OCTOBER 1978 (continued)

Why We Continue To Have High Unemployment
The Future Is Not So Sweet For Candy
Does EFTS Depend On Walking Less Than 10 Feet?
Creativity is the Fountainhead of the Future
Commercial Bribery (Pride Laboratories)

NOVEMBER 1978

F - Taxing Employee Discounts
B - Do Customers Like Games?
A - Correction (re Oct. 78 issue on "Do Accountants Have Common Sense?")
How Wrong Can The Federal Trade Commission Be?
Reporting The Good News
Seldom Cited Data About Family Income, Size & Education
The Small Business Admn. is Cutting Some Red Tape
Making a Man Into a Machine - Is This Progress
Who Benefited From the Move To Washington By Food Marketing Institute?
Will Large Retailers Miss The Market Preference For Smallness?
Commercial Bribery I (Apple Lable
Commercial Bribery II (Berol Corp)
FTC and the Law (Zayre Corp)

DECEMBER 1978

F - The Editor Speaks ("Basics of Retailing" speech to Shopping Center Mngr. School)
B - An Example of Responsible Retailing
A - Our Wishes For Your Happiness in 1979
At Last - An Understandable Analysis of Capitalized Leases For Retailers
Irresponsible Journalism
The Extra Penalty For Doing Business in Wash., D.C.
Do Retailers Expand the "Information Vacuum"?
A CEO's View on Selling Charge Account Lists
Hertz Steals Credit Balances Too -- Perhaps Yours
Absurdities of Trade Associations
NRMA/Stores Stimulates Corporate Giving
NACS Rejects NRMA Methods -- Works With Major Supplier
Reporting The Good News (Gemco and returns)
Who Offers The Best Battery Guarantee?

JANUARY 1979

F - What Special Executive Ability Creates a High Return On Equity?
B - Porno in Retail Advertising
A - Forecast
Do You Use Ringers?
Maintaining An Image
Effective Corporate Tax Rates
Laughing All The Way to the Bank (Mangurian's)
Concealing Information From Stockholders
Big Business -- The Slow Payer
The Inventory Bubble Burst At House of Fabrics
The Problem of the Business Press
Can Retailers Run The World?
Commitment to Serv.-Through the Buddy System
Commercial Bribery (Life-Like Products)

FEBRUARY 1979

F - Assuming Responsibility for Financial Statements
F - How to Manufacture a Recession/Depression
B - Is There a Reserved Spot in Hell For You?
A - Deceptive and Misleading Legislation
The Changing Market For College Graduates
$5,000 Purchase on a Bank Credit Card?
The World Available Through Mailing Lists
A Chapter XI Filing That Brings Sad Memories
Would This Cut Your Data Processing Costs?
Do Your Buyers/Store Managers Really Do Comparison Shopping?
The Chains That Make Like Rabbits
Porno Ads - I
Porno Ads - II

MARCH 1979

F - Does The Shopper Owe The Retailer a Living?
B - K-Mart Sets Proper Standards
A - Porno Advertising - Two Responses
Why EFTS Is Not Yet Acceptable To The Public
Arthur Wood's Acceptance of the NRMA Gold Medal Award
Liberal Arts Graduates - Revisited
The Business Roundtable Finally Agrees With RT
Direct Mail Industry Faces Up to Problems
Sears As a Customer Sees It
Offers That Are Easy to Refuse
When Was This Said?
Why The SEC Issues More Regulations
Commercial Bribery (Visible Computer Supply Corp/ Myron Manufacturing Corp.

APRIL 1979

F - Why Does Management Allow Incompetents to Handle Complaints?
F - Trouble At Bullock's North
B - Small Points About American Business
A - Responsibility For Advertising
Sears and Satisfaction Guaranteed
Economists and Forecasters as Seen by an Expert
The Peripetetic Editor (Carson Pirie Scott/Marshall Field/Macy's basement)
Will You Pardon a Bit of Reminiscing?
Remote Disbursement Accounts Closed By The Federal Reserve Board
Should Credit Statements Be Sent In Envelopes With Preprinted Postage Indicia?

MAY 1979

F - The Changing Labor Market
B - Your Responsibility to Youth
A - Readers Who Are Afraid to Sign Their Name
Things I Always Knew - Are True About Limited-Assortment Stores
Famous Names In Retailing
The Wonderful World of Words as Used by Banks
Mixed Standards at Dayton-Hudson
The Retail Method of Inventory and the IRS
The Quality of Research Behind Forbes Articles
IRS and Startup Costs
Porno Ads I
Porno Ads II
Porno Ads III

JUNE 1979

F - Should J.C. Penney Use My Date of Birth From My Credit Application to Sell Me Life Insurance?
F - Do Top Executives Seek to Subjugate Society Thru Business Schools?
B - Really Supporting Your United Way
A - Settling Buddy Kessler's Estate
The Problem of Being Neiman-Marcus
Is It Just the Dept. Stores That Are Lagging?
Prelude to the Future
Frank W. Woolworth
It Is Hard To Tell The Difference - Between VISA and Master Charge
Are Debit Cards a Financial Time Bomb?
Porno Ads
Commercial Briberty (Pride Laboratories)

JULY 1979

F - NMRI Meets In Convention
B - A Simple Step - Toward Better Store-Vendor Relations
A - The American Dream is Alive and Well in the West
A Look At the Consumer Product Safety Commissioner
More Information on Limited Assortment Stores
Floods Happen Only In TheBible -- Or Do They?
It Is Easy To Understand Why Sears Does So Poorly
F.T.C. Action on False Comparative Advertising Claims
Crimes To Computers
Reading The Annual/Quarterly Reports
Has Federated Turned Each Division Loose?

AUGUST 1979

F - None
B - A Visit To Australia
A - Ethics In Retailing (synopsis of presentation to Australian execs)
A Look At Australian Retailers
How to Save Money and Improve Vendor Relations
Saving the United States From The FASB

SEPTEMBER 1979

F - The Journey To Work
B - Putting Your Foundation To Work
A - How Honest Should Attorney's Be?
The Problem of Explaining The Impact of Inflation
The Changing Expenditure Pattern of the Retired
Which Retailers Does The Stock Market Value Highest?
The Cars That Drive To Factory Outlet Stores
California and Gasoline
Can Department Store Groups Serve Their Mobile Customers?
So Much For Consumer Reporters on Radio Stations
Benefits From The Consumer Product Safety Comm (CPSC)
Excuses (From Jack Brandwein's FORUM)
FTC and the Retailer (Jaymar Ruby and Gant/Montgomery Ward/George's Radio and Television Co./Home Centers/ Kroger)

OCTOBER 1979

F - The Lack of Good Business Leadership-American Bankers Association Style
F - The 1980 Census
B - A Matter of Ethics
A - This Time Let's Follow Federated
Everybody Loses Sales By Cutting Inventory At Fiscal Year End
$1100 a Sq. Ft. on 421 Items
Why Do Customers Shop in a Particular Home Center?
Using Available Services To Improve Your Company
Is It Interest-free Credit?
Can Local Supermarket Chains Compete Against National Chains?
A New Way To Handle Pay Raises
High Prime - Slow Pay
Prosecuting Thieves in Retailing
Store Blindness
Dress Codes Are O.K.

NOVEMBER 1979

F - How Banks Kill Customer Confidence in EFTS
B - A Matter of Ethics (Grace Bros.plaques re objectives)
A - Is Federal Reserve Chairman Volcker Out to Kill The Free Enterprise System?
Misquoted Advice From Robert Sakowitz
Changing Household Patterns
Merrill Lynch Cheats Customers
AMFAC Plays Games With GAAP
F.T.C. Touts Catalog/Showrooms

DECEMBER 1979

F - What Happened To Sales In Your State?
F - Winning The Benefit and Losing The Country
B - The Two Faces of the NRMA
A - May You Better The World and May The World Better You in 1980
Errata and Corrections (re Nov 79 article "How Banks Kill Customer Confidence In EFTS" and Sep 79 article "Putting Your Foundation to Work")
The Missing Index
You Can Send Junk Mail - To Most People
What Are You Drinking?
Things I Never Knew About U.S. Retailing
Inovision - Trying a New "Concept" in Retailing
The Changing Pattern of Retail Expenditures
The Rights of Corporations
Retailers May Be Subject to Antitrust Triple Damage Suits
FTC and Retailers (Sears)
Commercial Bribery (Ritepoint Pens/Kingston Corp)

The Blackfeet Indian Writing Company, Inc.

General Office: 121 Spencer Place • Mamaroneck, New York 10543 • (914) 698-2022

January 23, 1979

Mr. Robert Kahn CMC
Robert Kahn and Associates
Business Counselors
P. O. Box 343
Lafayette, Ca. 94549

Dear Bob:

From the Blackfeet Indian Writing Company of Browning, Montana Tsee-Ook-Ta-See-Tuki ("thank you" in Blackfeet) for featuring us in the "Short Shorts" section of your December, 1978 Retailing Today.

We have already received several inquiries from large potential customers. Thanks again!

Warm personal regards.

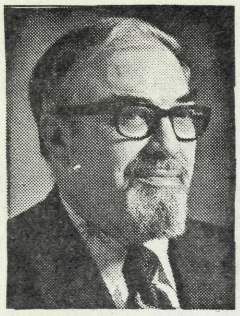
Sincerely,

Bill

William F. Meyer
Vice President of Sales

WFM:jg

Factory: Blackfeet Industrial Park • Browning, Montana 59417 • (406) 338-2921



RETAILING TODAY

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ROUTE TO

JANUARY 1979 VOL. 14, NO. 1

FORECAST

For 1978 I used the quotation from Ralph Waldo Emerson—"This time, like all times, is a very good one if we but know what to do with it."

And that is the way it will be in 1979.

Regardless of whether or not there is a recession, depression or banana (my namesake, Dr. Albert Kahn, has been under pressure from his boss, the President, not to use the word "depression" and so he refers to "banana"), many stores will continue to show improvement in sales above the inflation rate and many (not always the same stores) will show an improvement in profit.

For those who forecast doom—largely because of the length of the present recovery period—I point out two things. First, the recovery from the 1960-61 recession was longer than the current one (almost 9 years vs 4 years). Second, the record of 9 years must, like all records, eventually fall—and it might be the current recovery that will topple it.

If you think times are difficult and that they are likely to affect your profits adversely, think back to what happened during 1978. Again we go to Emerson who said, "Can anybody remember when times were not hard and money not scarce?"

RThought: Concentrate on what you do. If it pleases more customers than do the programs of your competitors, your sales and profits will increase. If you don't please more customers than your competitors do, then things will turn bad. Perhaps you can then hope for an officially declared recession/depression/banana so that you will have something to blame for your poor performance.

DO YOU USE RINGERS?

Even our finest stores have fallen into the habit of identifying as "salespeople" the people who stand around on their selling floors and interpose themselves between the customer and the cash register.

Recently RT has heard complaints against such outstanding stores (their description) as I. Magnin and Saks Fifth Avenue—complaints that people on the floor do not know their merchandise, do not know what is in stock, do not know what can be obtained and do not sell.

That last is the worst complaint of all—because these prestige stores pride themselves on providing something called service. But it is obvious that they don't provide salespeople.

RThought: RT has always liked simple, accurate descriptions. There is one for these non-salespeople—and many are on your payroll. All they do is ring up sales—sometimes without much courtesy. So why not call them what they are—RINGERS?

PORNO IN RETAIL ADVERTISING

Just as stealing credit balances was justified in each store on the basis that "all the other stores are doing it," and just as arbitrarily imposing penalties and charges on vendors has been justified on the basis that "all the other stores are doing it," so is the rising pornographic content of retailing advertising.

I have recently sent to the attention of the CEO of a major store (over $200,000,000 sales) a copy of a full page ad on the back page of the first section of a Sunday paper. It contains photographs that the same paper would not accept as advertising for X-rated movies.

I have also sent to the CEO of an even larger store a White Sale booklet which apparently depends upon photographs of foreplay, in one case stopping one frame before disrobing the female partner, in order to sell sheets and pillow cases.

RT has yet to see any study that indicates that such presentations significantly increase the sales of the advertised products although it seems fairly easy to document that such ads make advertising managers and merchandise managers feel daring and perhaps even sexually stimulated. Most intimate apparel is purchased by women who may not be motivated by ads that titillate men.

RThought: Someone has to speak out against such advertising. Just when the young people are turning back to conventional relationships—with more marriages and more of the weddings being church affairs—retailers are taking the opposite approach.

When casual sex is being replaced by contractual relationships, retail advertising encourages casual sex. Just when Playboy has taken pubic hairs off their front cover, retailers are close to including them in their ads.

In the future RT will identify the stores, the ads, the paper and the date of those ads which contribute little or nothing to the economic success of the store and much to the failure of social leadership on the part of store management.

MAINTAINING AN IMAGE

Thanks to Budd Gore (Retail Marketing Sourcebook, 5520 Burnet Road, Austin, TX 78756) and his wonderful files, I was able to read in 1979 a talk that Stanley Marcus wrote for the 1965 Retail Advertising Conference (at the last minute he was unable to appear).

The title was "Maintaining an Image Through Advertising," but the shortened version at the head of this item more aptly summarizes what he was saying.

I am sure that Budd would be happy to send you a copy of the talk–along with a sample of his newsletters–so let me just extract two small sections. First, Marcus' definition of "image":

> **"Store images aren't any more alike than people are, nor should they be alike. A good store image is an honest reflection of what the store actually is–not a phony collage put together by a publicist.** *It should accurately mirror what the store stands for in services, value, quality, assortments, taste, aggressiveness–and in citizenship.* **(emphasis added)**

> **"Many stores project a muddled image to their public because their managements don't always have a clear-cut idea of what they do stand for–or because their ideas change with the months of the year or more likely with the ups and downs of business."**

RT would add that since 1965 the lack of store image more often reflects the merry-go-round changes of management where each new CEO/GMM brings to his new position (which he will hold for a dozen or so months) what he thinks was his miracle medicine from his last position. Then he tries to apply this brand of medicine to the new patient without ever determining what, if anything, is wrong with the patient.

