly overhead.**"

RThought: I'll bet many companies that handle Wranglers thought they were dealing with a reputable outfit.

WHO IS INEFFICIENT?

More and more businessmen are complaining about incompetence, waste and inefficiency in government. They constantly issue the challenge that business does better.

RT might point out that businessmen operated retail companies like Interstate Stores, Daylin, W. T. Grant, Penn Fruit, Coit International, Fishman's, Mammoth Marts, Giant Stores, Arlan's, Aaronson Bros. Gilchrist Co., Kenton Corp, and, to go back a way, Grayson-Robinson. All are, or were, in Chapter XI or X.

In addition, STOCK DATA (published by Robert Kahn & Associates) shows that as of September 30, 1975, 23 of the 125 New York Stock Exchange companies that are either retailing companies or have major retail interests were operating at a loss for the most recent 12 months. On the American Stock Exchange the figure was 19 out 100, and among the National List of Over-The-Counter stocks it was 23 out of 136.

RThought: A substantial number of people might say "Thank God the retailers aren't running the government."

FREE SPEECH–WHOSE?

It comes as no surprise that citadels of principle and integrity really have no principle and no integrity. A perfect example is the New York **Times**.

Do you recall the reaction of the **Times** to an attempt by the United States government to block the printing of the stolen Pentagon Papers? In record time the issue went from the original suit filed on June 16, 1971, to a Supreme Court decision on June 30, 1971. According to the New York **Times** the world was about to end if someone outside a newspaper could control what the paper could print.

The Supreme Court agreed, citing Bantam Books, Inc. vs. Sullivan, a 1963 case, as saying "Any system of prior restraints of expression comes to this court bearing a heavy presumption against its constitutional validity."

Now the New York **Times**, donning their new garb as God, usurps to itself the final determination of what degree of free speech they will allow in the economic system. They will accept any ad challenging any government policy, any existing or proposed law and speaking ill or well of any politician. But, they will not accept any ad that criticizes a competitor!

It is good to know that God resides at 229 West 43rd Street in New York City–Sin City is the last place many of us expected to find Him.

William Cowper, in the 18th Century, said "God moves in a mysterious way his wonders to perform" and little did he know that he was describing the New York **Times** in 1975 because that is the year when The Great Atlantic & Pacific Tea Company undertook their "Price & Pride" advertising campaign. They announced, in effect, that **A&P** people would learn to be happy once again, and smile at customers and treat customers as important people–implicitly admitting that for many years the policy had been to the contrary.

Responding, as urged by our President, who regularly expresses the thought that our economic future depends upon an open and intensive competitive system, a competitor of **A&P** by the name of Shopwell submitted an ad with a headline "What **A&P** didn't remember, we never forgot." When it appeared in the NY **Times** it read "What **THEY** didn't remember, we never forgot."

A **Times** spokesman told **Supermarket News** that the change was in keeping with the NY **Times** policy of never permitting advertisers to criticize competitiors in ads!

RThought: the next time you read something the New York **Times** about the importance of the First Amendment, free speech or a free press, add your own "expletive deleted" and you will accurately summarize their principles.

SHORT SHORT

Even though Congress passed a law regulating warranties, says Kiplinger's **Changing Times,** there's no guarantee it will work.

WORDS TO MANAGE BY

This month the thoughts are strong–but direct–from four great minds:

Honoré de Balzac said, "There is only one giant machine operated by pygmies, and that is bureaucracy."
John Luther said, "Every organization has a natural tendency to become less efficient."
Andrew Carnegie said, "It makes a big step in a man's development when he comes to realize that other men can be called on to help him do a better job than he can do alone."
Henry Kaiser said, "I make progress by having people around me who are smarter than I am–and listening to them. And I assume that everyone is smarter about something than I am."

Out of
now 1975
RT

"There is no there, There!"

July 25, 1977

Mrs. Frances G. Robinson,
Rights and Permissions
Press and Publications Service
United States Information Agency
Washington, D.C. 20547

Dear Mrs Robinson---

My apologies for the delay in returning this form but I had not seen the article, as revised, in BUSINESS AND SOCIETY REVIEW. I wanted to be sure that it correctly reflected the original article. Summer 1976 issue

Milton Moskowitz, the Senior Editor, is an old friend and he asked for permission to rework it.

I have taken the liberty of enclosing.......

1. A copy of the original article
2. A background sheet on me which should give any information you might want.

I would appreciate receiving a copy of any publicatinn using this article.

Sincerely,

Robert Kahn

UNITED STATES INFORMATION AGENCY

WASHINGTON 20547

Request for Permission for Republication

But [illegible] now RT [illegible] There is no other [illegible]

From: Mrs. Frances G. Robinson, Rights and Permissions, Press and Publications Service, USIA.

Mr. Robert Kahn
Robert Kahn & Associates
Business Counselors
Box 343
Lafayette, California 94549

July 1, 1977

Material Requested:

"Is It Too Many People Or the Wrong Kind of Work" - Your article which originally appeared in your newsletter, RETAILING TODAY, and was published in a somewhat different form in BUSINESS AND SOCIETY REVIEW, Summer 1976

Proposed Use:

With permission, we would like to use this article in our overseas information program. Our office in Kinshasa has requested permission to translate the text published in BUSINESS AND SOCIETY REVIEW. It wishes to include the article in LE MANAGEMENT, a French-language publication, which is issued on an occasional basis by the U. S. Information Service for distribution in Zaire.

Though we have no immediate plans for further republication of the material, we may wish to use it later in other elements of our information program. In view of this we would greatly appreciate additional permission for possible further republication of the text, in multiple languages, by the U. S. Information Service and in the local press outside the United States. May we please have permission also for abridging if necessary to meet space limitations?

Your permission will be greatly appreciated.

PLEASE COMPLETE THE FOLLOWING AND RETURN ONE COPY TO US

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If you prefer a time limitation on the permission granted, please specify the expiration date:

If other permission is required, please indicate to whom we should apply:

No permission is required from BUSINESS AND SOCIETY REVIEW.

PERMISSION GRANTED [illegible] July 25, 1977
(Signature and date)

Fleming Foods Company 820 Quincy, Box 1160, Topeka, Kansas 66601

E. DEAN WERRIES
Executive Vice President

November 25, 1975

Robert Kahn and Associates
Business Counselors
P. O. Box 343
Lafayette, California 94549

Gentlemen:

Please send me 20 copies of "Retailing Today", Volume 10, No. 11.

Thank you.

Sincerely,

Dean Werries

Dean Werries

DW:bb

195 S. Beverly Dr. #415
Beverly Hills, Calif. 90212

Jo Put w/ Nov 75 RT in binder

SAMUEL KLINE

Nov 26, 1975

Mr. Robt. Kahn

Retailing Today

Dear Bob:

Your November issue was sensational. It substantiates my way of referring to you as the "Ralph Nader of Retailing." The Wrangler item was great but your W. T. Grant story was the best anyone has done. Would you give California Apparel News permission to reprint the story in its entirety and give you full credit. Ted Levy, the publisher has agreed to do it, if y;ou will OK.

Please advise your OK.

Sincerely,

Sam Kline

Sam Kline

P.S. Please advise at once as I will be leaving town for a month starting Dec 5.

Dear Sam--- You have my permission for California Apparel News to use the storg "Let's Look at W. T. Grant". I am most complimented by their interest.

Photocopy Retained

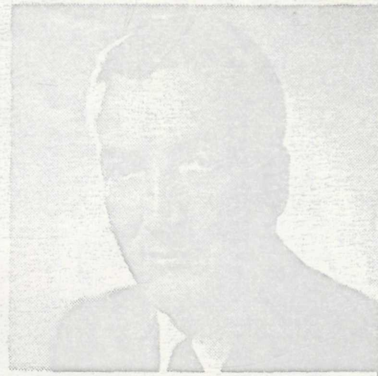
I also feel that the story about Wrangler must be told as widely as possible. Unless retailers stand up and say to suppliers "we dont want to play games your way", more suppliers will feel they have to do what Wrangler is doing. Should they also want to use that story, they have my permission.