Marcus then ended his talk with an observation that explains why 99% of the retail stores in the United States have no image:

> **"It's not difficult to create an image–if you happen to know what you want to be. It's more difficult though to maintain an image over the years, for the image must grow and evolve as does the institution it reflects. If we have accomplished anything at Neiman-Marcus over these years, it has been, I hope, the maintenance of the objectives of the founders who wrote in the opening day's advertisement, 'We shall make it our policy to be at all times leaders in our line. With this aim always in view, exclusive lines of high-class garments have been secured, lines which have never before been offered to the buyers in Texas.' "**

RThought: Think back to the days of greatness of stores that are no longer great. Sears and their "Satisfaction Guaranteed" promise. Joske's in San Antonio and the days when their customers said, "You can find anything you want at Joske's." Penn Fruit and Food Fair when, as competitors, they brought imagination and new concepts to the emerging supermarket industry. Customers are discerning–they won't patronize you because of what you said or stood for 5 or 10 years ago; they come to you only for what you are today and if you don't know what you are or what you hope to be, why should customers care about you?

EFFECTIVE CORPORATE TAX RATES

Representative Charles A. Vanik published early in 1978 a study of the effective corporate tax rates for different types of corporations. The retail firms included in the study were:

Sears, Roebuck & Co.
Safeway Stores, Inc.
J. P. Penney Co., Inc.
S. S. Kresge Co. (now K-mart)
The Great Atlantic & Pacific Tea Co.
The Kroger Company
Federated Department Stores
Rapid-American Corp.

The effective tax rate for the various categories was as follows:

	1969	1970	1971	1972	1973	1974	1975	1976
Retailing	44.6%	40.6%	39.2%	41.5%	33.5%	33.0%	37.7%	36.9%
Industrials	n.a	n.a	n.a	29.2	24.8	24.8	24.8	18.8
Transportation	0.0	0.0	18.9	12.8	15.1	16.3	22.4	14.2
Utilities	41.7	36.2	29.3	36.5	18.0	14.1	4.8	8.3
Commercial Banks	31.7	27.4	31.4	14.4	9.6	11.7	11.2	8.0
Oil and Gas	5.8	10.1	6.1	7.9	9.6	7.6	8.9	9.3
AVERAGE	26.9	25.8	24.4	28.6	24.9	22.6	21.3	13.0

n.a = not available

RThought: Wouldn't it be wonderful to get **down** to the average? In many cases a low figure is the result of the impact of investment tax credit–which is much greater in most categories of firms than for retailers.

LAUGHING ALL THE WAY TO THE BANK

On February 27, 1969, Mangurian's, Inc., an early warehouse furniture chain (3 units in Ft. Lauderdale and 2 in Rochester, New York) went public. $3.5 million went to the selling stockholders and $1.6 million to the Company. This was a concept deal–because growth had not been unusual although profit in the year of going public was very high (partially because the Mangurians cut their very high salaries taken when they were a private company).

By the end of 1969 the stock was selling at more than 25 times earnings!

In 1970 General Portland, Inc., a cement Company, purchased Mangurians and the Mangurian family took away additional profits. But their concept stores were not destined for success under General Portland.

By September 1973 the decision was made to liquidate or sell the Mangurian operation–and provision was made for an $800,000 loss. By the end of 1973 the reserve was increased to $10,700,000 (before tax credit) and this was increased by an additional $5,800,000 in 1974. The Rochester stores were sold at a loss of more than $1 million.

But in the meantime the remaining 7 Florida stores were trimmed down so that a small operating profit resulted–but still General Portland could not find a buyer. In January 1976 the good news in a letter to shareholders was that no additional reserve was necessary for Mangurians

The 3rd Quarter 1978 report stated:

> **"When we announced our intention to get out of the furniture business back in 1973, we were hopeful that we could sell it as a going concern. It has recently become apparent, however, that Mangurian's is not going to reach levels of profitability that would make it attractive to potential buyers for some time to come.**

> **"By liquidating Mangurian's, we will free the capital and management resources that have been required to keep the retail furniture operation going."**

And then the good news–that the 3rd quarter "was one of the strongest in the cement industry's history."

RThought: What does all this show? From the Mangurian's standpoint it demonstrated that timing is everything–when they went public and when they sold to General Portland. From the General Portland standpoint it reaffirmed that the

WHAT SPECIAL EXECUTIVE ABILITY CREATES A HIGH RETURN ON EQUITY?

The two lists below are taken from the **31st Annual Report of American Industry** by FORBES (January 8, 1979). The first list is the top 20 firms taken from the Retail Distribution classification and the second list is the top 10 taken from Supermarkets.

RETAIL DISTRIBUTION

Firm	5-Year Average % Return on Equity
Service Merchandise	37.3%
Tandy Corporation	35.9
Avon Products	30.4
Petrie Stores	30.2
Wal-Mart Stores	28.3
Melville Corporation	26.4
Edison Bros.	23.8
Modern Merchandising	23.6
Longs Drug Stores	22.9
Best Products	21.7
Caldor	21.1
Pay'N Save Corporation	20.5
SCOA Industries	20.5
Jack Eckerd	19.6
Kings Department Stores	19.1
Revco D.S.	18.7
Pay Less Drug N.W.	18.7
Skaggs Companies	18.7
K-Mart	18.2
Dayton-Hudson	17.8

SUPERMARKETS

Firm	5-Year Average % Return on Equity
Niagara Frontier Services	26.9%
Dillon Companies	25.2
Albertson's	23.8
Lucky Stores	23.1
Winn-Dixie	21.6
Bruno's	21.1
Weis Markets	20.4
Circle K	17.1
Fred Meyer	16.6
Hannaford Bros.	16.0

Study the list for a moment and see if you can devine the common denominators? What is it that accounts for most of the names on this list?

Plainly and simply it is the fact that the businesses are being or until very recently have been run by the founders! Let's check the names against the firms (where it was a family effort, only the last name or names are shown):

Service Merchandise	Zimmermans
Tandy Corporation	Charles Tandy
Petrie Stores	Milton Petrie
Wal-Mart Stores	Sam Walton
Edison Brothers	Edison Brothers
Modern Merchandising	Harold Roitenberg
Longs Drug Stores	Joe Long
Best Products	Sydney Lewis
Caldor	Carl Bennett
Pay'N Save Corporation	The Beans
Jack Eckerd	Jack Eckerd
Kings Department Stores	Cohen, Candib & Kenney
Revco. D.S.	Sidney Dworkin
Pay Less Drugs Northwest	Peyton Hawes
Skaggs Companies	L. S. Skaggs
Dayton-Hudson	Bruce and Ken Dayton
Niagara Frontier Services	Armond Castellani
Dillon Companies	Ray Dillon
Albertson's	Joe Albertson
Winn-Dixie	Davises and Thomas
Bruno's	Brunos—led by Joe
Weis Markets	Sigfried Weis
Circle K	Fred T. Hervey
Fred Meyer	Fred Meyer (until he was almost 90!)

So these are the newcomers, the upstarts, the guys that started the company so they couldn't be kicked out. Just because people start companies doesn't insure that they will survive (most retailers are gone within 5 years) or that if they do survive that they will make an outstanding return on net worth. Perhaps these guys were just lucky.

What can we deduce about the remaining high-yield retailers? The list below shows the firm and the name of the person responsible for the success—and in every case they have been with their company for a long, long time—**rising to the top from within the company**, completely absorbed in the company and producing a philosophy of operation that fits the abilities and the potential of the company. They all were CEO's for a long time.

Melville Corporation	Frank Rooney
SCOA Industries	Herbert Schiff
K-Mart	Harry B. Cunningham
Lucky Stores	Wayne Fisher
Hannaford Bros.	Walter Whittier

That accounts for all of the firms except Avon Products. Founded in 1886 by D. G. McConnell, whose heirs still own a substantial part, the greatest development came under the leadership of John Ewald (CEO from 1944 to 1967 and chairman of the Executive Committee from 1968 to 1977). The company can now be considered to be professionally managed. During recent years new areas of activity have proven less profitable than the core business.

There are several things to note about these successful companies.

1. Success has not been restricted to one format. Some have stayed with a single retail concept (Wal-Mart, Longs), others have developed variations of their basic business (Albertson's and Skaggs with their joint effort, Dayton/Hudson in starting Target), and some have prospered by acquisitions (Lucky's, Dayton-Hudson, Kings, Melville).
2. Most are involved in forms of retail which do not require major investments in accounts receivable—their basic investment is in inventory, the raw material of the merchant.
3. **Not a single one is headed by a glamour executive brought in by management to save the company!**
4. Most have developed their own staff—few are involved in the game of paying increased salaries to unsuccessful executives that are about to be fired by competitve firms. The management of these firms have the knack of identifying people with ability—and then are willing to spend the time and effort to develop that ability.
5. Not a single firm changes its CEO every 3 to 5 years under pressure of internal politics.

RThought: Those firms that are playing the game of "grab a new CEO" and those executives who have a new address every 18 months are not likely to find their firm on the **Forbes** list of most profitable retailers based on the 5-year average % return on equity.

CREDIT OFFICE RATING

Credit departments appear to have been in good shape when they headed into the Christmas peak. The Honor Roll for October-November stood at 12 stores, up from 9 a year ago.

HONOR ROLL

Store	Days	Store	Days
Rubenstein's	2.0	Buffum's	4.0
Liberty House	3.0	Nan Duskin	4.0
Ivey's	3.1	Macy's	4.0
Levy Bros	3.5	I. Magnin	4.0
Gimbel's	3.6	Montgomery Ward	4.0
Oshman's	3.7	Mervyn's	4.0

CREDIT OFFICE RATING

Information From Reporters	OCT.-NOV. 1978 No. of Reports	OCT.-NOV. 1978 Days to Bill Average	OCT.-NOV. 1978 Days to Bill Range	AUG.-SEPT. 1978 No. of Reports	AUG.-SEPT. 1978 Days to Bill Average	AUG.-SEPT. 1978 Days to Bill Range
B. Altman, (NYC)	2	5.0	9-12	2	6.5	8-12
Bloomingdales, (NYC)	1	8.0	8	--	--	--
The Broadway, (LA)	1	7.0	7	1	10.0	10
Buffum's (Long Beach)	1	4.0	4	--	--	--
Bullock's, (N. Cal.)	7	7.4	5-10	8	5.8	4-8
Capwell's (N. Cal.)	4	7.2	6-8	6	7.5	6-10
Carlisles, (Ashtabula, OH)	2	6.0	6	--	--	--
Nan Duskin,(PA)	1	4.0	4	2	4.5	4-5
Emporium, (SF)	1	5.0	5	1	6.0	6
Grodins, (N. Cal.)	1	5.0	5	1	6.0	6
Gumps, (SF)	1	10.0	10	2	10.0	9-11
Liberty House, (N. Cal.)	2	3.0	2-4	1	2.0	2
Livingston Bros, (SF)	2	6.0	6	3	6.0	5-7
Lord & Taylor, (NYC)	1	5.0	5	2	4.0	4
Macy's, (N. Cal.)	4	4.0	4	5	4.0	4
I. Magnin, (SF)	2	4.0	4	3	5.0	4-7
Jordan Marsh, (Miami)	1	10.0	10	--	--	--
Mntgmy Ward, (N. Cal.)	1	4.0	4	--	--	--
Penney's, Buena Park (Cal.)	1	7.0	7	1	8.0	8
Robinson's, (LA)	1	5.0	5	--	--	--
Roos Atkins, (N. Cal.)	2	5.5	4-7	--	--	--
Sears, (PA)	1	6.0	6	1	7.0	7
Sears, (Alhambra, Cal.)	7	7.6	7-8	4	11.2	9-13
Smith's, (N. Cal.)	1	6.0	6	--	--	--
Stern Bros, (NYC)	2	7.5	7-8	--	--	--
Stwbdg & Clothier, (PA)	1	6.0	6	--	--	--
John Wanamaker, (PA)	2	6.5	6-7	2	5.0	5
Weinstock's, (Sacto., Cal.)	2	5.0	5	2	7.0	7
TOTAL	55	6.1	2-12	47	6.4	2-13

Information From Stores	OCT.-NOV. 1978 No. of Reports	OCT.-NOV. 1978 Days to Bill Average	OCT.-NOV. 1978 Days to Bill Range	AUG.-SEPT. 1978 No. of Reports	AUG.-SEPT. 1978 Days to Bill Average	AUG.-SEPT. 1978 Days to Bill Range
Gimbels, (PA)	36	3.6	3-5	36	3.6	3-5
Holman's (Pac. Grv. Cal.)	10	6.7	5-8	6	5.9	5-8
Iver's, (Cal.)	10	7.0	5-9	10	5.6	4-8
Ivey's (Carolinas)	20	3.1	1-6	20	3.3	2-5
Levy Bros, (S. Mateo, Cal.)	15	3.5	3-4	16	3.6	3-5
Mervyn's, (Cal.)	20	4.0	4	20	3.9	3-4
Oshman's, (Houston)	12	3.7	3-5	12	3.6	3-5
Ross Stores, (SF)	8	7.6	7-8	--	--	--
Rubenstein's, (Shreveport)	3	2.0	2	3	2.0	2
Wineman's (Hntgtn. Pk., Cal.)	4	8.0	5-11	3	7.6	7-9
TOTAL	138	4.0	1-11	126	3.9	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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

greener grass on the other side of the fence is usually illusory and that the admonition, "shoemaker, mind your last," is good advice.

CONCEALING INFORMATION FROM STOCKHOLDERS

Each year **Women's Wear Daily** runs a city-by-city summary of retail store results. As I read the November 28th issue, I was able to learn that Macy's New York division did about $600 million with a profit of $4 million–with the main store doing nearly $200 million.

At Abraham and Straus the volume was $456 million with the Brooklyn store doing $126.7 million while at Bloomingdale's the volume was $400 million with the main store doing $180 million.

Lord & Taylor did $310 million nationally with a profit of $25 million and the Fifth Avenue store did $61 million. Bonwit Teller did $110 million with the 4 New York stores doing $57 million. Bergdorf Goodman did $57 million with $49 million coming from New York City and $8 million from White Plains.

RThought: People in Macy's, Federated, Associated Dry Goods, Genesco and Carter-Hawley-Hale continue to leak out information to everyone–except the stockholders. All 5 of these major companies refuse to provide such information to the owners of the business. This is just another example of double-standards from the very retail executives who are concerned about the low opinion the public holds of big business and big businessmen.

BIG BUSINESS–THE SLOW PAYER

Geyer's Dealer Topics (November 1978) recently had an article by an office equipment dealer (name not disclosed) in which it was observed that during stagflation the little businesses try to continue to pay on time but the big ones take extra time and the discount.

And his bank was among the worst–"One larger bank (which should have no cash-flow problems at all) pays me about every six months. The same bank has sent me a nasty letter (computer written, of course) when it thought I had missed just one monthly loan payment. **The Bank of America, by the way, has actually put out a booklet for small business operators that lists late-paying of bills as a means of stretching the available money supply."**!! (emphasis added)

RThought: There is no doubt that Bank of America is the biggest bank. But the best . . . ? Not with that kind of recommendations

THE INVENTORY BUBBLE BURSTS AT HOUSE OF FABRICS

RT has commented several times in the past on the apparent goal of the management of the House of Fabrics to reach that retailing non-milestone–to have in inventory at the first of the year an amount equal to their expected cost of sales for the following year. In other words, they wanted to make history with a one-time stock turn!

There were many who thought that there was much slow moving merchandise that would explain the unusual turnover–or lack of turnover. One wondered whether the Bank of America would continue to finance this asset.

Thus it was a not unexpected announcement in their press release for the third quarter 1978 to learn that profits for the quarter were off by more than 70% because of, according to David Sofro, Chairman, the "increased markdowns taken in connection with the company's previously announced plan to reduce inventories and short-term bank debt." Unfortunately, no figures were given on the reduction accomplished in either inventory or bank debt.

THE PROBLEM OF THE BUSINESS PRESS

In a recent editorial in which he criticized an article on the supermarket industry in the **New York Times** Steve Weinstein of Supermarket News started with the following paragraph:

> **"There is an unwritten law in the newspaper business that one doesn't criticize another publication. This is not confined to the media. It is rare, for example, to hear a supermarket operator criticize one of his competitors publicly, although he may well come out with all kinds of calumnies, most of them scurrilous, if not libelous, in private conversation."**

Weinstein has summed up one of the major problems of the trade press–and business. If they stand for something, it isn't worth very much if they don't stand for it publicly. If it is worth standing for it is worth defending–whether by one newspaper or magazine against another–or one supermarket operation against another.

The "unwritten law" is certainly not what Thomas Jefferson had in mind when he wrote, in 1787, to Colonel Edward Carrington:

> **"The basis of our government being the opinion of the people, the very first object should be to keep that right; and were it left to me to decide whether we should have a government without newspapers, or newspapers without a government, I should not hesitate a moment to prefer the latter."**

Since so many of the trade publications are strong supporters of less government in business–it seems to RT that they have a corollary obligation to inject themselves more into business. And since so many supermarket operators have a strong objection to government regulation of market activities they should have a willingness to publicly take stronger positions in support of good conduct–and against bad conduct–in the market.

Until such time as trade publications take such a position they have no claim on being the kind of newspaper that Thomas Jefferson had in mind. And until supermarket operators (and other businesses) take such a position they hardly merit characterization as "citizens."

RThought: Weinstein's editorial is a good step in the right direction–but his criticism could have been stronger and his contra-documentation was not well developed.

CAN RETAILERS RUN THE WORLD?

RT is always amazed at how willing some retailers are to tell other industries how to run their business. For example, Women's Wear Daily recently reported on a talk given by Kenneth Kolker, Chairman of May Department Stores' buying subsidiary before the American Apparel Manufacturers' Association.

By God, old Kolker really told them how to run their business . . . . "You better be ready to understand that there probably will be smaller opening orders and greater emphasis on reorders" and that they should reduce lines and SKUs but not trim the number of salesmen who call on stores.

RThought: Does this mean that May Company will start putting arbitrary penalty charges on vendors who don't reduce the number of SKUs or who do cut the number of salesmen on the road? Retailers have used arbitrary charges and penalties for almost everything else.

RThought: If retailers are going to talk to vendors like this (vendors who have also been told that there is no retailer loyalty to any of them), RT can understand the reluctance of NRMA to be friendly with vendors and to try to work cooperatively to solve problems. It is so much simpler to send out speakers to tell vendors just how to run their business.

RThought: Remember that the greatest fools can ask questions the wisest man cannot answer—and the least experienced retailer can give simplistic answers to the most complex problems.

COMMITMENT TO SERVICE— THROUGH THE BUDDY SYSTEM

Recently I had dinner at Gulliver's in Newport Beach, a branch of a chain that describes itself as "American style Prime Rib served with English style hospitality."

Two waitresses came to our table. One made the introductions using their first names and saying, "We are your serving wenches tonight." I noticed that the second girl just stood at attention and did nothing. I asked the one serving us if this was a new waitress and the answer was that she was—this was her first day.

At Gulliver's a new waitress, no matter how experienced, spends the first week doing nothing except watching and receiving instructions on what is done and why. Perhaps on the 4th or 5th day she is allowed to serve a few customers. During the second week she is given a section that has only tables for two. She is still watched by the waitress who is responsible for instructing her.

I am certain that this is how Gulliver's can be assured that the concept of "English style hospitaltiy" is maintained. This is far more help than was given to the equally extravagantly attired young man who served me recently in the Walnut Room at Marshall Fields on State Street on his first day. He had no visible support—except me. That first day support should come from the management and not the customer.

COMMERCIAL BRIBERY

Life-Like Products of Baltimore and Rexdale (Ontario) feels they can bribe your employees for a kickback of less than 2%—were they right? Did you carry Life-Like Products in your toy department? They set forth their bribes in the sheet accompanying their price lists offered the person sending in the order for grass mats, trees, HO SCENICS, and other products for model train enthusiasts. If someone sent in an order for $3500.00 or more, Life-Like would ship a Polaroid SX-70 Camera Outfit **anywhere**; an LCD Chronograph Watch went for an order of more than $2000.00; and a Flavor Fresh Drip Coffeemaker for an order over $500.00.

RT appreciates the cooperation of retailers in providing this information for dissemination.

SHORT SHORTS

Women's Wear Daily's advertising department was going down in the gutter to compete with the photographic offerings of **Screw** magazine when they accepted the Barrie Jean Corporation full page ad for November 15th. Should a retailer accept style guidance from a purveyor of pornographic advertising? Fairchild Publications appears to be committed to do anything to make a buck these days.

Citizen-retailers should be recognized—and **Office Products** did it in their October 1978 issue with a fascinating 12 page article entitled "A Look At The Personal Side." It reports on the political and sports activities of people in their industry. Pete Craig, commercial manager for Metrolease Furniture Rentals in Raleigh, N.C. played for the Detroit Tigers and Washington Senators in 1964-1967. Laven H. Farmer, President of Hinds Business Machines in Jackson, Mississippi served as Vice Chairman of the Mississippi State Health Planning Council from 1969 to 1977. Phil Gutman of Office Interiors, Fort Wayne, Indiana, is a State Senator. Wallace E. Shafer of Shafer Office Supply in Wasco, California served on the City Council from 1974 to 1978 and was elected with the highest vote total ever recorded.

Can you top this for customer loyalty? Hardware Retailing (Nov. 1978) featured Grabill Hardware of Grabill, Indiana, including this item: "On November 22, 1976, Claud Schrock, who doubles as a volunteer fireman, answered an alarm. In a short time, he was standing amidst the ashes of what had been his store. The next morning, Schrock went back to survey the damage in the daylight. What he found were his customers. The Amish people who farm nearby and trade at Grabill Hardware had come to rebuild 'their' hardware store. With pick axes and shovels they set to work and participated in the rebuilding without pay."

Sears sells accounts receivables to confuse analysts. Sears has always had substantially more assets per billion of sales than other retailers and as a result is sometimes criticized because of its low yield on assets (some analysts and consultants consider this the most important measurement of management). But Sears doesn't have to have so much in assests—as they proved by selling $550 million (which could become $1 billion) in receivables thus accomplishing the following: (1) improving their current ratio, (2) improving yield on total assets (3) reducing debt to net worth ratio and (4) getting a lower interest cost without having to carry a compensating balance or pay a fee for a standby line against acceptance notes. Which all proves that ratios alone are worthless—if you don't understand the facts behind the figures.

The Levitz warehouse furniture success story—their greatest success is coming by not being a warehouse operation. For example, the local store advertised "Meet Designer John Weitz—see the exciting John Weitz 'Urbane'® Collection of Living Room Furniture exclusively at Levitz." One would expect such an ad from a full service store rather than Levitz.

WORDS TO LIVE BY

RT seldom identifies a reader without his knowledge—but a recent issue of STORES contains a quotation from an RT reader that expresses some rare thoughts—but thoughts that should be expressed more often. In STORES' "After Hours" section the subject was where and how to spend a Happy New Year.

> *Bob Hoy, President, Lord Jeff:* **"I've never taken a drink in my life. Now, nobody is going to believe that, but it's true. I like to spend New Year's Eve at home with the kids."**
>
> **With children ranging in age from 26 to 9, Hoy has plenty of company. His secretary adds, by the way, that he has never smoked a cigarette, either.**

RThought: Now I know why I liked Bob so much when I appeared on a panel with him some years ago before the Menswear Retailers of America.

Request sent to:

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File w/ RT

REQUEST FOR PERMISSION TO REPRINT ILLUSTRATIONS (ARTWORK, TABLES, ETC.)

I am preparing a college textbook entitled Retail management to be published by Lone Star Publishers, Inc., Austin Texas in 1981. I would like to include the material specified below.

Case adapted from January 1979 Retailing Today

File

May I please have your permission to include the material in my book and in future revisions and editions thereof for distribution throughout the world in all languages? These rights in no way restrict republication of your material in any other form by you or others authorized by you. If you do not control these rights in their entirety, would you please let me know where else to write?

I plan to use the following credit line, unless you specify another form:

The following is adapted from Robert Kahn, CMC, Retailing Today, 1979.

I would appreciate your consent to this request at your earliest convenience. A release form is given below, and a copy of this request is enclosed for your files.

Roger Dickinson
Author's signature

Dec 8 1980
Date

I (~~WE~~) grant permission for use of the material requested above.

Date

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ROUTE TO

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DECEPTIVE AND MISLEADING LEGISLATION

If Congress was subject to the Federal Trade Act, the FTC would be requiring Congress to run corrective advertising–probably direct mail to all the companies subject to the S.E.C.

The Foreign Corrupt Practices Act of 1977 would appear to apply to that limited number of companies that have been involved with corruption in sales solicitation from foreign countries, particularly foreign governments.

The major change affects every publicly owned company–all the companies subject to the Securities and Exchange Commission. The act is an amendment to the Securities Exchange Act of 1934–not to the criminal code. It provides under amended Section 102:

> **"(2) every issuer which has a class of securities registered pursuant to section 12 . . . and every issuer which is required to file reports pursuant to section 15(d) . . . shall–**
>
> **(A) make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; and**
>
> **(B) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that–**
>
> **(i) transactions are executed in accordance with managements general or specific authorization;**
>
> **(ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets;**
>
> **(iii) access to assets is permitted only in accordance with mangement's general or specific authorization; and**
>
> **(iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences."**

This obligation is imposed on the little publicly held companies such as Buning the Florist, Inc. which does about $5 million through owned and franchised florist shops in Florida, New York and Georgia as well as Sears, K-Mart and Penney.

Unfortunately none of the wonderful phrases are defined.

What is "resonable detail?"

When do records "accurately and fairly reflect" transactions?

When are transactions "executed in accordance with management's general or specific authorization?"

When is access "only in accordance with management's general or specific authorization?"

IS THERE A RESERVED SPOT IN HELL FOR YOU?

Today retailers are facing great moral issues in their everyday operations. They are constantly faced with opportunities for short-term profits by following illegal or immoral practices.

Some underreport their property values for property taxes or their income for income taxes. Others combine with fellow merchants in restraint of trade. Merchants prepare ads with untrue savings and product claims. Credit managers transfer customer's credit balances into store income. Advertising managers appeal to the purient interests rather than the needs of customers and accept trips and entertainment by media representatives.

Personnel offices make little or no effort to get final pay checks to the same employees that the credit department is dunning. Store managers deny refunds to customers when the store promises "Satisfaction Guaranteed or Your Money Back." Executives fail to clean up conditions in food warehouses even when brought to their attention. Management saves money by maintaining unsafe work conditions. Food with contaminants is knowingly sold to customers.

Much of this is done with the knowledge of supervisors, executives and even top management. The reason for failing to take the correct action is that the bottom line has become all-important. You might keep in mind the observation of Dante **"The hottest places in Hell are reserved for those who in time of great moral crisis maintain their neutrality."**

Retailers have some unusual problems. If you have a higher inventory shortage than in previous years is this conclusive proof that you did not record transactions "accurately and fairly?" Does this mean that access was not "in accordance with management's . . . authorization?"