Please ask if they can identify as Modern Retailer (Harold Larkin) did when he ran Feature Reports (I am enclosing a photocopy of a similar stuyd on Interstate). This may be too much to ask---so use your judgment.

Have a good vacation.

Bob Foster Foster

'A Major Key to the Success of Our Program for Renewing Interstate's Profitability Is Management'—Sol W. Cantor, January, 1972



Sol Cantor

EDITOR'S NOTE: The analysis of the decline and fall of Interstate Stores, Inc., is traced by Robert Kahn, publisher of the national newsletter Retailing To-day and a well-known retail counselor. The article published here appeared in the RT edition of June, 1974. Retailing To-day appears monthly and may be secured by writing to P.O. Box 343, Lafayette, Cal. 94549. Subscription rate is ~~$__~~ $15

"Interstate Stores, Inc., and 188 affiliates have filed under Chapter XI of the bankruptcy laws, indicating $196,000,000 in liabilities (which will increase) against $193,000,000 in assets (which will decrease). The assets most likely to decline in value are $ 73,000,000 in inventory, $50,000,000 in fixed assets, and $15,000,000 of goodwill (goodwill?).

"The company reported a loss of $40,000,000 for the year ending January 1973, followed by $61,000,000 for the year ending January 1974. Sol W. Cantor, chairman, in a release dated May 3, 1974, said that Interstate's losses are entirely attributable to its discount-store divisions, which are being discontinued!

"Just six years ago—in June 1968—the stock sold for $46 a share, representing twenty-one times earnings. Today it is worthless. There may be a lesson to be learned from the history of this company, and the facts and events reported to the shareholders.

"For the year ending February 2, 1969, (the year in which Chairman Cantor exercised options to purchase 93,068 shares of stock for $1,004,203 because the market value was $3,978,657) the company reported a sales gain of fifteen per cent to $641,000,000, but a profits increase of only eight per cent (with dilution, a per-share gain of five per cent).

"Over two years the sales increased by twenty-seven per cent, profits by twelve per cent, and earnings per share by seven per cent. The capital structure was already weak—long-term debt had more than tripled, increasing by $29,000,000, while equity ir reased by only $18,000,000. It would have been a great time to sell 1,000,000 shares for $45,000,000 so as to put the company on a sound financial basis—but it is probable that all of the 'advisors' were suggesting that 'next year will be even better.' Interstate waited until 'next year' and then sold only 500,000 shares for $16,000,000. Too few and too late.

"In writing of 1968, Mr. Cantor said, 'Important changes and additions were made in the top management organization, giving the company the additional depth needed to manage its expanding operations.' (Note: The only management that remained consistent through all the years at Interstate and who can bear the blame was Sol Cantor as executive officer.)

"...erstate got ...o the discount business in 1959, by purchasing two White Front ... Los ... doing $20,000,000 in 30,000 square feet of space. Of course, these ... stores were replaced with 140,000-foot units, and the brown and ...s expanded to a full-line department store (utilizing, of course, the small- which was not forthcoming. Interstate started to play down volume by restating sales to exclude supermarket volume (which had been declining). As reported, sales were up four per cent, profit down eighty-four per cent, and earnings per share down eighty-five per cent.

"But fixed assets and debt continued to rise while net worth dropped because of dividends paid in excess of earnings. As a result, tangible net worth dropped from thirty-two per cent to twenty-nine per cent of tangible assets. The current ratio remained at a low 1.5 to 1. Debt in the fifty per cent corporation-joint ventures jumped from $44,000,000 to $65,000,000. And management still felt that the $18,000,000 of excess purchase price of subsidiaries over tangible value had not been reduced in value!

"But, management would build itself out of an operating problem—a 294,000-square-foot warehouse was opened in Secaucus. The poor performance was again blamed on others—never on the management. They selected quite an assortment '...the business recession, the General Motors strike, the retrenchment of the aerospace industry, and the sharp decline in new housing.' With some afterthought they added a four-month strike in only four stores and the termination of the unprofitable White Front furniture operations (which had never been mentioned before!). But, they had opened twenty-one stores—and announced plans to open fifteen more in 1971.

"Cantor expressed himself as follows: 'As a result of actions taken to strengthen operations and to sharpen its competitive position, the company is well situated to take advantage of the turn in the economic tide when it occurs.' Later, he said, 'Particularly significant from a long-range point of view are the company's continuing efforts to develop and train additional management personnel and to fashion new management systems geared to its size and complexity and attuned to the growth opportunities that lie ahead.' (Note: In the midst of collapse they are still developing management.)

SHADOW LENGTHENS

"Throughout the years from January 1968, to January 1971, other problem signs were apparent as the chart below shows:

	1/31/71	2/1/70	2/2/69
Sales increase	+4 %	+11%	+16 %
Year-end inventory increase	+4 %	+20%	+25 %
Trade payables as percentage of inventory	67 %	59 %	48 %

Here is a traditional pattern—inventory is increasing faster than sales—s... ...nover is

Ernst Dannemann
135 Lakeview Avenue
Dover, Delaware 19901

26 November 1975

Mr. Robert Kahn
PO Box 343
Lafayette, CA 94549

Dear Bob:

Your article "There Is No There, There!" is worth sending out to our members of Congress and to quite a few of my friends in business. Please send me and bill me for 25 reprints, if available.

Sincerely yours,

Ernst

Ernst Dannemann

kvh

Dear Ernst -

Many thanks for your kind words. I have sent copies to several of our California legislators with whom I carry on a regular correspondence.

Bob

Nau's

109 NORTH WASHINGTON STREET • BOX 160 • GREEN BAY, WISCONSIN 54305

November 28, 1975

Mr. Robert Kahn
P.O. Box 343
Lafayette, California 94549

Dear Bob,

Your article "There is no There, There" says it as it is.

Would you please send me ten copies to forward to various Congressmen and can we reproduce it for the Directors of our Chamber of Commerce?

Yours truly,

Bill Freimuth

Bill Freimuth

BF/sz

P.S. Bill us for the copies, of course.

Dear Bill –
many thanks for your
kind words.
I would be happy to have you
~~it~~ reproduce it for the Directors of
your Chamber – I assume the
reproduction will include the
masthead on the first page.

Bob [illegible]

Porteous

Porteous, Mitchell & Braun
522 congress street
portland, maine 04101
207-772-4681

November 28, 1975

Robert Kahn Associates
P. O. Box 343
Lafayette, California 94549

Gentlemen:

Would you be so kind as to send me as many as a dozen copies, if possible, of your feature report "Let's Look At W. T. Grant".

Thank you very much.

Earle L. Ingalls

Earle L. Ingalls
President

ELI:sjd

Enclosed are the copies of
RT requested. Many thanks for
your response to this article.

Bob Kahn

BLOCKS

YELLOWSTONE AND SEVENTH AVENUE *P.O. BOX B - POCATELLO, IDAHO 83201*

November 29, 1975

Retailing Today
Mr. Robert Kahn
P.O. Box 343
Lafayette, California 94549

Dear Mr. Kahn:

I would like our Congressman and two Senators to have the benefit of your beautiful article, "There is No There, There!"

Could I have your permission to use our copying machine for this purpose. I'll be glad to send you a copy of the cover letter that goes with the information.

Thank you.

Very truly yours,

BLOCKS

Sy Block

Sy Block

SB:rg

Sent letter - w/ 3 copies

Retail counselor analyzes W.T. Grant

EDITOR'S NOTE: The analysis of the decline and fall of W.T. Grant is traced by Robert Kahn, publisher of the national newsletter Retailing Today and a well-known retail counselor. The article published here appeared in the RT edition of Nov., 1975. Retailing Today appears monthly.

Retailing cannot claim much glory in providing the United States with its second largest bankruptcy — following the Penn Railroad.

Everyone is trying to disassociate themselves from this failure. The discounters object that Grant's was improperly classified as a discounter. A Discount News editorial even had the audacity to comment that "Had (Grant's) gone (the discount) route, as did Kresge and a few other conventional retailers some 15 years ago, I could make a pretty good case for the point that Grant's might not be where it is today."

RT doubts that any route that Grant's took would have ended up in any other result — given the competence or incompetence of the management and the miserable performance of the financial community who provided funds to Grant's.

Look for a moment at the table below showing a nine-year history of Grant's.

Year Ending Jan. 31	Total Sales (000,000)	Store Area (000)	Sales/ Sq. Ft.	Sales/Sq. Ft. Adjusted by LIFO Index
1975	$1,762	54,770	$32.17	$22.40
1974	1,850	53,719	34.44	26.62
1973	1,645	50,619	32.50	26.62
1972	1,375	44,718	30.75	25.80
1971	1,254	38,157	32.86	28.11
1970	1,211	33,855	35.77	31.46
1969	1,096	31,182	35.15	32.25
1968	979	28,736	34.07	32.87
1967	921	27,476	33.52	33.52

The sales per square foot are moderately understated because the above table reflects annual sales divided by the year-end space. Actually, a weighted average should have been computed but it would not have changed the conclusion. In constant 1966 dollars there was only one year in which productivity increased — the year ending January, 1973. Over the nine years it appears there was a drop of 33 per cent in the unit volume per square foot.

Someone — outside directors, banks, shopping center developers — must accept responsibility for forcing money and locations on a management that could not produce sufficient sales to stay alive. The fact that certain Grant employes have been indicted for taking bribes to deliver Grant leases is consistent with the low productivity.

These same people permitted the debt structure of Grant's to reach the following condition as of Jan. 31, 1974, the last year in which a profit was reported:

Total Equity		$295,000,000
Long Term Debt	$220,000,000	
Commercial Notes	453,000,000	
Other Current Liabilities	208,000,000	
Total Tangible Liabilities		$881,000,000

It has become a truism in retailing that many companies live by the income statement and die by the balance sheet. In the thousands upon thousands of conversations that I have overheard between retailers, I have always heard them talking about sales and profits — and have never heard them talking about who had the lowest debt to tangible net worth ratio or the highest current ratio or the greatest working capital.

Grant's just carried it further than anyone else. Every bad loan has two responsible parties: the one who extended the loan and the one who asked for it.

We have read about a number of management failings. Grant's has disclosed the acceleration of finance charge income on conditional sales contracts and their faiure to establish effective control on either credit granting or collections. We know that private labels like Bradford, for TV, were hardly recognized even by the companies that made the product.

But, there are a number of things about Grant's that someone should explore further. Why did Grant's throw out unit controls and settle for total store sales as their basic sales information? How could management expect to run a billion dollar business without open-to-buy controls? Why, during inflation, were additional markups offset against markdowns (which served to overstate profits)?

Why did they fail to reorder merchandise that was elling well so as to concentrate dollars in big ticket merchandise that was not moving? Why did they pay their collection people a bonus based on how many accounts made payments during the bonus period rather than the dollars collected making it practical to implore debtors to send in $1 and $2 payments instead of full installments?

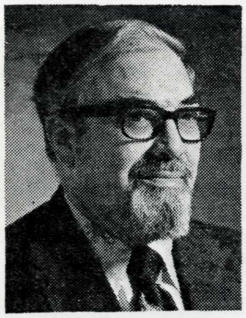
Why did management offer — and directors accept — meaningless listings showing everything but true profitability? The lists showed the stores with the highest sales per lineal foot of counter space or the stores with highest sales (but not sales per square foot).

Why were the internal reports unable to produce a single total for the cost of advertising media? Why was no attention given to return on investment? Why did Grant's follow a policy of releasing employes from obligations to the Company for the purchase of stock (many employes bought at prices well above $50) if they quit — but insisting on payment from those borrowers who stayed with Grant's? It was agrued that to forgive indebtedness while still employed would have resulted in taxable income to an employe. All this did was drive the smarter executives out of the company in order to get out of the responsibility for paying stock at prices many times the current market price.

RT Thought: The essence of the free enterprise system is that each person has the right to go into business for himself and the privilege of succeeding — or going broke. In Grant's case, too many people helped when they should have restrained. Someone in the banks must have noticed during the past 10 years that Grant's was not getting the necessary minimum sales per square foot out of their stores — sense would suggest asking the question "Shouldn't we build smaller stores?" Common sense would suggest to someone the question "If we can't sell our private label big ticket items, shouldn't we try to sell national brands?"

Someone could have asked "Can't we see financial reports that tell us something — like inventory turnover or contribution to overhead or return on investment" or "If we can't get more equity into the business shouldn't we stop taking on debt?"

Stockholders in Grant's may start asking questions in law suits — as many stockholders in banks who loaned the money without checking the skill of the management.



RETAILING TODAY

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

 Published Monthly. $15 per year.

ROUTE TO

DECEMBER 1975 VOL. 10, NO. 12

HOW HAS 1975 BEEN?

In January, when the world was gloomy, the stock market plummeting, and nothing but clouds overhead, RT was one of the few forecasters who saw the bright spots ahead. Yet, we proved to be pessimistic.

A forecaster who isn't willing to repeat his forecast at the end of the year, shouldn't be allowed to forecast. In order to protect our license to look into crystal balls, RT is proud to repeat the summary of the forecast for 1975. Check it against your own performance.

> **RT would expect that the major chains, and especially those where durable goods are important, will do well to get a 5%-7% sales increase (partially reflecting fewer stores opened) and a profit decline of 5%-10%. The closer the retailer comes to being an apparel store catering to the middle income group, the closer the good firms will come to a 10% sales increase with a somewhat lesser improvement in profits.**
>
> **There will not be a business panic in 1975 and so there is no need for business management to panic. It will be another year when retailers do as they do every year—fight for their volume and ther profit.**

FINANCIAL TRENDS AMONG FOOD CHAINS

"Operating Results of Food Chains 1974-75," compiled by Dr. Wendell Earle (Cornell University, Ithaca, NY $10) reveals some problem trends in the supermarket industry. Although inflation has had some benefit as measured by traditional ratios (lower occupancy cost, level store payroll percent as prices rise faster than pay rates, and increased sales per store), it has also meant a serious weakening of the financial strength as net worth has increased slower than liabilities. For all 5 categories of firms reported over the past 6 years (3 volume categories for all reporting stores, 2 volume categories for identical stores) the ratio of net worth to total assets shows a serious decline—of the magnitude of 20% or more!

The declining financial strength is shown by the even greater decline in the current ratio.

Earnings in relation to net worth have recovered from the impact of A&P's WEO campaign but the overall impression conveyed by the report is that the industry, on a composite basis (as reflected by the 53 reporting firms doing $20 billion annual volume) does not have the financial stength that it had 6 years ago. When this is combined with the low price/earnings ratio for supermarket chains, which discourages selling new equity issues, one must be concerned.

THIS IS THE SEASON— TO THINK OF HOW YOU LIVE

At the end of this month you will ask yourself "Should I make resolutions for the New Year?" I hope your answer will be yes.

Perhaps RT can suggest a few that you may find helpful in both your business and your personal life.

First, never go to sleep mad. There is nothing more devastating to the human soul than having to remember the next morning that you have to be mad at someone whether it be your spouse, your child, your boss, your competitor, anyone.

Second, remember that two people who are willing to go half-way are never going to find a meeting ground. 50-50 is not good enough. You must be willing to go 60% of the way. Solutions are going to come only from people who accept the 60-60 principle as a working rule.

Third, remember that there are 20 ways of doing things—5 are perfect, 10 are acceptable and 5 are wrong. When someone wants to do something his way, listen closely to learn if he is planning on doing it one of the 5 perfect ways. More time is wasted today arguing which one of the 5 perfect ways should be followed than on any other difference.

Fourth, remember that a new idea probably has to be started 3 times before it will succeed. The first two failures merely let you know of two ways that won't work.

Finally, promise yourself that each night, as you put your head on the pillow, you will think back over the day you have just completed and will ask yourself one question—"Did I spend this day as I know I should have spent it?" I hope your answer always will be "Yes."

May 1976 bring you Peace, Love from and towards others, and Happiness for you and your dear ones and your associates.