If you think you are going to get help from your outside auditor–you may be headed for a surprise. The American Institute of Certified Public Accountants has several projects underway which may end up with a statement of their position. In the meantime, accounting firms are advising their staff not to issue reports that will give you comfort by telling you that they feel your internal controls meet the criteria of the Foreign Corrupt Practice Act.

RThought: The first significant change that publicly held retail firms should consider is removing the internal auditor from supervision by the controller, treasurer or chief financial officers (customary positions on the organizational chart) and making the chief internal auditor responsible to the Audit

Committee of the Board of Directors (if you do not have an Audit Committee, you are going to need one and it should be composed of outside directors; if you don't have outside directors, you should get some).

The second step is to find out what your trade association is doing. Many are doing lobbying that should have been done when the act was being considered. Now it should be done with the SEC, seeking rulings that clearly state that theft of merchandise by customers or employees of retail stores or by representatives of vendors or transportation companies serving retail stores is beyond the control contemplated in Section 102(2). The same should be true of employee theft of cash.

The third thing would be for trade associations having a significant number of publicly owned retail companies to start a periodic newsletter reporting cases and identifying activity (rules, regulations, opinions, suits, additional legislation, etc.) relative to the Foreign Corrupt Practices Act. The newsletter should go to the person identified by each member firm as being responsible for compliance (audit committee chairman and chief internal auditor, if recommendations above are taken). This could be a time for the members of the American Federation of Retailers who have publicly owned companies (NRMA, NMRI, NACS, etc.) to work together on a single newsletter—addressing this common problem.

THE CHANGING MARKET FOR COLLEGE GRADUATES

The Monthly Labor Review (June 1978, Government Printing Office, Washington, D.C. 20402 $1.40/copy) reports on "Occupational Opportunities for College-Educated Workers, 1950-75."

The study was based on entry level jobs. Obviously this is not where people end up—but failure to get a good entry level often diverts the career of an individual and many times a lower-pay entry job may preclude later promotions.

The authors categorized jobs as higher-paying, intermediate-paying, crafts for men and clerical for women, and lower paying. The table below is a rough summary of the figures which were given separately by graduates of different ages and during different years of the decades covered.

% ENTERING OCCUPATIONAL GROUPS

	Higher Paying	Intermediate Paying	Clerical/ Crafts	Lower Paying
	Men – 4 or more years of college			
1950-60	70-80%	16-23%	3-4%	2-5%
1960-70	73-80	16-19	3	1-5
1970-75	60-65	22-24	4-7	6-17
	Women – 4 or more years of college			
1960-70	79-88%	2-6%	8-15%	2-5%
1970-75	62-71	4-14	15-21	5-10

The women's market for higher paying jobs was greatly impacted by the reduced family size **leading** to fewer school children **leading** to fewer teaching jobs.

Some of the conclusions are important:

1. College graduates will be less likely to compete for jobs formerly held by persons who attended college for a shorter period of time.
2. The number of higher paying jobs being created is declining while the number of college graduates continues to increase.
3. It is possible that the younger groups of workers will never be able to overcome the disadvantage of their less desirable entry jobs through subsequent rapid promotion.
4. Men who do not complete college will end up in blue collar jobs more often.
5. Women who do not complete college may find it increasingly difficult to get clerical jobs and increasing numbers may enter the blue collar or service fields.
6. Although college degrees will not assure as high an income as in the past, there still will be a differential. The greatest economic benefit will probably be lower unemployment rates during recessions and depressions.

RThought: Retailers have tended to avoid recruiting at colleges. Perhaps this is the time to increase recruiting. Opportunities in retailing may appear relatively much more attractive than they did some years ago. Employment in retailing is growing faster than the labor force—and students can readily appreciate the opportunties offered by retail firms that are expanding substantially faster than the economy.

$5,000 PURCHASE ON A BANK CREDIT CARD?

$5,000, even $10,000 or $20,000 purchases, may be possible soon on bank credit cards. The Federal Reserve Board has modified the three day recision rule (the cooling off period) according to **The Nilson Report** (Box 49936, Los Angeles, CA 90049 $165/yr, a publication which RT continues to recommend to all firms issuing their own credit cards).

Many people today have homes with very high market values and very low mortgages. The family that bought a $30,000 home in 1960 with a $27,000 mortgage may find itself owning a $125,000 home with a $20,000 mortgage. Under the new provision of Regulation Z they can execute a second mortgage to a bank credit card firm as security for their purchases and now have a line of credit of $50,000 or more. Such cards can be issued by banks, savings and loan associations, credit unions or finance companies.

Finance charges may be higher than bank interest rates but there are fewer fees, no prepayment penalty, and no time consuming visits to the bank on each transaction (except, of course, the first visit to establish the arrangement).

This may mean many new firms honoring bank cards. Just imagine Merrill Lynch advertising "Buy stocks today—use your Visa/Master Charge Card!" Or "Order a pool today, swim next Saturday, pay through your bank card." This also means that people may increasingly want to make major purchases such as $1,000 hi-fi sets or Betamax units or outboard motor boats with trailers on their second-mortgage based bank card rather than go through the investigation for a new limit on their Sears/Penney/Wards credit cards or establishing a conditional sales account in the ABC store.

RThought: This will become a major inducement to use bank credit cards **if** the banks recognize that the lending is secured and reflect that in a lower than 18% finance charge. One savings and loan association in California is already pushing a Visa card plan where you must maintain a $1,000 or greater savings account balance against which you get a limit of 50% of your account. The finance charge is 12% instead of the customary 18% in most states.

THE WORLD AVAILABLE THROUGH MAILING LISTS

I found American List Journal Vol XXII, Fall/Winter 1978-79, published by Dunhill Mailing Lists, fascinating reading. 36 pages of mailing lists—most available at $30 per thousand names.

ASSUMING RESPONSIBILITY FOR FINANCIAL STATEMENTS

RT has long maintained that the responsible corporate officers of publicly owned companies should indicate a more direct responsibility for published financial statements. The certificate of the independent auditor should be secondary. This position has been presented over the years in talks before accounting societies and to the retail partners/industry groups of major accounting firms as part of a discussion of the shortcoming of retail accounting and retail annual reports.

In Canada it is required that the chief executive officer and the chairman of the board or of the audit committee sign the financial statements indicating primary responsibility for the figures presented.

General Motors Corporation, as is appropriate to the largest manufacturing company in the world, is leading the way in setting forth such responsibility on the part of management of United States firms. Management of major retail firms would do well to implement similar statements in their reports for 1978. Hopefully this procedure can be undertaken voluntarily or perhaps with no more urging than a statement from the American Institute of Certified Public Accountants. Less desirable is a requirement from the Financial Accounting Standards Board.

But realistically, recognizing the posture of too many public retail companies who refuse to disclose more than the minimum required by law, the final implementation of this good idea will require orders from the Securities and Exchange Commission.

For responsible retailers who would move voluntarily, the following is the statement from the 1977 General Motors Corporation Annual Report—a statement which precedes the financials thus relegating the auditors certificate, as is appropriate, to the end of the financials.

"RESPONSIBILITIES FOR FINANCIAL STATEMENTS"

The following financial statements of General Motors Corporation and Consolidated Subsidiaries were prepared by the management which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on judgments of management.

The system of internal controls of General Motors Corporation and its subsidiaries is designed to assure that the books and records reflect the transactions of the companies and that its established policies and procedures are carefully followed. This system is augmented by written policies and guidelines, a strong program of internal audit, and the careful selection and training of qualified personnel.

Haskins & Sells, independent certified public accountants, are engaged to examine the financial statements of General Motors Corporation and its subsidiaries and issue reports thereon. Their examination is conducted in accordance with generally accepted auditing standards and includes a review of internal controls and a test of transactions. The Accountants' Report appears on page 23.

The Board of Directors, through the Audit Committee of the Board, is responsible for assuring that management fulfills its responsibilities in the preparation of the financial statements and for engaging the independent public accountants with whom the Committee reviews the scope of the audits and the accounting principles to be applied in financial reporting. The Audit Committee meets regularly (separately and jointly) with the independent public accountants, representatives of management, and the internal auditors to review the activities of each and to ensure that each is properly discharging its responsibilities. To ensure complete independence, Haskins & Sells have full and free access to meet with the Audit Committee, without management representatives present, to discuss the results of their examination and their opinions on the adequacy of internal controls and the quality of financial reporting.

/s/ T. A. Murphy, Chairman

/s/ R. B. Smith, Chief Financial Officer"

SHORT SHORTS

Charging for check cashing? If you don't, the bank will. Chase Manhattan has signed up with Telecredit and will offer a check guaranty service to their 600,000 checking account customers. But it won't be free like most other check guaranty cards—customers will be charged 50¢ per transaction which will be deducted from their checking account. When asked if the charge didn't seem high, the bank representative said that their study showed customers considered the enhanced check-cashing capability to be worth it.

RThought: The banks long ago passed their check-cashing obligation onto the retailer, particularly the food retailers. Now they have found a way to make a profit off the shirked responsibility. Perhaps retailers should consider a 49¢ check charge for customers with accounts at their store, thus saving money for Chase customers.

Could you use a Code of Practice? The International Chamber of Commerce is preparing such guides and the first two are now available—on "Direct Mail and Mail Order Sales" and on "Direct (in-House) Sales." For copies write to United States Council of the International Chamber of Commerce, 1212 Avenue of the Americas, NY NY 10036.

Women's Wear Daily is not competent to write financial headlines. In fact, they insult the intelligence of retailers, most of whom are conversant with the English language. Take the headline on September 1, 1978, "5 biggest chains' gains are slight." That may have been accurate for the Sears increase in August of 1.5% but for anyone who has worked hard to produce a sales increase it was hardly descriptive of the results at Penneys (+17%), K-Mart· (+15.8%), Wards (+13.2%) or Woolworth (+9%). The mere fact that the gains were below some of preceeding months hardly merits a description as "slight." **RThought:** One wonders about the accuracy of descriptions in other WWD articles when they do not contain sufficient factual data to permit the reader to form his own conclusion.

All-Inclusive? Allstate (Sears) has set up a joint venture with Great Universal Stores in Great Britain to sell insurance directly under the name All Counties Insurance. Much of the solicitation will be based on the direct mail lists developed by Great Universal Stores, according to Retail News Letter (International Association of Department Stores).

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HOW TO MANUFACTURE A RECESSION/DEPRESSION

The United States has suffered a great number of recessions/ depressions since the Industrial Revolution in the mid-19th Century. They have been attributed to a variety of causes ranging from monetary crises to John Wanamaker's overstock condition in 1920 (his "20% off on everything in the store" caused one of the shortest and sharpest recessions on record, a recession brought to a peak by the herd instinct of retailers who thought Wanamaker knew something they did not know).

Economists gain their clientele in the business world by raising fears of doomsday and then saying "Pay me for my advice and you will avoid the flames of Hell during the next recession." Thus they get more clients when they forecast recessions/ depressions than they do when they forecast prosperity.

Economists also understand figures–and statements like "What goes up must come down" (although this is no longer true as we throw satellites out into space forever). They also follow the theory that the longer the time since the last recession the nearer to the time for the next recession. Shortly after any recession there are a few economists who think they can bring in a lot of clients by being the first one to forecast a recession/depression. At that time (about 1976 in the present cycle) few fellow economists join them. The doomsayers get the headlines–but they correctly expect that with the continuity of good times businessmen who did not sign up, will forget their early prediciton of gloom. As other economists keep looking at the length of time since the last recession, they start to switch their predictions. Soon we find that the "concensus" forecast is for a recession. We reached that point in 1978 with the "consensus within the concensus" placing the time as the last two quarters of 1978, now pushed to the first two quarters of 1979.

But something went wrong–even though the concensus became almost unanimous. The Christmas retail sales were great. The fourth quarter of 1978 showed a high rather than a low growth in the Gross National Product. Inflation continued (largely foods, interest-related items, and import items) and unemployment continued on a level or downward trend.

With a sense of panic the economists rushed to push the recession/depression off into the 2nd and 3rd quarters of 1979.

Eventually the economists hope to frighten the entire business community into rushing for cover. All orders will be cancelled, all expansion plans put on the shelf, all new shopping centers abandoned. Then will come the recession/depression and the economists will gleefully report "See–it happened just like I said it would."

Now in early 1979 everyone is getting into the act. The Conference Board, in January, released their latest survey of business confidence which showed a 20% drop between August and November. But there was a strange feature of the report–on a very broad scale businessmen expected the economy to be in trouble in the other guy's sector, not their own.

This is confirmation that the economists are finally making headway. They are convincing businessmen that the good outlook they see for their own firm/industry is an exception. They say businessmen should trust the economists who must know more about the other industries than does one in something as isolated as homebuilding (sell all he can bring to market), electronics (planning for only a 25% increase against 30% last year) retailers (who see individual store gains continuing at a good rate). or even professional athletic teams (who boost the salaries paid and the price of tickets).

Now consultants are joining the shrill throng of doomsday forecasters (Robert Kahn and Associates remains an exception in that group) because they have learned that "Consulting is usually good during periods of poor economic performance." Like true entrepreneurs, if things aren't bad enough in the economy to bring good consulting business, consultants will help bring bad business so that they can enjoy good business.

RThought: Retailers can do their part to help avoid a recession/depression by running their businesses the way they should always run them. **Inventory should be in line with or below plan.** There is no great crime in buying 5% less than the expected sales when you have inventory equal to three month's sales. Unless retailers are qualified miracle workers (who have consistently produced 20% per year gains in like stores) they should not think that they can suddenly accomplish such growth by buying 20% more goods than they sold last year.

It is true that companies with massive volume in private label goods that must be committed a year or so in advance do have a difficult problem. But this problem applies to only a few of the major firms.