BANKS MOVE IN RETAILING

Just as many people have predicted, the banks appear to be moving toward control of retailing through the process of control of consumer credit (bank credit cards) which will ultimately be supplemented by control of Electronic Funds Transfer through control of the EFS terminals in retail outlets.

Now an unknown "retail" firm, also known as the United California Bank, (one of the 20 largest in the United States and a part of the even larger multi-state bank holding company, Western Bankcorp.) has published a 28 page, full-color catalog. From the position of controlling billions in assets they say "Your Satisfaction is Our Promise" at a time when most firms with lesser assets are concerned about the implications of the new law on guarantees and warranties.

The merchandise offered includes toys, jewelry, domestics, radio, TV, luggage, table appliances, glassware, watches, fur coats, outerwear, rugs and even sport vehicles!

RThought: for those retailers who bank with United California Bank, do you remember when you thought UCB was on your side instead of being your competitor?

GOD RESIDES AT THE HECHT COMPANY

That is the impression one gets from a recent letter stating that because early or late shipments or overshipments cause additional expense and correspondence, that The Hecht Company, Baltimore/Washington, will impose a 5% penalty on shipments sent before the shipping date on the purchase order and will also impose a 5% "cost of handling charge, in addition to the cost of freight for the merchandise returned" because of overshipment, shipment after the cancellation date on the order or duplicate shipments.

One may have wondered whether The Hecht Company is operating efficiently–there have been a number of stories about recent management and structural changes. Admitting that it costs 5% to handle early shipments (in addition to delaying payment) and that it costs 5% to handle returned shipments would give an outsider a clear basis for judging that efficiency. RT notes that both Thomas A. Hays, Chairman, and Allan J. Bloostein, President, signed the letter to vendors.

RThought: Is there an appropriate term to describe businesses that unilaterally impose penalties that are not cost-justified? There is no such provision in the Uniform Commercial Code but then The Hecht Co. may be above such laws. RT recognizes that problems exist in the area of noncompliance with purchase order terms–but such an arbitrary stand by a major corporation (apparently santioned by May Department Stores) seems to reduce the store to the level of the unethical or inefficient suppliers. The Hecht Co. has another alternative –don't buy from firms that don't comply with purchase order terms.

WHAT ARE YOU DOING TO SUPPORT THE COUNCIL ON ECONOMIC PRIORITIES?

1974 marked the completion of 5 years for an organization started as a dream of one woman–Alice Tepper Marlin–and supported by a loan from an anonymous minister. It is dedicated to the idea that "painstakingly careful factual analysis" offered to business will encourage "corporations to strive for better social performance."

They have directly touched the retail field in only one report–"Buyer, Beware!"–covering company policies on product safety and a comparison of the cost of credit in 5 major chains.

In many cases, corporations identified as poor performers have turned into staunch supporters. G. F. Jewett, Jr., Senior Vice President of Potlatch Corporation, wrote to a fellow corporate executive: "In 1971, CEP made a study of the pulp and paper industry relative to air and water pollution programs. Frankly, it was a shock to us at Potlatch to see how we compared with the rest of our industry. . . ."

A partial list of supporters shows Carter-Hawley-Hale, May Department Stores, Montgomery Ward, Phillips-Van Heusen and Safeway as well as three accountants who serve the retail field: Arthur Andersen, Coopers & Lybrand, and, Peat, Marwick, Mitchell. It may be an oversight that your firm is not listed. It appears that Sears and Kresge were not as responsive to an objective evaluation of two areas of conduct in "Buyer, Beware!" as was Potlatch.

RThought: Retailing cannot continue to profess that the future of our free enterprise system demands less participation in business by government–and then fail to support non-governmental activities that provide review and standards for free enterprise. I assure you that a study by CEP costs a lot less than one by the Federal Trade Commission, the Federal Reserve Bank, or Congress.

If you promise to tell only your closest business associates, I will let you know that you can reach CEP at 84 Fifth Avenue, NY, NY 10011, or call 212-691-8550 and say RT sent you. Regular institutional membership is $450 per year.

THERE IS NO REASON TO WRITE ANONYMOUS LETTERS TO RT

Periodically one of our postage-paid subscription cards is returned, such as a recent one on which was written, "Dear Mr. Kahn–For someone who is generally and correctly so critical of our mistakes, I am surprised to receive your solicitation–since I am already a subscriber. Now I suppose you'll tell me it is too expensive to check your list–which is often the reason why we can't do everything you would like us to do. Cordially,". If the writer had included his or her name, a reply would have been sent–and I would explain that I personally select all names to receive sample copies of RT. As our subscription list has grown I find that sometimes I forget the name of a subscriber–now that we are into many hundreds (I was shocked to realize how many are in Canada–we learned that when mail was returned because of the postal strike). But, I seldom (one case) forget a name after a note taking me to task.

HOW TO DEVELOP BROAD EXECUTIVES

RT wonders about the custom in retailing of attending only the trade convention for your own type of stores. Department and women's specialty stores go to the National Retail Merchants Association, food organizations go to Supermarket Institute or NARGUS, convenience and college stores go to their respective NACS–National Association of Convenience/College Stores. Add Menswear Retailers of America, National Association of Retail Druggists–the list could go on forever.

There is a lot that each retailer can learn by attending conventions for other types of stores.

But, there are many more conventions that can be used to open the eyes and stimulate the thought of top executives–or persons being groomed for such a position. The supplemental list would include such organizations as the Bank Credit Card

LET THE COBBLER STICK TO HIS LAST

It was Pliny the Elder (A.D. 23-79) who told the story (Natural History, Book XXXV, Section 84) of Apelles who never let a day go by without tracing some new outline and displaying his work. One day the shoemaker pointed out an error in the drawing of a shoe which the artist corrected. But the next day, when the shoemaker criticized the drawing of a leg, Apelles, with indignation, reminded him that "a shoemaker should give no opinion beyond the shoes."

Recent retail history is replete with examples of fallen firms that did not stick to their last. Unishops operated great men's and boys' departments. Daylin was good in the drug field. White Front was great in brown and white hard goods. Even Sears forgot for a long time that their basic strength was with the blue collar families. Safeway found the world was not waiting for Super S drug stores.

Which brings us to Super Valu—to use their words from their 1975 Annual Report, "the nation's largest food wholesaler. It serves 1,524 independently-owned and operated supermarkets in a 21-state operating territory." But, it also has 19 discount stores, 85 fabric stores and 43 leisure wear stores.

In their 1971 Annual Report they devoted 2 pages to "Fabrics—An Expanding and Exciting Market." They started by saying "Perhaps no retail merchandising market has experienced such a phenomenal growth rate in recent years as has the fabrics market. Within the last 3 years alone, the industry's annual volume has doubled to exceed 3 billion dollars."

They then glowingly recounted their entry into the field by merger with Daytex, which had 63 stores—and announced plans to open 35 more stores during fiscal 1973.

So expansive was Super-Valu that they claimed "we don't believe there are any geographical limitations within the continental United States for such (fabric store) locations"!

In their 1975 Annual Report the President-CEO, Chairman and Vice Chairman signed a letter to shareholders that said "As of this date, all of our operations . . . the Daytex Fabric Stores . . . are moving forward nicely. We have excellent management in each of these businesses and we are proud of their achievement." If you read that and thought that the fabric stores were profitable it is only because you insist on accepting words of the English language according to their common meaning.

In the 16 week report ending just prior to the Annual Meeting, only the President-CEO signed the letter which said, "Our . . . Daytex operations are showing good growth. About the only area of weakness is in a very few company-owned retail food stores whose operations do not have a significant effect on the total picture."

A June 25, 1975, news story out of Minneapolis reports that "(a)nother non-foods operation, Daytex Fabrics stores, which had a loss in the past fiscal year, currently is 'operating nicely in the black.' " Surprise—it was losing money before!

Nothing is said about Daytex in the 40-week report, but in November, in a prospectus that will **not** be sent to all stockholders, it is disclosed that they have decided to sell or close 29 of 84 Daytex stores and are considering selling or closing an additional 15 before the end of the current fiscal year. They will then attempt to sell the remaining 40 stores; failing that, they will continue to operate the remaining stores. At least that is what they say today—but look at the record of misleading disclosures given to the shareholders over the past 6 months.

RThought: Even before Pliny the Elder, Virgil (70-19 B.C.) said in Aeneid, "I fear the Greeks, even when they bring gifts," merely clarifying what Euripides (484-406) had said almost 400 years earlier to Iphigenia in Tauris, "Put not thy faith in any Greek." One may want to substitute for the word "Greek" either the name Crocker, currently the CEO of Super Valu, or the name Super Valu itself. But RT feels that the problem discussed here applies to all publicly held retailers—and probably to all publicly held companies.

SHORT SHORTS

What did Interlandi, political cartoonist for the L.A. Times, think of retailers in early November? The cartoon has four blocks showing a blindfolded man smoking his last cigarette. The captions were: (1) Ready . . . Aim . . . (2) Hold it! What is the merchant's crime? (3) Putting up Christmas decorations too early!!! (4) Go ahead and shoot!

Where does a jewelry chain compete with a home improvement chain for a prize formerly held by a supermarket chain? That would be on the water, in a boat, where the current champion "Pride of Pay 'N Pak," (a much better name than "Miss Eagle Electric," the name that Dave Heerensperger formerly used), is being chased by Weisfield's. 20 years ago Miss Thriftway, from a Supermarket chain of the same name, was the champion, putting Northwest retailers in the water for the first time.

Sears picked a good location right from the beginning. The very first Sears retail store independent of a distribution center was opened in October 1925 in downtown Evansville, Indiana. It closed this year. 50 years service from the first step in a daring move to meet the impact of the newfangled automobile is pretty good picking.

When does crime become socially acceptable? When everyone stops calling it a crime. Retailers and their trade publications must stop referring to employee and customer theft or stealing as "shrink." For example, a food trade paper recently said "Despite New York's reputation of being an area with serious shrink problems. . . ." For the sake of accuracy the item should speak of **"serious customer and employee theft problems."** (Note: shrink is what happens when wool or the original Levi's are soaked in water.)

THE BASIC LAWS OF BUSINESS

In March 1973, RT brought together the following basic laws of business:

Murphy's Law No. 1:
If something can go wrong, it will.

Murphy's Law No. 2:
Nothing is as easy as it looks.

Murphy's Law No. 3:
Everything takes longer than you think it will.

Weiler's Law:
Nothing is impossible for the man who doesn't have to do it himself.

Chisholm's Law:
Anytime things appear to be going better, you have overlooked something.

Finagle's Law:
Once a job is fouled up, anything done to improve it makes it worse.

Crane's Law:
There is no such thing as a free lunch.

Shanahan's Law:
The length of a meeting rises with the square of the number of people present.

Parkinson's Law:
Work expands to fill the time available for its completion.

Peter's Principle:
In a hierarchy, each employee tends to rise to his own level of incompetence. Every post tends to be occupied by an employee incompetent to execute his duties.

Kahn's Law:
When stock space is expanded, Buyers will buy merchandise to fill it.

Since then, RT has become aware of the following additional laws:

Wynn's Law:
Negative slack tends to increase.

May's Law No. 1:
If one programmer can do it in one day, then two programmers can do it in two days.

May's Law No. 2:
If a project is completed on time, it is either a success, or the results are utterly useless.

Charles Yulish Associates, of New York, has discovered some new Murphy's Laws:

Murphy's Law No. 4:
Everything you decide to do costs more than first estimated.

Murphy's Law No. 5:
Every activity takes more time than you have.

Murphy's Law No. 6:
It's easier to make a commitment or to get involved in something than to get out of it.

Murphy's Law No. 7:
Whatever you set out to do, something else must be done first.

Murphy's Law No. 8:
If you improve or tinker with something long enough, eventually it will break.

Murphy's Law No. 9:
By making something absolutely clear, somebody will be confused.

Murphy's Law No. 10:
Each profession talks to itself in its own language and apparently there is no Rosetta Stone.

Murphy's Law No. 11:
You can fool some of the people all of the time and all of the people some of the time and that's sufficient.

Finally, David Hebditch has come up with the 10 Laws of Teleprocessing:

First Law:
80% of everything you learned installing batch systems will not be relevant to your on-line project and 80% of that 80% will be positively dangerous to apply.

Second Law:
The number of problems encountered during and after implementation is directly proportional to N^2, where N is equal to the number of suppliers involved in the system.

Third Law:
The ideal terminal for your system is the one which has just been announced but not yet delivered or installed.

Fourth Law:
Successful on-line systems expand until they become unworkable.

Fifth Law:
The modem currently in short supply will be Modem No. X, where X = the number of the modem you require for the system.

Sixth Law:
The CRT screen content will expand to fill the capacity of the screen.

Seventh Law:
Each extra 1% of system availability will cost you at least twice as much as the last 1%.

Eighth Law:
Teleprocessing programs never work.

Ninth Law:
The simpler, the smaller and less ambitious a teleprocessing system is, the harder it is to justify, the harder it is to implement, and the less well it will perform.

Tenth Law:
The numerically greatest component of the on-line system will be the terminal user; the least well specified and least understood component will be the terminal user.

Association, Financial Analysts Society, International Consumer Credit Association, Consumer Finance Association, or American Institute of Certified Public Accountants.

RThought: Whenever an executive attends a convention or seminar, the executive's superior should require a 1 page report summarizing what was learned and how it will be used. These reports should be reviewed a year later.

DOES IN-STORE ADVERTISING HELP?

Yes, say Arch G. Woodside and Gerald L. Waddle in a report in the June 1975 issue of **Journal of Advertising Research.**

The study measured sales in 4 supermarkets over a 4 week test period under 4 different conditions: no price reduction and no promotion; price reduction but no promotion; no price reduction but promotion; and both price reduction and promotion. Price reduction meant 20% below the normal price. Promotion, if you can call it that, consisted of a hand-lettered sign attached to the shelf. As they said, "This was a relatively crude form of point-of-sale advertising compared to other forms which are found in retail stores."

On a composite basis the unit sales were as follows:

Regular price, no promotion	63
Reduced price, no promotion	95
Regular price, promotion	127
Reduced price, promotion	290

RThought: the authors are not familiar with the unpublished research I conducted 20 years ago which clearly illustrated that a "crude hand-lettered sign" is a powerful promotional tool. In a controlled test it showed that a "crude hand-lettered sign" outsold a professional two-color sign of the same size and same wording by approximately 2-1/2 to 1.

ARE YOU MATCHING EMPLOYEE GIFTS?

An increasing number of companies are encouraging employees to make contributions, especially to the schools that the employee attended (no student "pays his way": tuition often covers less than 40% of the cost). A recent report from the Harvard Business School lists 365 companies–the total list is much longer. But it is interesting that only 8 companies were listed that could be classed as retail or who operate major retail subsidiaries (Castle & Cooke, Federated, Hart Schaffner & Marx, Jewel, Montgomery Ward, Singer, S&H and Winn-Dixie). Individual donations from people in retailing in amounts of $250. or more indicate dozens of other companies that apparently do not match employee gifts.

WHAT DOES THE SUPERMARKET SHOPPER REALLY FEEL?

We are familiar with market surveys–we look at the questions and the answers and wonder just how strongly the people felt about the different subjects. Now there is a new method of measuring–by attaching a psychogalvanometer to the person being questioned, one can determine the emotional response to a statement being posed. This gadget is similar to a lie-detector.

Sunset Magazine, the Magazine of Western Living, reported in their Western Market Report (Marketing Department, Lane Publishing Co., Menlo Park, CA 94025) that they used the psychogalvanometer when interviewing homemakers. They found the strongest response to questions involving price and value–such as "I think grocery prices are a rip-off." But the following also got high responses:

. . . Despite the high prices, I still like to go grocery shopping.
. . . My grocery store is trying to help me with real money-saving specials.
. . . I'm reading labels and ads more carefully to make sure I'm getting the best value for my money.
. . . I'm using cents-off coupons more.
. . . I consider myself an expert at shopping for groceries.