I sense that in today's retailing, with the continued proliferation of new products, wider color ranges and great size flexibility, that retail management has not found out how to integrate their available dollars for investment with their tendency to carry every possible label/style/color ("But I must have this new line even if I am over-bought because it is the hottest in the world–if we don't carry it they are going to sell ABC down the street/mall").

We all joke about the French and the Maginot Line–a perfect defense for World War I that was built for World War II and completely circumvented. Today, with computers, many retailers are developing the perfect tool to handle classification buying which might have been a good system in 1950 but does not do the job in 1979.

SHORT SHORTS

Who sells names of their customers? B.Dalton Bookseller (Dayton-Hudson) is offering the names of 300,000 readers of hard cover best sellers at $30/1000. Drawing Board, Inc., is offering 35,000 names called "affluent decision-makers" at $50/1000. King Size Company has 400,000 current buyers of big sizes, who spend an average of $5.00 per mail order purchase, available for $30/1000. If you want multi-buyers of the past 12 months it will cost $35/1000.

More women in convenience stores? That is the new goal of Southland (7-11)–through their Oregon training center. Convenience stores have long been the purveyor to men (beer, gasoline, tobacco and porno magazines), teen agers and high school students (candy, snacks, instant sandwiches). But now they are aiming at the housewife. The appeal will be the "dairy push" with periodic sales of milk and other dairy items at or near cost to woo housewives from the larger supermarkets.

Here are a few examples:

. . . Harvard Business School Alumni: all 29,641 of them. Interestingly there are now more in California (3747) than in New York (3736).

. . . Clubs and organizations: want to reach the Pythian Sisters (731 clubs) or Salvation Army Posts (1023) or Women's social college sororities (1070)?

. . . Donors: you can reach donors to animal shelters (66,920), Democratic causes (113,484), Republican National Causes (376,320) or Mid-East Refugee Relief (73,600).

. . . Want to promote a hobby shop? How about people who buy recreational vehicle kits (110,775) or Shrober organ kits (82,304) or books about horses (15,050) or racquet ball enthusiasts (28,231)?

. . . Want to promote a garden shop? How about buyers of greenhouses (28,319), mail-order plants (209,919) or floral art books (56,825)?

. . . Want to develop a golf shop? How about country club members (143,275)?

RThought: I suspect that each RT reader is listed on at least 5 to 10 of the lists available. And to think these lists are now available, in most cases, by state or ZIP code.

A CHAPTER XI FILING THAT BRINGS SAD MEMORIES

The headline said "Webb's City, Florida, in Chap. XI."

That's Doc Webb's store! That's Webb's City, The World's Most Unusual Drug Store! That's the store that first sold $1 bills for 95¢ and then sold out the remainders at 89¢! That's the store that couldn't understand how an investment banker could charge so much to sell $200,000 of preferred stock so Doc Webb got a broker's license, ran an ad in the St. Petersburg newspaper, and put a desk near each main door. He sold all the shares to his customers before the Commissioner of Corporations showed up to say you couldn't sell stock that way.

Doc Webb began his "low price" merchandising when he had a chance to buy a carload of merchandise but had to pay for it in 15 days. His little cut-rate drugstore was alongside the Seaboard and Atlantic Coast Line tracks. As soon as the car arrived he ran a full page ad at a low markup and sold all the goods before the 15 days were up. Many more carloads followed the original.

Doc Webb used to feed a large share of the retirement community with bargain breakfasts 7 days a week. They stayed to shop. He said, "You can't build a business staying in an office." But Doc Webb is gone–and now his business may be gone. It is always a sad day for retailing when a once-great store falls.

WOULD THIS CUT YOUR DATA PROCESSING COSTS?

According to **Computer Decisions** (December 1978, 50 Essex St., Rochelle Park, NJ 07662–free to qualified executives with active professional and functional responsibilities in computer use or manufacture) J. P. "Jack" Gallagher, of the Data Systems Division of A. O. Smith Corp., speaking at the Mini-Micro Computer Show in Houston, suggested that every report contain the following information:

Who authorized the report
Who receives it
How much it costs per year to prepare

Whenever the person who authorized a report changes his job or leaves the organization, all reports that he authorized are to be reviewed to see if they should be continued.

DO YOUR BUYERS/STORE MANAGERS REALLY DO COMPARISON SHOPPING?

One must wonder what buyers/department managers/store managers do about prices of competitors. A recent issue of **bait & switch** (Issue Vol. III No. 7, 532 Terminal Tower, Cleveland, OH 44113, 45¢/copy) reported a comparison shopping on smoke detectors–an item that should be price sensitive.

It seems obvious that no one is checking prices in other stores. Let's look at some figures for the major stores:

Store	Pittway First SA76RS	Water Pik MN1500	Family Guard FG777	Gillette Capt. Kelly 929
Joseph Horne	$34.95	$	$	$49.99
May Company	32.99			
Uncle Bill's	17.75		14.75	
Zayre	18.97			36.99
Higbee		24.99		
J. C. Penney		44.99		29.79
Gold Circle			23.00	

RThought: K-Mart was dismissed with the following statement:

> **"One store we called, the K-Mart at 30010 Detroit, would not give us an exact price over the phone and so is not listed. Our experience has been that merchants who will not extend the courtesy of accommodating the telephone customer usually do not have the lowest price anyway and would be a waste of shopping time."**

THE CHAINS THAT MAKE LIKE RABBITS

At the 1978 Annual Meeting of the International Council of Shopping Centers some 100 organizations were asked the number of stores they planned to open over the next 2 years. Here are the retail stores among that group:

Zales	260	Rite Aid	75
Revco Discount Drug Ctrs	230	Little Professor (books)	75
Kinney Shoes	200	Walgreen	73
Midas Auto Repairs	200	Nobil Shoes	70
TG&Y (Household Finance)	135	Pier I Imports	70
Hit or Miss (Zayre)	130	Eagle Family Discount	
Maurices	130	(Interco)	65
B. Dalton (Dayton-Hudson)	130	Swiss Colony Stores	60
		Shoe Stop	40
Walden Books (Carter-Hawley-Hale)	130	McCrory (Rapid American)	40
Fleming Foods Company	121	Murphy/Murphy's Mart	40
House of Fabrics	115	A&P	35
Pickwick International	110	Pantry Pride (Food Fair)	30
CVS (Melville)	90		
Pic-A-Dilly (Lucky Stores)	90		
Fayva (Morse)	90		
Spencer Gifts (MCA)	90		

PORNO ADS - I

Macy*s of California, SF Examiner & Chronicle, January 7, 1979, back page of magazine section. White Sale ad showing towel-wrapped female model standing before shower curtain reading "Massage Parlor" with a smaller sign "Open, Come In!!!." RT must accept that Macy*s knows where their customers come from much better than RT does and thus

Macy*s knows the kind of places that appeal to their customers. The fact that San Francisco police are trying to drive massage parlors out of business is, of course, beside the point.

PORNO ADS - II

The Emporium (San Francisco) January 7, 1979, San Francisco Chronicle/Examiner, San Jose Mercury/News, Santa Rosa Press Democrat, Salinas Californian. 24 page full-color slick booklet insert for White Sale. Models used as follows: couple in bed, no wedding or engagement ring; female under comforter with illusion of naked; male reclining with wrap-around towel; reclining nude female with towel laid over front, polishing fingernails; male and female in bathroom, each wrapped in towel, no wedding or engagement ring.

Porno Ads—RThoughts Macy's and Emporium, in cooperation with Northern California newspapers, seem to be in a race that will have no winner—but the public will be the loser. RT still feels that sex does not sell towels.

SHORT SHORTS

RT readers are in step—U.S. News & World Report (2/22/79) answers yes to editorial question "Are Ethics on the Way Back?" RT readers realized that long ago. The editorial ended with:

> **"We hope that follow-through will bring widespread adoption and observance of ethics codes, as well as heightened conscience for individuals—because we agree with Ivan Hill (note: President of American Viewpoint) that this is vital to the country in a practical and hardheaded way."**

RT appreciates the thoughtfulness of reader Lynn Casto in bringing this to our attention.

The beauty of understatement. Bank of America radio commercials advertising "T-bill" saving certificates frankly states that savings and loan associations can pay ¼% more but the speaker says she likes the convenience of Bank of America's branch locations. It concludes with this great understatement, "You know what else I like? I like the safety of California's largest financial institution." Of course, B of A is the **world's** largest private financial institution.

In 1978 they tried to get the last dollar! When I went through Denver the week before Christmas I was surprised to see May-D&F advertising "Suburban Stores Open Tonight Until 10:30." I should have been prepared for Dallas where Sanger-Harris advertised "Suburban Stores Open Till (sic) 11:00 p.m."

"I would be extremely surprised if the Age of Television is producing as many good readers and good writers as the Age of Print" said Professor Nancy Packer, director of Freshman English at Stanford University. Even professors rely unduly on electronic media—she said she had professor friends who did not subscribe to a newspaper! Today people of all ages absorb so much knowledge and information passively by watching/listening to electronic media that they fail to appreciate and are limited in their ability to use words and sentences effectively.

More on Marks and Spencer drive to "Made in Britain." The Economist reports (May 27, 1978) that though 93% of the clothes it sells are made in Britain, the fabrics are not. They are forced to get 80% of the woven fabrics from the U.S., Japan, Switzerland, Austria and West Germany because the Lancashire weaving industry has not invested in the new popular fabrics such as corduroy. M&S had to pressure suppliers to provide material for men's shirts—formerly 90% imported and now 90% locally manufactured. M&S has also had to force British suit makers to adopt mass production techniques so that they would not have to buy garments in Sweden and Italy. RT thanks Derek Knee of the International Association of Department Stores for bringing this matter to our attention.

One job of trade associations is education. The National Association of College Stores (NACS) has not only made a business out of thousands of college stores but it has also made professional managers out of the people who run the stores. Today college store managers are qualified retailers in every sense. This is largely due to the NACS Management Seminar (1 week each year for 2 years) which was started in 1948 with 25 students and which had 377 in 1977. In 1966 NACS started the Booksellers School—a 4-day course in merchandising books other than textbooks. This enrollment has risen from 46 to 416. Finally, an Advance Seminar directed at effective personnel supervision and financial planning was started in 1969 with 39 enrolled and had 99 in 1977.

Who gets refund on group life insurance policies? In those companies where the employee pays a fixed amount for group life insurance and the company pays the balance, a problem arises when the earned rebate exceeds the payment made by the Company. A recent arbitration ruling, involving a case where employees paid half (not a fixed amount), held the refund had to be split. In the case where the Company merely agrees to pay any excess, a refund apparently would be applied to the employee payments only when the refund exceeded the payment made by the Company.

WORDS TO LIVE BY

RT is indebted to Philip Rhinelander, emeritus professor of philosophy at Stanford, who offered the following statement at a seminar on ethics and professional standards sponsored by the American Society of Newspaper Editors (and to The Journal of Accountancy who included it in their publication). RT hopes that all readers will concentrate on acquiring virtues.

PERSPECTIVE ON ETHICS

The great classical philosophers considered that character was fundamental. Consequently, they stressed the importance of developing **virtues**, or dispositions of character, such as courage, temperance, wisdom. For them, rules about particular kinds of conduct were secondary and derivative.

By contrast, a legalistic approach to ethics begins with rules about particular kinds of **conduct** and makes virtues secondary. Under this sort of view, virtue tends to be reduced to obedience to moral rules.

The first approach tends to be more flexible. It puts much more weight on the judgment of the individual. It also emphasizes the need for practice and training, because acquiring a virtue is like acquiring any other skill. The legalistic approach tends in the other direction. You live by the book. This makes (theoretically) for more precision, but also for more rigidity and for a kind of delusive exactness, since (as Aristotle noted) it is virtually impossible to lay down hard and fast rules for all cases.

I prefer the older view. **I note this difference because when people rebel against the tyranny of rules, they often forget that there is an alternative.**

RETAILING TODAY

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ROUTE TO

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PORNO ADVERTISING–Two Responses

RT has received several comments about this undertaking. The range of reaction can be judged from the two items below.

A long-time reader wrote "In regard to the recent RT, Porno Ads I and Porno Ads II, I did some checking, too. Most people I spoke to didn't really take note of any 'suggestion' in ads which depicted bare flesh, etc., etc., any more than they became aroused by the new look in skin-tight one-piece bathing suits. You are probably correct in that the ads are an affront to us who were brought up in a more conservative era. Today, morals are more relaxed, lifestyles more casual, sex, while fun, is about as important as getting the car fixed as long as sex is reasonably regular. I don't think stores with their young advertising personnel or the agencies who are youth oriented are going to move away from the sexual connotation connected with products, i.e., Mrs. Olson doesn't sell as much Maxwell House (sic) coffee as she used to–the young swingers do better! Bob, you and I are getting on in years I guess–if not in years, in attitude."

The other response was a telephone call from the CEO of one of the billion-dollar-plus retailers who has never met me. He wanted to respond to two items in the February RT of which "Porno Ads" was one. He agreed completely and applauded RT's position. He said that two years ago he had taken strong steps to correct the trend toward Porno Ads within his firm and that he would again bring the matter to the attention of their divisions. No sales were lost when they stopped using explicit ads.

RThought: Robert Dewar has called on retailers to use their political power at community, state and local level to preserve the rights of business. RT would ask retailers to do as K-Mart has done (see box) and use their local leadership position to preserve the principles upon which we built our society. When one studies the fall of great societies one usually finds that the stage just prior to collapse was one of decadency.

K-MART SETS PROPER STANDARDS

RT is indebted to a long-time reader for sending the following item which appeared in the February 6, 1979 Wilmington **Evening Journal.**

K-Mart is not wild or crazy about comedian Steve Martin.

Martin's latest album, "A Wild and Crazy Guy" has been banned from the chain's 1396 U.S. stores because it contains offensive language, a company spokesman said.