Sunset says the study suggests that "the shopper isn't nearly as fed up with her store as she is with prices in general. A respectable amount of shopper trust can be read into her strong association with these statements. It seems she will rely on her supermarket for assistance and advice. These responses also indicate she wants to maintain her expertise. Homemaking is a job she takes seriously."

RETAILING IN SUPPORT OF PRINCIPLES

It has been a long time since there has been a good example in America of a retailer taking a public stand on a controversial matter in support of a strong principle. It was not always so. In my own family, I can remember my Father telling me of his Father taking a stand on issues of importance to the City of Oakland–and then watching customers, usually very proper ladies, accost his Father in the store, shake their finger in his face and say "Solomon Kahn, I am never going to shop in your store again." Most of them, fortunately, forgave Grandfather Solomon. And when he died, all of the other major stores, for the only time in Oakland history, closed during his funeral out of respect for him.

In England, there has been an issue of high emotional importance. The Distillers Company manufactured and distributed thalidomide, a drug that, when taken by pregnant mothers, resulted in many children being born with terrible deformities. You may recall that this drug was inadequately tested, sold without restrictions in many countries but not introduced in the U.S. through a very unusual sequence of events that need not be related here.

In addition to making drugs, The Distillers Company is (1) very profitable and (2) distributes many of its products (Johnny Walker, DeWars, Black & White, Haig, Vat 69, King George and Crawford's scotch, Booth's, Gordon's and High & Dry gin and other items) through retail outlets.

When the courts held that The Distillers Company was liable for the injury to the children, Distillers offered compensation that many observers felt was inadequate in view of both their profits and the expenses that the parents of the deformed children had borne over the past decade and would face in the future. Institutional shareholders representing 5,000,000 shares attempted to arrange a meeting with management.

One retail group, Wrenson, headed by Mr. Peter Green, and including about 260 shops and supermarkets, announced a complete boycott of Distillers' products with the statement, "We will sell no more until they agree to a reasonable and fair settlement. I think it may cost us a little money, but not much. People will buy other brands, I am sure."

Although the Wrenson boycott, representing about $1,000,000 a year in volume, would not really dent the $125,000,000 profits of Distillers, there were rumors that much larger groups–Tesco and Fine Fare–were considering similar action.

Shortly thereafter, Distillers came up with a proposal that was considered fair by all parties concerned.

RThought: would you commit your company to such a policy in support of a principle–or are you solely committed to maximizing profit regardless of what is happening in your community?

A. DEAN SWIFT OF SEARS SHOULD CHECK WITH HIS RESEARCH DEPARTMENT

Sam Feinberg, in his column, "From Where I Sit," appearing in Women's Wear Daily, recently quoted Swift, President of Sears, as saying at a conference on consumer buying moods, sponsored by Loeb, Rhoades, "Even if a ZPG (Zero Population Growth) birthrate continues, demographers calculate that it could be 2050 before the population actually ceases to expand."

This is not correct. The most recent projections of the Bureau of Census, under the assumptions of Series III, the lower growth series, projects that population will start to decline about the year 2017. This series assumes an ultimate completed cohort fertility rate of 1.7–the lowest level yet used in a projection. All three series assume a slight reduction in the mortality rate and an annual net immigration of 400,000 per year. Series III is the most realistic projection–Series I and II, as with earlier medium and high projections, estimate that the fertility rate will be higher "next year," the "mañana" approach.

But that wasn't bad enough. Swift is reported to have said "The tendency toward slower economic growth resulting from slower population growth should be more than offset in the next decade or so by greater demands and purchasing power of the existing population as its age structure changes over time." The problem with this statement is that people, in the future, may not demand more goods but less–smaller cars, smaller houses, smaller TV sets. It is just as well–because we may not have the raw materials necessary for the standard of living we now have if we reach a peak population of 245,000,000.

TOP FOOD CHAIN EXECUTIVES SEEK IMMUNITY RUNNING UNSANITARY OPERATIONS

In the September 1975 issue of RT, under the title "Ducking Responsibility" it was reported that following the Supreme Court Decision in the case against John Parks, then President of Acme Markets, upholding the power to impose a jail sentence for failure to comply with sanitary provisions of the Food and Drug Act **after** violations had been brought to his attention, the chain organizations started lobbying to eliminate responsibility for non-compliance.

As part of a bill with the stated objective of giving consumers greater assurance that the food they eat is safe and wholesome, the wonderful trade lobbyists have succeeded in introducing wording that will permit chief executive officers like John Parks to escape responsibility and liability by limiting criminal liability for warehouse sanitation violations to executives who "knowingly, willfully or negligently" violate the laws.

In the future, chief executive officers can follow the wonderful standards of recent Attorneys General, Postmaster Generals, and other government officials who refused to listen to or be advised of illegal acts within their department. Every food CEO with unsanitary warehouses can now follow the same "don't tell me" policy and pass on the criminal liability to middle management while denying middle management the money/tools/manpower to correct the situation. It must be wonderful working for such companies. And just imagine how good the successful lobbyists felt as they sat down to dinner–and wondered how sanitary their own food was!

RThought: Perhaps it is indicative of the kind of company that Mr. Parks runs that one of his competitors, Food Fair, is running full-page ads challenging the claims of Acme as to the amount of money that Acme customers save. Acme has not responded publicly to document the manner of selecting the people who claimed savings or how the savings were determined. Acme recently ran similar claims in radio commercials for their Alpha Beta stores in California.

NAMES IN THE F.T.C.

The Great Atlantic & Pacific Tea Co.: An FTC administrative law judge in an initial decision held that A&P knowingly induced discriminatory prices for milk and other dairy products and that it misrepresented the bidding situation to Borden, Inc., in November 1965, when it knew that the other bid was based on a quantity that A&P would not use and which the other company could not deliver. The report further finds that A&P knew that Borden's lower price could not be cost justified and was lower than prices that Borden was charging retailers who competed with A&P.

People's Drug Stores, Inc.: The FTC accepted an agreement prohibiting People's from making or enforcing lease provisions that give People's the right to an exclusive as a drug store and/or a pharmacy, first right of refusal on establishing a second store in the same center or in any way prohibiting entry or controlling business operations of other tenants. (Note: an exclusive on a pharmacy is common in drug store leases in shopping centers.)

Pay 'N Save Corp.: The Commission voted unanimously to accept the consent order regarding using unfair and deceptive means of collecting debts.

WORDS TO LIVE BY

Many times this corner has been filled with words someone carried in their wallet–and then was kind enough to share with others (such sharing is always welcome by RT). This time one might consider the words taken from a purse–for they were shared with me by my Mother:

The Basis of Friendship is Understanding
The Tenure of Friendship is Sincerity
The Fruit of Friendship is Progress
The Crown of Friendship is Peace

consultants news

Bob / Jim
Extra

P. 6

February, 1976

SPECIAL ISSUE: a collection of miscellaneous items -- some squeezed out of previous issues, some 1976 new -- mailed as a February bonus to regular subscribers & distributed at the North American Conference of Management Consultants/NY as a service to the profession and an aid in stimulating discussion. (CN editor/publisher Jim Kennedy's headquarters for Jan 26 week: Engineers Club, 32 W 40/736-5500)

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BIG 8 CPA PARTNERS RANK TEN FACTORS IMPORTANT TO FIRM SUCCESS: PARALLELS FOR CONSULTING - FIRMS --

Quality of technical work	7.00	
Good relations with present clients	6.88	
Quantity of technical work (billable hrs)	6.38	1.00 = least important
Quality of staff tng & development	6.38	
Effectiveness in interpersonal reln with peers	6.25	
Quality of supervision	6.00	
Developing new clients	6.00	7.00 = most important
Personal professional development	5.63	
Selling additional svcs to present clients	5.38	
Good public relations	4.75	

Staff, however, sees goals differently (senses more emphasis on new-client development than partners admit), also wants altered weight on merit-increase criteria

Study by profs at U of Washington concludes with importance of:

1) communicating strategic goals to staff, even before hiring
2) clear delineation of merit increase/promotion criteria
3) more feedback on job performance
4) considering professional growth as well as firm growth "respondents expect that their firms would be more successful, and they would enjoy their jobs more, if more emphasis was placed upon quality of work, quality of supervision and interpersonal relationships within the firm"
5) change in up-or-out philosophy to accommodate professionals who aren't administratively oriented

...."Strategic Goals & Performance Criteria in CPA Firms" (Journal of Accountancy, Jan 76) $1.50; AICPA/1211 Ave of Americas/ NYC 10036

* *

On consultants and the Management Movement: "When are your management consultants going to return to leadership of the Management Movement in the US? That's where it started, and it's a shame the consultants have never since managed to build such a reputation for themselves that they could make the schools, the literature, the associations all join in to build and support something that could really be a profession, an applied science, and art (but not an amateur one)?"