"We took it out of our stores because a number of our customers complained about the language," Ann Wolff, a spokesman for the nation's No. 2 retailer, said yesterday.

RThought: This is not censorship. Let others who want to carry such albums do so. K-Mart has the right to establish their own standards for selecting merchandise to be sold in their stores under their name by their employees. The United States Supreme Court (Justic Brennan writing) in the case of **Roth v United States** 354 US 476 (1957) set forth the Court's standard for determining material to be classed as obscene and not protected by the First Amendment: "Whether to the average person, applying contemporary community standards, the dominant theme of the material taken as a whole appeals to prurient interest."

One would have to argue in court that if K-Mart, the second largest general merchandiser in the country, sold it–that it must be in accord with "contemporary community standards."

See "PORNO ADS–Two Responses" in the column to the left.

WHY EFTS IS NOT YET ACCEPTABLE TO THE PUBLIC

The following is taken from a newspaper "Action Line" report involving a major (one of 20 largest) U.S. bank.

The complaint:

> **"It started a year ago when a local store called and said a $25 charge on my Mastercharge card had been rejected. How could this be? I had credit available of $1,100, at least. I called the bank and was told I had gone over my limit recently with $1,000 in charges. I knew nothing about these charges and had never lost or loaned my card. I was upset and cut up my card and sent it in.**
>
> **A short time later the bank sent me a new card with a new number, and would you believe the same thing happened again? This time, the unauthorized charges amounted to $750. Again my card was not lost or loaned. I again turned in my card and told the bank to close my account once and for all. Instead I started receiving bills. At first the amount went up to $800, including late charges. Then credits were entered and it dropped off to about $400. I get promises from the bank but no action."**

The reply from Action Line:

> **"We are still not sure just how those mysterious charges showed up on your account but the bank has now cleared off the remainder and has closed the account. The vice president in charge of bankcards assures you that delinquencies have been removed from the records and that your credit rating has not been impaired in any way."**

RThought: If a major bank is unable to correct an error on a Mastercharge account, what makes the public think that they can or will correct a similar problem on a checking account? With a problem on a bankcard account an individual still has the ability to write checks–but once his checking account is handled in the same manner he must start pleading for welfare after just a few days.

If multi-billion dollar banks are this incompetent, what makes one think that smaller banks will be more competent?

Had this customer had the same problem with a checking account, he could have had "bounced" checks at a dozen places. It is unlikely that the holders of these checks would believe his story.

RT's advice to anyone who has a problem such as this–with a charge account or a bankcard–is to immediately check all credit agencies that might have a record to be sure that the lender (bank or store) has truly protected the individual's credit rating. RT has no confidence, in situations like this example, (regardless of the statement of the bank vice president) that this information was not automatically dumped computer-to-computer and will rest for 7 years or more as negative information in the individual's credit account. This may only become known when credit is important–such as when buying a house.

ARTHUR WOOD'S ACCEPTANCE OF THE NRMA GOLD MEDAL AWARD

Several RT readers have suggested that RT should review the acceptance speech given by Arthur M. Wood, former Chairman of the Board and Chief Executive Officer of Sears, Roebuck and Co. when he received NRMA's Gold Medal Award. RT has analyzed the speech. He starts with an adjustment of historic fact on which to build a premise for a future call to action. He traced the changes in retailing during the post World War II years and ended with a rallying call for all retailers to join in a battle to restore laissez faire economics with a government just strong enough to avoid anarchy.

In looking to the future he sees "cause for concern" because population growth is slower and labor force growth is slower without recognizing that resources may be limited. He sees cause for concern in declining metropolitan areas–without commenting on the ones where decline was hastened by the withdrawal of Sears stores.

But there is little to be gained by such an analysis. Mr. Wood did his job as he saw it when heading Sears and it was during Sears' glory years when no one thought of K-Mart or Penneys challenging Sears' position at the top of the mountain.

RThought: It would have been much better if Mr. Wood had just said "Thank You" and returned to his seat–letting each person recall the past upon which the award was based.

LIBERAL ARTS GRADUATES–REVISITED

In the July 1978 RT we headed a Short Short **"There is a small demand for liberal arts graduates,"** commenting on a summary of college recruiting goals of major corporations published in **Changing Times.** RT especially lamented the failure of retailers to seek Liberal Arts graduates.

Why is RT concerned? Because our society needs business executives with broad interests–and those executives are not likely to be the ones with undergraduate degrees in accounting or business administration. If companies hire only those college graduates who are really advanced trade school graduates, they may think they will boost their profit–but eventually their business will be destroyed.

I recall the story of the CEO of a major manufacturing company who was faced with selecting his successor. At a management meeting he handed each person–the heads of manufacturing, product development, marketing, sales, personnel, public information, government relations, corporate development and general counsel (but not the chief financial officer)–a copy of the company's annual report and asked each to analyze and comment on the financials. None could even describe the functions of the reports. This successful company had only one man of perspective–the soon-to-retire CEO–and dozens of narrow specialists.

Now let's look at the 1979 summary in the March **Changing Times.** 151 firms are listed, of which 12 were retailers (Bamberger's, Belk Stores Services, Famous-Barr, Gimbel's-Pittsburgh, Korvette's, F & R Lazarus, Merry Go Round Enterprises, G. C. Murphy, Osco Drug, Rike's, John Shillito, and Venture Stores).

17 of the 139 non-retailing companies were seeking liberal arts graduates–**but 11 of the 12 retailers were looking for such graduates.**

RThought: There is great satisfaction to RT that a top management person at each of the stores or the parent company (except for 1 store) reads RT. We would like to think that RT has played a small part in bringing about this broadening of perspective. Regardless of what brought this about, retailers should understand that their industry leads other segments of our business community in understanding this need.

THE BUSINESS ROUNDTABLE FINALLY AGREES WITH RT

It was more than 10 years ago that RT started criticizing the recording of arrest records on employment applications. At that time most personnel departments treated arrest records as evidence of a criminal act even though the arrest was not followed by a conviction or, in many cases, by a prosecution. A number of executives wrote to the effect that a person would not have been arrested if he had not done something wrong!

RT also protested the proposal of the FBI to include all arrest records of all living (and many dead) individuals in their massive, computerized, National Crime Information Center file. RT received a letter from J. Edgar Hoover taking RT to task for even criticizing the FBI–a letter that became a permanent part of my FBI file (obtained under the Freedom of Information Act)!

The January 1979 issue of **Privacy Journal** (Box 8844, Washington D.C. 20003 $49.00/year–recommended for all retailers) reports that The Business Roundtable, an association of 190 of the largest corporations, as part of their effort to implement protection of personal privacy before legislation is passed, now recommends:

> **"Employers should restrict the use of conviction records *and neither seek nor use arrest records* for the employment process, except as specifically required by law or government contract."**

RThought: If you want to be an ethical businessman, eliminate questions about arrest records in all personnel activities and do it now. If you wait until the law mandates it, you will be showing that your choice of a standard of conduct is the minimum acceptable in our society–compliance with the law.

DIRECT MAIL INDUSTRY FACES UP TO PROBLEMS

Unlike the National Retail Merchants Association that runs away from the problems of its members, the Direct Mail/Marketing Association faces up to problems that it has, according to Con$umer New$weekly (813 National Press Bldg., Washington D.C. 20045 $15.00/year).

DOES THE SHOPPER OWE THE RETAILER A LIVING?

Most customers understand that they don't **owe** the retailer anything—except a chance for the retailer to serve them. Customers will keep coming back only as long as they feel that the retailer is doing his job of providing the right merchandise at the right price at the right time at the right place. Should the retailer fail, the customer will find someone else to patronize.

Fortunately for most retailers, few customers have perfect knowledge of the market. Therefore they don't know how much better or poorer service is in another store until they go out and shop that store. This only happens when the favored retailer drops the quality of his service so far that the customer finally makes the move. Custom, lethargy, laziness—these are the qualities of customers that keep them coming to retailers long after the retailer has failed to merit the patronage.

Unfortunately, some unsuccessful retailers find it easier to blame the customer than to admit that they failed to provide a package of merchandise and service that enough customers want so as to make the business profitable.

One such retailer is Thomas E. Fraser, President of T. Edwards, a nine-store chain based in Atlanta. Chain Store Age Executive Edition (February 1979) recently had an article headed "T. Edwards: Shifting gears to speed profits." The quotes attributed to Fraser illustrated his thinking that the customers were wrong, and he is right.

Mr. Fraser said, "The stores are pretty. **I work real hard**, we should be making a ton of money." (emphasis added). Hard work is not what pays off for a retailer; providing what many customers want is what pays off. Beauty is in the eye of the beholder—and apparently the customers did not think the T. Edward stores were pretty; or perhaps they didn't want to buy the stores and found the merchandise within the stores was not appealing.

Mr. Fraser clearly explained that he couldn't have had the wrong merchandise for he said, "I have very good fashion sense." The conclusion, thus, is that his customers do not have very good fashion sense. He pardoned the customers by suggesting that modern young women may not have been ready for his totally unique merchandise mix.

In building his chain it appears that he felt that one store could serve almost any size community—he spread them from Georgia to Alabama, Texas, North Carolina, Illinois and California—with a total volume of only $5 million.

Hope springs eternal in the heart of youth and of Mr. Fraser—for he said, "Sometimes, being an innovator doesn't pay off at the bank. I feel what we're doing is just ready to break; with a few more pieces of the puzzle put in, our business is going to skyrocket."

RThought: I don't mean to pick on Mr. Fraser but if I prepared an article in which I put the expressions attributed to Mr. Fraser by Chain Store Age, you readers would say that there aren't people like that. However, my experience as a management consultant for almost 25 years confirms that there are many retailers who are unhappy because they feel that they are smarter, work harder, and run a better store than others who are more successful. It is only natural to blame the customer for not doing his part in response to such skills being offered to him.

Any person undertaking to start a retail business must understand two fundamental truths.

The first truth is that just because he risks all of his money and mortgages his house, car and kids to pay for fixtures, an opening inventory and a deposit on a lease does not mean that anyone owes him anything. All that our free enterprise system offers to entrepreneurs is the right to go broke trying to please the customers. The worst local campaign ever undertaken (and it is undertaken in thousands of communities every year) is the one that tells the customer that for some reason he or she owes some allegiance to the local merchants.

The second truth is that if you are sucessful and the customers do patronize your combination of merchandise/service/location so that you are profitable, you must continue to earn that patronage every day on every sale with every customer. If you keep it up for 20 years and find you have enough money and want to take it easy, if you like to play golf on Wednesday afternoon, if you resent the attention that your business demands—then someone will come along with a better selection of merchandise in just as good a location and with greater interest in the customer (translate that to mean better service) and will take your customers away.

That is what free enterprise is all about. We talk about government controls and creeping socialism and pretend that free enterprise doesn't exist any more. But it does. Look at the thousands of new retail businesses that are started every year. And look at the thousands that go broke each year. It is proof that free enterprise survives.

I wish Mr. Fraser well. It looks like he is now following a sound path. He has abandoned his new store openings until he has a format that produces a satisfactory profit. To reach that point he is cutting inventory levels, dropping lines that do not perform, concentrating on urban locations, trading down a bit and adding more private labels.

SHORT SHORTS

Office Products magazine passes on a way to reduce errors—duplicate them! When errors are detected in any forms—sales-checks, purchase orders, price changes, etc.—two photocopies are made of the error with one routed to the offender and the other to the offender's supervisor. The dealer who tried this said errors dropped 80% in 3 months. This proves that showing the mistake rather than describing it (plus letting the supervisor know) eliminates all misunderstanding about the nature of the error.

Convenience Store News misleads their readers through non-factual editorials. In their January 1, 1979 issue, Associate Editor David S. Chartock stated that the increase in the minimum wage from $2.65 to $2.90 "exceeds the President's proposed wage and price guidelines calling for no more than a 7% increase." Chartock failed to mention (either intentionally or because he is uninformed, either of which is inappropriate to his position) that the President exempted rates under $4.00 an hour from the 7% limitation.

CREDIT OFFICE RATING

The Honor Roll did remarkably well during the Christmas peak of December 1978 and January 1979–staying at 10 stores, only 1 less than were reported for October-November 1978. Computers are making Christmas in the credit office more pleasant.

It is interesting that Citicorp can get the Roos/Atkins bills out in 4 days (although they figure their average daily balance for finance charge purposes from the date of sale) but will not put in a lock box in California for payments, preferring to collect 18% per year on the delivery time of letters, often delayed during the winter. This just proves that what is legal is not always moral.

HONOR ROLL

Macy's New York	2.0	Oshman's	3.6
Rubenstein's	2.5	Levy Bros	4.0
Sears (California)	3.0	Hudson's Bay Co.	4.0
Ivey's	3.1	Montgomery Ward (Houston)	4.0
Gimbel's (Philadelphia)	3.5	Roos/Atkins	4.0

CREDIT OFFICE RATING

Information From Reporters	DEC 78-JAN 79 No. of Reports	Days to Bill Average	Range	OCT-NOV 78 No. of Reports	Days to Bill Average	Range
Abraham & Straus (NY)	1	7.0	7	--	--	--
B. Altman (NY)	2	6.5	6-7	2	4.0	4
Bloomingdale's (NY)	1	9.0	9	1	8.0	8
The Broadway (LA)	1	7.0	7	2	7.0	7
Bullock's (LA)	1	5.0	5	--	--	--
Bullock's (N. CA)	3	6.7	5-10	7	7.4	5-10
Cable Car Clothiers (SF)	1	15.0	15	--	--	--
Capwell's, (N. CA)	11	8.5	7-12	4	7.2	6-8
Craig's, (Houston)	1	12.0	12	--	--	--
Nan Duskin (Phila.)	1	12.0	12	1	4.0	4
Emporium (SF)	2	5.0	5	1	5.0	5
Foley's (Houston)	1	9.0	9	--	--	--
Gimbel's (Phila.)	1	3.0	3	1	3.0	3
Grodin's (N. CA)	1	6.0	6	1	5.0	5
Hudson's Bay (Calgary Ont.)	1	4.0	4	--	--	--
Joske's (Houston)	1	9.0	9	--	--	--
Livingston Bros. (SF)	2	7.0	6-8	2	6.0	6
Lord & Taylor (NY)	2	9.0	8-10	1	5.0	5
Lord & Taylor (Houston)	1	13.0	13	--	--	--
Macy's (NY)	1	2.0	2	--	--	--
Macy's (N. CA)	8	4.9	4-6	4	4.0	4
I. Magnin (SF)	4	4.3	3-6	2	4.0	4
May Co. (LA)	2	7.5	5-10	2	5.5	5-6
McCaulou's (N. CA)	1	5.0	5	--	--	--
Mntgmy Ward (N. CA)	1	8.0	8	2	4.0	4
Mntgmy Ward (Houston)	1	4.0	4	--	--	--
Morville (Phila.)	1	10.0	10	--	--	--
Roos/Atkins (NY)	1	4.0	4	2	5.5	4-7
Saks 5th Ave. (SF)	1	10.0	10	--	--	--
Sears (Alhambra)	9	9.8	6-9	7	7.6	7-8
Sears (Houston)	1	3.0	3	--	--	--
A. Sulka (NY)	1	9.0	9	--	--	--
John Wanamaker (Phila.)	1	6.0	6	2	6.5	6-7
Weinstock's (Sacramento)	2	10.5	9-12	2	5.0	5
TOTAL	70	7.2	2-15	46	6.0	3-10

Information From Stores	DEC 78-JAN 79 No. of Reports	Days to Bill Average	Range	OCT-NOV 78 No. of Reports	Days to Bill Average	Range
Carlisle's (Ashtabula)	1	9.0	9	2	6.0	6
Gimbel's (Phila.)	20	3.5	3-4	--	--	--
Holman's (Pacific Grove)	8	11.8	9-14	10	6.7	5-8
Ivers (LA)	10	11.2	6-14	10	7.0	5-9
Ivey's Carolinas	20	3.1	2-5	20	3.1	1-6
Levy Bros. (San Mateo)	16	4.0	3-6	15	3.5	3-4
Mervyn's (N. CA)	20	4.4	4-6	20	4.0	4
Oshman's (Houston)	10	3.6	3-5	12	3.7	3-5
Ross Stores (SF)	4	7.0	5-8	3	7.3	7-8
Rubenstein's (Shreveport)	6	2.5	2-3	3	2.0	2
Wineman's (Hntgton Park)	3	7.0	6-9	4	8.0	5-11
TOTAL	118	5.6	2-14	99	4.5	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 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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

At their 1978 Convention the President, Robert DeLay took members to task for failing to comply with self-regulation recommendations the Privacy Protection Study Commission had made to Congress in 1977. Those recommendations were:

a. Disclosure of whether mailing lists were rented, sold or traded.
b. If this is done, explanation of the basis on which it is done.
c. Offer customers the option to be eliminated from such lists.

DeLay reported that fewer than 175 of 1900 Association members had done this. The Association has implemented a central service–Mail Preference Service–which allows customers to contact a single source to be eliminated from all lists of all participating direct mailers (unfortunately, too few mailers are using the service). (Note: they will also help people get **on** lists.)

Without the fears that President Jim Williams of NRMA repeatedly raises, the DM/MA says to the public, "Write to Mail Preference Service, 6 East 43rd Street, NY NY 10017 to get **off** mailing lists." The association also operates **Mail Order Action Line** to help resolve problems that customers have with members–a thought that would never enter the upper echelons of NRMA. Yet the Action Line claims to get satisfactory settlement on about 80% of the one thousand or so complaints received each month. The Action Line handles both members and non-members–with non-members representing 85% of the complaints received.

RThought: NRMA may be one of the oldest and largest retail trade associations in the United States, if not the world. As with many old and large things (people and organizations) new thoughts often become suspect and quick response to changing conditions impossible.

RThought: RT is a member of the Newsletter Association of America (NAA). Just recently NAA polled all members for specific information showing (1) how often members told readers whether or not the mailing list was sold and (2) how subscribers were told that their name could be excluded from such transactions.

SEARS AS A CUSTOMER SEES IT

All retailers are capable of kidding themselves about what customers think of their store. They easily conclude that thousands love them. Too few interview an adequate sample, using the same questions, on an annual basis so as to be able to measure the changing attitude of their customers.

Lacking such surveys one might look at "Letters to the Editor" in various publications. The following letter appeared in **Business Week** for February 19th, responding to an article "Sears' strategic aboutface" that appeared on January 8th.

> **Sears: Bigger, not better**
> Your article on "Sears' strategic aboutface" ignores one major factor in this giant retailer's decline. An infectious bureaucratic syndrome is rampant at Sears. It's a "to hell with the dumb customer" attitude that many front-line sales people exhibit . . . compounded by an impenetrable maze of unresponsive management locally and in Chicago.
>
> Have you ever complained about anything at Sears? I have, and the lack of response (I got a form letter expressing regret) simply drove me–a 20-year Sears customer–to a more responsible retailer.
>
> Sears has simply lost touch. In bigness it has grown away from the precepts that gave it success–a good product sold by courteous people and backed without question by the company. In my opinion, Sears suffers from severe MBA (massive business arrogance) insensitivity. Consumers need a warm feeling toward and confidence in the stores they patronize. Sears today inspires neither.
>
> Chairman Telling would do well to look at his people before he looks at "strategies."
>
> Fred A. Gray
> Blacklick, Ohio

RThought: Mr. Gray offers invaluable free advice–"look at people before looking at strategies."

OFFERS THAT ARE EASY TO REFUSE

RT regularly discloses Commercial Bribery as it applies to retail firms. The same sort of "bribery" takes place within the newsletter field. RT, as a member of the Newsletter Association of America, is on **their** mailing list. Recently a publisher of an investment tips newsletter offered RT (and presumably every other NAA member) an offer we should not be able to refuse. If we would run their horrible type-set ad (Headline: 407% PROFIT IN ONE YEAR!) they would give us 75% of any subscription revenue that it produced for them ($25.00 for 6 months, $47.00 for 1 year). They thought they appealed to RT by reporting that one "newsletter publisher earned an extra $5,000 in 30 days." **RT assumes no liability in denying to its readers the chance to make a 407% profit in one year!**

More recently RT received an offer from someone who had never seen RT to increase our circulation by at least 35% within 4 months–for just 20% of the new revenue. Of course, they asked for $500 at the front end. Once again RT went against all logic–and threw the offer in the wastebasket.

WHEN WAS THIS SAID?

The head of the National Association of Retail Grocers of the United States (NARGUS) said "We are striving to guide, to lead and to show the way–wherein the retail grocery industry can more fully and completely discharge its responsibility in its service to the American people."

The head of the Institute of Distribution said "I cannot predict your future because I cannot predict how you will run your business nor what your immediate competitors will do. All that I can say is that the responsibility for supplying food to the American family will fall to the man or the group of men who make the most intelligent bid for that responsibility, and handle the business in such a way as to satisfy the food requirements of the American family."

"As we go to press, it is reported that the entire chain . . . has been sold to Merrill Lynch."

"Up to a few years ago the chief emphasis in retailing was in buying. It was an easy matter to persuade the average dealer to buy several months' supply of an article and even more, if ever so small a price concession could be offered. This has all changed now. Today the primary emphasis is on selling. No good retail merchandiser is disposed to buy more of an article than he thinks he can sell in about two or three weeks."

RThought: Times never change. All of the above quotes were selected (from many more like them) from a reprint of a 1928 (not a misprint) California Grocers Association weekly newsletter! 50 years have passed–and we are saying the same thing. Oh–the chain bought by Merrill Lynch was then known as the Piggly Wiggly Pacific Company, Inc., and is now known as Safeway.

WHY THE SEC ISSUES MORE REGULATIONS

It would be nice if there were fewer governmental regulations. Business would be much simpler. But in order to attain that goal business is going to have to be more careful.

The Securities and Exchange Commission and the Financial Accounting Standards Board are looking at the information disclosed—or not disclosed—in quarterly statements.

Let's take Carter Hawley Hale as an example. In a recent Quarterly report they show a condensed balance sheet for "Carter Hawley Hale Stores, Inc., and Consolidated Subsidiaries." They carefully explain the periods for which Thalhimer Brothers are included (both) and John Wanamaker (most recent). They disclose the amount by which LIFO inventory varies from FIFO.

With almost a quarter of the page blank they did not mention that the figures did not include Carter Hawley Hale Credit Corp. which, as of January 28, 1978, had liabilities of $153 million or 33% of the corporations total net worth. Hardly worth mentioning.

RThought: RT continues to press for regulations (federal if necessary) to require that retailers consolidate their finance subsidiaries so that stockholders (present and potential) can know the true extent of liabilities. This is much more important than artificially creating assets and liabilities relating to capitalized financing leases.

COMMERCIAL BRIBERY

Visible Computer Supply Corporation: If you buy from this firm you might check whoever places the order. If they are using a Chrome Cross Pen with their initials—you may have bought more than $100 in supplies; and if they are using a Sharp Pocket Calculator you may have bought $300 in supplies. These "gifts," included in the price of your merchandise, were tactfully sent to whatever address was indicated on a return card that was attached to your order. It is fortunate, perhaps, that this offer was sent to a consultant specializing in retail EDP systems who will always be sensitive when he sees this company's name.

Myron Manufacturing Corporation: Someone in your organization probably receives a catalog from Myron—as does RT. But one RT reader sent along a fancier setup showing, as part of a 1st page letter, within a presentation folder,

PROPOSAL FOR
Mr. John Jones
of
A. B. SMITH DEPT. STORE
123 Main Street
Timbucktoo EX 00089

Myron was trying to sell presentation folders and as an inducement offered a choice of "free gifts" with an order for 50 or more V.I.P. presentation folders at 88¢ each. The gifts were a 50 piece stainless steel table service, a Presto Vertical Broiler, a Puls Water Massage showerhead or a surprise gift.

SHORT SHORTS

Best annual reports of the year? Institutional Investor picked Lowe's Companies for building materials, Avon for cosmetics, and Dayton-Hudson for retailing. All three reports concentrate on providing well-organized information for shareholders rather than playing games with words, pictures and charts.

Will Federated admit they own stores: Perhaps Federated will join Allied in being proud of the stores they own. Until recently RT has never seen the Federated name appear in advertising of their local stores. In Budd Gore's Retail Marketing Sourcebook (July 14, 1978) he praised 4 help wanted ads placed by Foley's. The ads were excellent and in one of the 4 appeared the phrase "Foley's, Houston's largest department store and **a member of Federated Department Stores, Inc.**, has . . ." (emphasis added). This was certainly good to see.

Double standard in handling mailing lists? The February 1979 RT had an article "The World Available Through Mailing Lists" which cited a source for specialized lists but not an address. One RT reader, whose company would never sell their mailing list, called to get the address and telephone number so that he could consider buying some of the lists. When I asked "In other words, you won't sell your list but it is OK to buy someone else's" there was a noticeable hesitation before saying "Yes."

A way to maintain interest in profits—used by Citicorp. Citicorp sells stock to employees through payroll deduction at book value. The stock is restricted and can only be resold to the company—again at book value. This protects the employee from the vagaries of the market price (which has no relationship to book value). The gain to the employee is taxed as a capital gain, either short or long term depending on the holding. Another benefit is the elimination of brokerage and other fees that are high in relation to price when small numbers of shares are purchased.

San Francisco has a new tourist trap—Pier 39 near Fisherman's Wharf. One local wag described it as follows: "Warren Simmons has preserved Old California. N. Gray (a local mortician) couldn't have done it better. It is the Zsa Zsa Gabor of shopping centers—beautiful, lifeless and totally mercenary."

WORDS TO MANAGE BY

A few short guides have accumulated—perhaps they can all be grouped together:

Carl Shurtz said in 1859:

> **"Ideals are like stars; you will not succeed in touching them with your hands. But like the seafaring man on the desert waters, you chose them as your guides, and following them you will reach your destiny."**

Budd Gore reporting in **Pure Gore** of March 28, 1978:

> **"George Condon, columnist with the Cleveland PLAIN DEALER, once wrote, 'A desk-top which is piled high with papers, correspondence, names, notes, pencils and doohickeys is a sign, to me, of an active, throbbing, intelligence at work. It is the sign of a man who is honest, openly candid and without guile. It is the mark of a person who is still active in the lists and eager in the joust of life.' George, you couldn't have described thee and me better." (And RT is right there with George and Budd.)**

My Mother saved this "A Smile a Day" for many years:

> **"Businessmen might do well to worry more about their customers and forget their competitors. Competitors never buy anything anyway."**

Ira Corn, the founder of several businesses and CEO of one, former university professor, World champion bridge player and bridge columnist, offered these two:

> **"A man whose only tool is a hammer feels all things need pounding."**
>
> **"There is no hope for the man who is satisfied."**

B. C. Forbes offered this one years ago:

> **"What availeth it if we become so engrossed in the pursuit of business or of money for its own sake, after we have earned competency, if this pursuit unfits us for the enjoyment of the real deep, satisfying things of life, if it blinds our eyes, warps our souls and numbs our better senses and sensibilities? The be-all and end-all of life should not be simply to get rich, but to enrich the world."**

POST OFFICE BOX 149
JACKSONVILLE, FLORIDA 32201
PHONE (904)356-2451

PIGGLY WIGGLY CORPORATION EXECUTIVE OFFICES

JOHN CHINAULT, Senior Vice President

March 23, 1979

Put with March 1979 RT

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

Dear Mr. Kahn,

Request permission to quote parts of your feature report, (in the March, 1979 issue), "Does The Shopper Owe The Retailer A Living".