Prominent business editor, in letter to CN's publisher

ANSWERS TO YOUR QUESTIONS ABOUT RUNNING SEMINARS OF YOUR OWN --

General philosophy: "Be absolutely certain you're offering the highest quality program you can, completely free from any hint of commercialism either in the program or in the promotional material. You'll be in a competitive market and must do a better job than commercial and institutional continuing educators or you'll harm your image rather than enhance it"

How long? "Depends more on audience than content...higher executives have less time to devote"

Where? "Also dependent on audience level but resorts extremely dangerous to image and should be generally avoided in favor of big city"

How much? "$250-$400 for 1 day; $350-$700 for 2 days; additional days $50-$100"

How to promote? "Direct mail, not space ads. Publicity hard to get (except in calendars) but very worthwhile"

Extravaganza vs intimate exchange session: "Big conference requires much more coordination, generally draws larger numbers & higher level. Small seminars can be repeated several times & in several locations"

Moneymakers vs breakeven vs loss: "Aim should be to recover all direct costs, exclusive of labor, even on first outing"

Lead time: "16-26 weeks from concept to date: brochure in prospect hands 9 weeks ahead"

No-no's: "Never speak about your company's services...don't pass out or staple your card to handouts...never evade a question and give impression answers only for clients...don't hold back or play cute"

Forget & speak for AMA, AMR, etc? "Third-party speaking & teaching engagements OK if sponsor has quality image and you're on program with other notables ...danger is lack of control & loss of prestige if not done well...promotional benefits more from mailing exposure than program itself"

.....practical advice from Anver S Suleiman, 44, former pres, NY Mgmt Ctr & now on own as BUREAU OF BUSINESS & TECHNOLOGY, INC (101 Park Ave, NYC 10017/889-5316)...specializing in producing seminars & conferences for consultants...everything from creation & presentation to promotion (small per diem + royalty so he shares risk)

Here's another way to pay part-timers -- have "floating" fee range ($200-$300/day), let freelancer share in bid decision, pay him 60%

COMPARING TWO GUIDES TO MIDDLE EAST --

Businessman's Guide to Doing Business in the Mideast
($95: Information for Business, 730 Third Ave, NYC 10017)

-- covers 11 countries in 2 1/4-lb handsomely presented package... superficial, incomplete, occasionally inaccurate

Selling to the Middle East & North African Arab Countries
($150: Hartman Research Services, 11437 Cherry Hill Rd, Beltsville, MD 20705)

-- covers 23 countries in amateurish looking volume of substantive information... good overview... good primer... concise... full of charts & graphs

CN COMMENT: Reaffirms old adage on not judging book by cover ...also thesis that dedicated loner can still outperform "classier" outfit

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From a letter to William Loeb of the Manchester Union-Leader (CN-Oct 75)

"I am responding to your comments concerning James H. Kennedy, the Editor/Publisher of CONSULTANTS NEWS. If you were the avid reader of Mr. Kennedy's publications as thousands of us are in the United States, you'd be aware that he is tough, objective, realistic, and frequently uncomplimentary regarding the unethical practices that occur even in our own industry.

"This man has ideals and he's fought hard to upgrade the quality of the management consulting business. The 'news' he provides us is oriented more toward what's occurring within the industry: legislative enactments that have been attempted, opportunities for upgrading the entire business, etc.

"He is the only objective spokesman we have within this highly specialized endeavor."

James W Soudriette, THE GALAXY ORGANIZATION, Phoenix

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(CN readers further interested in Mr Loeb should see Time for Jan 12 "Loeb Blow" & its Forum section for Feb 2)

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More on fee-splitting (CN-Dec 75)--"Each professional person must set his own standards and apply the self-discipline to satisfy the standards of conduct that are expected of him by the majority of his peers and the public"... from an excellent little 1-sheet nsltr put out by Leslie E Greene, 440 Main St, Racine, Wis

SIMILARITIES & CONTRASTS IN MANAGEMENT & MANAGEMENT CONSULTING -- 17-yr BOOZ ALLEN & HAMILTON veteran Daniel T Carroll, now pres, Gould, Inc, in unique 42-min presentation to disappointing small turnout (35) at Institute of Mgmt Consultants/NY/Nov 20....

Similarities

Work environment (problem-solving, talent utilization)
Hazards (too little time & talent, cost pressures, incorrect problem definition)
Work products (reports in one form or another)
Personal qualifications (industry/functional skill + high energy)
Management style (goal oriented)

How industry differs

Emphasis on short-term results (earnings, multiple)
One-company atmosphere (worm's eye view)
Focus on balance sheet (different & interlocking impacts)
Relations with outside audiences (customers & suppliers)
More time on legal matters (antitrust, price-fixing, OSHA, EPA, EEO, labor)

On making the switch to industry

1. Do only for good reason or commitment ("The gap is more significant than in an ordinary job change")
2. Appreciate need for lead time ("...and at times it's not a thing of beauty")
3. Pick right entry vehicle ("Sometimes it's fallacious to take a staff job with the idea of easing the decompression")
4. Watch attitudes & expectations of peers & superiors ("They can destroy you")
5. Recognize and adapt to differences

Dapper Dan (longhair + camel-hair colored wide-lapel suit), after stressing negatives, ends on happier note: "Come on in: the water's fine!"....why did he leave BA&H (where he might have been next president?) "My affection for BA&H was & is very strong (a great tradition and a great profession), but the new Everest at Gould was there (more psychic than monetary so far as initial decision was concerned).. Tidbit: no consulting contracts let at Gould without Dan's personal OK!

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High cost of Mideast relocation -- costs $300,000 to send $36,000/yr exec with wife + 2 children to Teheran for 3 yrs...$114,000 to send $24,000/yr bachelor to Saudi Arabia for 2 yrs...according to analysis by HUMAN RESOURCE SVCS (610 5th Ave, NYC)

ACADEMIC KNOCKS CONSULTANTS -- Columbia prof Leonard Sayles says not to limit search for business advice to consulting firms, suggests "equally viable (and in some ways better) alternatives at much lower cost"...such as taking fellow executive, vendor "professional," equipment "specialists" to lunch or dinner "perhaps capped by a thoughtful gift"...Sayles cautions, however, against "conflict of interest" (Source: newsletter Boardroom Reports, 500 5th Ave, NYC... send for sample copy: most items better than this one!)

> CN COMMENT: You get what you pay for, Prof Sayles, and a free lunch (even with door prize) can boomerang into pretty expensive misdirection! Gonna give this same advice to your moonlighting clients?

GOVERNMENT READYING REPORT ON IMPROVING CONSULTING EFFECTIVENESS -- covers only Management Information Systems at federal level but 69 "lessons learned" said to have application not only at state/local but also industrial level...traces steps in planning, contracting, designing, developing, implementing ...drafts now being circulated/final due in April from Div of Financial & Mgmt Studies, General Acctg Office ...CN will review as soon as available with full details on ordering

LESSER-KNOWN MAGAZINE CONTINUES TO PROVIDE GOOD READING FOR CONSULTANTS -- recent (Dec) issue had these articles, among others:

- -- Fugitives from the Executive Suite (including consultant turned home toymaker)
- -- German firm's uniform job evaluation plan covering both factory and office
- -- challenge to multinationals from impending legal requirement for social audit in Europe (by URWICK ORR's John Humble)
- -- behavioral science "pretty well dead on its feet" (quoting Louis Allen, Mitchell Fein, Frederick Herzberg)

> ...McGraw-Hill's down-to-earth, concisely edited International Management, circulated largely abroad but available in US for $36/yr: write Audrey Frey at IM, 1221 Ave of Americas, NYC 10020 (also good target for publicity)

SURVEY SHOWS BIG UNTAPPED POTENTIAL FOR PROFESSIONAL SEARCH -- only 4.7% of chief executives in large companies got there directly through search, 6.7% more recruited earlier & promoted into top spot...study by HODGE-CRONIN & ASSOCIATES, Chicago, covered top Fortune 1000 industrials & drew 360 replies

IMPRESSIVE CHIEF EXECUTIVE'S HANDBOOK HAS 6 (OF 85) CHAPTERS BY CONSULTANTS -- 1106-p tome, 3 yrs in preparation, edited by John D Glover, chmn & Gerald A Simon, pres, CAMBRIDGE RESEARCH INSTITUTE, has a chapter by each plus -- magnanimously -- others by Milton L Rock (HAY ASSOC) on exec comp; Marvin Bower (MCKINSEY & CO) on strategy; David Kiser (CRI) on social responsiveness; Michael Sanyour (new exec vp at SCIENCE MGMT CORP) on distribution...plus 79 other chapters by roster resembling Who's Who in American Industry...excruciatingly good positioning for Gerry Simon & equivalent for him in top-level consulting as were similar previous handbooks (by Mike Maynard on IE, Milt Rock on wage & salary, etc)...only drawbacks: no chapter on chief exec use of consultants (indeed no mention of consultants in entire book?)...also no index...an extremely valuable reference, however: $35/Dow Jones-Irwin.. order from local bookseller

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ANOTHER AMERICAN REVOLUTION IN PROSPECT? "Our national goal is full employment. Yet our policy of minimum wages has eliminated the entry jobs -- while a combination of the minimum wage plus the investment credit has hastened the mechanization of jobs, thus eliminating the low skill level jobs. We are developing a situation where a growing percentage of our society will not be able to find a job within their mental capacity. Those who are working will increasingly resent being taxed to raise money to support those who are not working. Resentment and friction is likely to grow. Violence may be the result."

...from a disturbingly logical analysis in Retailing Today, nsltr published by CMC Robert Kahn.... write him at Box 343, Lafayette, CA 94549 & ask for free copy of Nov issue

Here's a different way to "equalize" dues to an association -- Natl Council of Prof Svcs Firms charges 62 x square root of total number of employees, which works out to $128 for 4-pro firm, $248 for 16-pro firm, etc...said to create parabolic curve raising dues for medium firms & lowering limit for biggies... (multiplier can be adjusted, of course)

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CN takes a modest bow from the mailbag.....

"I should like to take this opportunity to congratulate you on your always interesting (and at the same time entertaining) newsletter. Your uncompromising stand for integrity, quality of service, and ethical conduct is particularly important in a profession which, as such, in my experience, has usually succeeded in producing at least one scoundrel for every one of its self-serving incantations of high purpose."

Dean, major business school

MORE INFORMATION ON A VALUABLE SERVICE FOR CONSULTANTS -- now rounding out 2nd yr, INFORMATION FOR BUSINESS (CN-Dec 73 on founding as Christopher J Samuels left MCKINSEY & CO research post) has 400+ clients, staff of 7 full-time researchers + 7 support, volume over $1/2 million & in black ...has worked for 75 consulting firms (+ 65 ad agencies)... biggest use: develop basic information on industry or company so consultants can submit intelligent proposal fast (also for basic research as assignment begins so consultant concentrates on analytical skills, not fact-gathering)... newer services: telephone surveys by business-oriented interviewers ("Not New Rochelle housewives or college kids") ...tracking service is high-class clipping job supplemented by telephone checks to monitor...fees not cheap but still bargain? $450 deposit opens account & qualifies for $45 hrly rate (regularly $50)...professional assn plan open to consulting groups also gives instant credit & allows IFB to subscribe to special services (Chase Econometrics, Value Line, etc with $5-10,000 annual fees) on member behalf... for more information: write IFB, 730 Third Ave, NYC 10017

> CM COMMENT: Now getting into primary information-gathering (i.e. surveys) as well as secondary (printed)...also a bit into interpretation if requested...IFB to be commended for apparently ethical operation (no espionage or subterfuge in developing information)...but nobody's perfect: see bad review of IFB Mideast report... & IFB isn't the only firm offering such services: WARNER-EDDISON ASSOC (55 Waltham St, Lexington, MA 02173), for example, not only finds information like IFB but also helps others organize their own library/reference centers (charging $15-20/hr for pros)...trains internal information specialists (librarians) etc...now also have own trade group: get membership list from Information Industry Assn, 4720 Montgomery Lane, Bethesda, MD 20014 (IFB doesn't belong but W-E does)

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POTPOURRI...."task force" on executive recruiting quietly at work within AICPA, said to be viewing search as increasingly "sensitive area".....merger activity within consulting business almost nil: potential buyers chary of buying nebulous "good will"/sellers waiting for better profits...current best seller in CONSULTANTS BOOKSTORE: John Molloy's Dress for Success (CN-Dec)...Ralph Nader book on government consulting (The Shadow Government) delayed to March.... Conference Board Record editor W J Arnold proposing new national magazine Professional Management, with spinoff Popular Management, in current Univ of Tennessee Survey of Business...

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ADVERTISING BY CONSULTANTS???? Watch for more pioneering ads by management consultants in 76...Federal Trade Commission moving against Am Medical Assn for restraining doctor competition by banning ads: "denies consumers needed information & tends to inflate price of health care"...American Bar Assn, prodded by possible federal action, moving to allow lawyers to advertise (pilot program already under way in California)...moves also involve directory listings & consumer rights to information...contrast with uptight interpretation of AICPA code concerning promotion of auditing/mgmt svcs (when & when not to "release" brochure, calling card, etc!)

> CN COMMENT: Restrictive/protective AICPA code probably higher on FTC list than ACME, but no time to be smug...appropriate for prestigious firm to take lead with unquestionably superior ad campaign...so far most consultant advertising doubly suspect because by peripheral outfits (BRUCE PAYNE & ASSOC, COMMONWEALTH GROUP, EINSTEIN, HERGENRATHER, etc)...one possible interim measure: beefed-up ad campaigns by assns such as ACME, AERC...longer-range implication: importance of strong & publicly recognized accrediting body to police management consulting & protect public against hucksters (or pro-licensing forces may move into vacuum)

GALE RESEARCH TO REPEAT CONSULTANT DIRECTORIES -- research completed...Consultants & Consulting Organizations due "late spring" for $78.... Who's Who in Consulting (personnel index to other volume) planned for some months later...CN will review as available (presumably still mixing admen, engineers, architects, PR firms, etc along with management consultants)

GODFREY HARRIS TO REPEAT HIS CONSULTANTS DIRECTORY -- despite first effort ("worthless to users & listees" CN-Aug 75), Californian sallies forth bravely with 2nd edition, charging $29.50 for basics + 20-word description (75¢/word extra + $40 for logo)..."like the Yellow Pages, each listing firm pays its proportionate share of the total publication costs"...claim 15,000 to be sent free to "corporations, foundations, banks, govt agencies, libraries, law firms, accounting practices"... "a rational & affordable means of presenting you and your firm's skills to America"

> CN COMMENT: Wrong concept, in our opinion...anyone wanting to see 1st edition should ask him for one: HARRIS/RAGAN MGMT CORP, 9200 Sunset Blvd, Los Angeles, CA 90069

CN DIRECTORY OF MANAGEMENT CONSULTANTS NOW IN PROCESS -- based on Institute of Management Consultants listing(as modified by Jerry Fuchs in his book) of Principal Areas of Competence...plus Standard Industrial Classification for industries served...includes firm size/professional affiliations/etc...forms already mailed and now pouring in...publication later this year...free listing/no advertising/user-oriented

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