I am a recent new subscriber and enjoy RETAILING TODAY very much.

Thank you.

Sincerely,

PIGGLY WIGGLY CORPORATION

John C. Chinault

John C. Chinault
Senior Vice President

JCC/dea

March 26, 1979

Dear Mr. Chinault

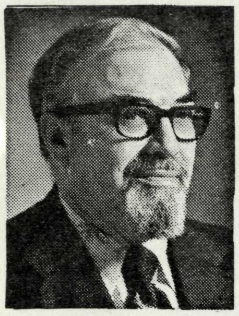
I am most happy to grant permission to quote all or part of the item above. I feel that it is a statement that must be repeated again---and again---and again.

Sincerely,

Robert Kahn

Robert Kahn

Photocopy retained



RETAILING TODAY

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ROUTE TO

APRIL 1979 VOL 14, NO. 4

RESPONSIBILITY FOR ADVERTISING

RT recently drew to the attention of a local women's apparel retailer the substance of the reaction of four RT readers to the retailer's Spring catalog. We indicated that RT was not reporting the matter because the firm was not a significant national retailer. However, we did quote the following from one writer who objected to the material:

> **And I am not a little old lady from Pasadena with outdated morals. I would expect to see the models dressed as one would dress if you were meeting someone on the street or in your own home or in their home. I would be offended if anyone came to my home dressed (or undressed) like the majority of these models. I don't think I'd even like to be confronted by them at a nightclub.**

I share the retailer's reply with you because the situation that lead to the objectionable advertising could happen in your company and the responsibility of this merchant is applicable to your business:

> **I agree with your four readers of Retailing Today and the customers who have written to me commenting on the bad taste of our Spring catalog. This is not the image we portray in our stores with our personnel, merchandise, or store personality. To be contrary with our advertising is inexcusable.**
>
> **We have a very new advertising manager who is quite competent, but, regretably, was not properly indoctrinated as to the image and personality of our stores. Unfortunately, I was not able to proof the catalog before it was mailed, but of course must take the responsibility for its publication.**
>
> **We have amends to make to our customers, and we shall do so with our Fall catalog.**
>
> **I do disagree with your terminology "porno advertising." I think it's just plain bad taste to show skin to the degree that it becomes bad fashion. I wouldn't agree with those who must think showing lingerie, bras and bikinis, as they are naturally worn, is porno or bad fashion advertising.**
>
> **Bob, I greatly appreciate your letter. This regretable incident just reinforces what I've always considered the prime ingredient of retailing—your customer is your boss.**

SMALL POINTS ABOUT AMERICAN BUSINESS

RT is always concerned about the image of American business—and of how corporations operate. An incorrect view develops because so few people challenge the usual portrayal in books/movies/TV series.

Recently I attended an audit committee meeting of a medium size manufacturing corporation (about $20 million) at which 10 people were present. These were directors, counsel, representatives of the accounting firm and the financial executives of the parent and subsidiary corporations.

A few statistics on that meeting might be used to refute the usual portrayal of corporations and executives. 8 of the 10 (all men) wore wedding rings (all are married). None of them smoked. Not a single word of profanity was uttered during the 2-1/2 hour meeting.

RThought: If someone used this group as the basis for a movie/TV series it would be rated GG (Goody-Goody) and no one would attend/watch. Perhaps it is still the case that the truth is stranger than fiction.

SEARS AND SATISFACTION GUARANTEED

RT has long been concerned about Sears Roebuck's inability to make "Satisfaction Guaranteed or Your Money Back" a continuing part of advertising in all regions of Sears. (Of late, there has been improvement.) It seems to be a local option—some divisions use it and some do not. **Mail order always uses it**—perhaps because mail order is still heavily dominated by old-time Sears people.

In the Fall of 1978 Sears, along with many other retailers, found that garments supposed to be filled with down were actually filled with something else. Sears withdrew all their products and relabelled them. But curing the system called for even more action—a recall.

In January, Sears ran a 2-column 6-inch ad in many papers around the country, the last paragraph of which read:

> If you purchased a Sears down-filled product this Fall prior to November 21, 1978 (Note: the day the products were removed from sale—Ed.), and you are not satisfied with it, you may return it to your local Sears retail or catalog selling unit for a full refund under our "Satisfaction Guaranteed or Your Money Back" policy.

Six RT readers called this ad to our attention or sent in copies! This demonstrates that others in the industry are fully aware of Sear's weakness—a weakness that must be corrected in both presentation (advertising) and practice (proper adjustments within the stores) if Sears is to remain the world leader of retailers.

ECONOMISTS AND FORECASTERS AS SEEN BY AN EXPERT

When Gardner Ackley, former Chairman of the Council of Economic Advisers, appeared before the Committee on the Budget in the House of Representatives, he expressed his view on economic forecasting as follows:

> **One primary concern of the committee is obviously the outlook for the economy over the next four to six months. While I once followed relevant monthly and weekly data in detail, and made elaborate forecasts each quarter, I found that others were doing that**

as well as or better than I was, and concluded that my marginal social product must be higher in other activities, so I can only give you my hunches about the outlook. *And I advise you not to pay too much attention either to my hunches, or to the forecasts of so many others who regularly forecast by hunch, imagination, or idealogical conviction–and whose pronouncements often receive inordinate attention from the press, political opportunists, financial analysts, and market tipsters.* **(Emphasis added).**

RThought: Mr. Ackley certainly told us whose "forecasts" we should disregard. His silence on whose forecasts he will accept reinforces RT's belief that most businesses should disregard the attempt of the American press to drive the economy into a recession. After all, just a small part of the press got the United States into the Spanish-American War; I guess they figure if they all get together they should be able to get us into another 1929-type Depression.

THE PERIPETETIC EDITOR

While on a trip to Chicago I had a chance to wander through several of the State Street Stores.

Carson Pirie Scott has a sign at one entrance that offers interpreters in 10 languages–but not Arabic or Hebrew.

Marshall Field has closed off the rotunda–just to get a bit more wall space on the upper floors. I suspect that Marshall Field's is where John Portman, the architect, got his idea for the Hyatt Regency in Atlanta. If Marshall Field didn't want to use the idea anymore, then someone else should.

There is a great question in my mind–does every housewares department have to look like Macy's basement? The copy-cats are just proving that the high salaried retail executives really don't have much creativity of their own. They keep building departments and stores that look like all the other stores.

WILL YOU PARDON A BIT OF REMINISCING?

This year marks the 100th Anniversary of the opening of a store in Oakland by my Great Grandfather, Israel Kahn. Recently, as custodian of the family archives, I was going through a batch of clippings given me by my late aunt, my Father's sister.

I now think I come by my concern about ethics in retailing and consideration for the customer by inheritance and family exposure.

On September 30, 1908, the Oakland ENQUIRER ran an editorial, part of which is quoted below:

AN ADVERTISEMENT WORTH READING

An example of business amenity, as rare as it is refreshing is the advertisement of Kahn Brothers, dry goods merchants of this city, which appeared in yesterday's Enquirer, in which they complimented Taft & Pennoyer, another firm in the same line of business, upon the completion of their new store.

This paragraph from the advertisement is worthy of reproduction: "We sincerely congratulate Taft & Pennoyer on their new store, one of the handsomest on the coast. They are good citizens, splendid merchants, honorable competitors, and they richly deserve the success that has come to them."

This is an expression of the broad-minded public spirit which characterizes men of large affairs, and it is an encouraging sign to see it mainifested by merchants in Oakland.

This ad, cited in the editorial, listed all of the dry goods merchants in Oakland in 1879 of which only Taft & Pennoyer and Kahn Brothers survived to 1908. (Note: Taft & Pennoyer merged with Capwell's which is now part of Carter Hawley Hale and Kahn Brothers is Liberty House and part of AMFAC.)

When Kahn Bros. moved into a new building in October 189[?] the simple box read:

> **KAHN BROS.**
>
> *Without music*
> *Without souvenirs*
> *Without floral decorations*
>
> **KAHN BROS.**
>
> Enter upon their new era
> **SATURDAY MORNING**
> At Nine O'Clock
>
> **KAHN BROS.**

When the building now occupied by Liberty House was opened in July 1913, the ad contained the following:

Courteous Service The Kahn Policy Always

Not merely superficial courtesy, but a courtesy that aims to establish cordial relations between the house and its patrons. Such courtesy must be attentive and sincere. It must perform a duty gladly. It must right a wrong at once and rectify mistakes gratefully. It must spare no pains or trouble to give satisfaction. It must be alert in making rough places smooth and in solving customers' perplexities. The Kahn service must be all these things, and more to fulfill our critical requirements.

Israel, Solomon, Henry, Fred and Irving–the three generations that ran Kahn's in Oakland–were always proud of their fellow merchants who got their start at Kahn's. It was their custom, each time a new store was opened by a former buyer or manager from Kahn's, to run a large welcoming ad. In the ad Kahn's listed, for the benefit of Oakland, the names of all the other Oakland merchants who had gotten their start at Kahn's.

There was a sign in the office of a contemporary of my Father, Sherwood Swan: "There is only one way you build a business. First you build the people and then the people build the business. There is no other way."

There was one more clipping from the 1913 opening that clearly illustrates the relationship that existed then between merchant and customer. It was a picture of Mrs. Zeno Mauvais making the first purchase at the grand opening of 1913. Why was Mrs. Mauvais so important? Because Mrs. Mauvais had been Israel Kahn's first customer in 1879 at 12th and Broadway, some 34 years earlier.

She was also the first customer at each location as the store grew and prospered–1003 Broadway, 1105 Broadway and 12th and Washington Streets.

I hope I have not imposed upon you with this bit of reminiscing–I promise not to do this much of it again until the year 2079.

REMOTE DISBURSEMENT ACCOUNTS CLOSED BY THE FEDERAL RESERVE BOARD

Retailers have been as active as any other business in seeking out small banks in Alturas County in California or the remote sections of Arkansas against which to draw their checks. On any given day there are billions of dollars being slowly transferred by the United States Postal Service to remote banks where, as they arrive, the bank draws a Depository

WHY DOES MANAGEMENT ALLOW INCOMPETENTS TO HANDLE COMPLAINTS?

In travels around the country I always read the Action Line columns. Typical of what I find is the following from **The Dallas Morning News** on Friday, March 9, 1979:

> **Last April a purchase made by another customer, whose account number differed from mine by two digits, appeared on my Neiman-Marcus bill. Although I have called numerous times I have not been able to get the erroneous charge taken off my account. Last month a man in Neiman's credit department promised to take care of it, but my next bill not only still had the unauthorized charge but also failed to credit my account with a payment I made two months ago for merchandise I did buy.**

RT knows that Nieman-Marcus doesn't want to give this kind of service. N-M grew and prospered by showing concern about customers–by inundating them with good service.

When the Action column called (and it obviously got attention) the result was that they removed the erroneous charge **twice** and credited the missing payment **twice**! It took another call from the newspaper to get the account corrected–and then the customer was afraid to charge for three months to be sure that new mistakes didn't show up.

RThought: There was a day when larger stores had a "Complaint Department." The window was clearly marked and the customer could come to it. If the customer called in (and in those ancient days many customers who had good accounts did not have telephones), they were connected with the Complaint Department.

Who manned (or womaned) the complaint department? The best and most experienced clerk in the office. This was a job that people were promoted to–and got extra pay for filling. Today the person on the complaint desk would be called a "customer's advocate" or even an "ombudsman." They prided themselves on clearly understanding the customer's problem, applying their knowledge of the store system to that problem, resolving the problem, advising the customer of the action taken–AND KEEPING THE PERSON AS A CUSTOMER.

What happens today? Anyone answers the telephone–often the least experienced person in the store. There is no such thing as a complaint office or complaint desk. There are no special instructions about who shall handle complaints. The senior people don't want to be interrupted by customers. The person who answers the phone may be new, untrained, a short-hour person, or even a Kelly Girl.

The story of this disdain for the customer travels to many places.

People tell their friends about their problem with your store. People write to Action Line columns in newspapers or consumer reporters at radio or TV stations. These consumer advocates properly disclose the name of the offending retailer so that other customers can be alerted about the way your store handles your customers.

Your policy should be a simple one. The best person in the department handles complaints. If someone else happens to receive the complaint they are to record it and bring it to the attention of the responsible person in the shortest possible time. The responsible person is to resolve the problem, report back to the customer, record the action taken, and follow up with the customer after an appropriate interval.

The cheapest thing for a retailer to do is to keep an existing customer; the most expensive thing is to try to attract a new customer. It is appropriate to reprint an item that United Parcel Service ran in **Pickup** years ago. UPS found it in a publication called **Be a Friendly Floridian.**

Remember Me?

I'm the fellow who goes into a restaurant and patiently waits while the waitresses finish their visiting before taking my order.

I'm the fellow who goes into a department store and stands quietly while the sales clerks finish their little chit-chat.

I'm the fellow who drives into a service station and never blows his horn but lets the attendant take his sweet time.

You might say I'm the good guy–But do you know who else I am? I'm the fellow who never comes back.

It amuses me to see business spending so much money each year to get me back when I was there in the first place! All they really needed to do was give me some service and extend a little courtesy and I would have still been their customer.

SHORT SHORTS

What would happen if we had a depression and everyone forgot to stop spending? That is what is happening in Southern California–and other parts of the country. The value of January 1979 building permits–which portend future construction–were up instead of down in the three largest counties in Southern California. And the increase was more than nominal and more than inflation. Los Angeles County was up 27%, San Diego County up 47% and Orange County up a fantastic 63%. Just think of all the kids living in Southern California who will have to ask their parents "Daddy, what's a depression?"

A Roman General explained why Bonwit Teller (and others) lost money. In the year 210 BC Patrinius Arbiter said, **"We trained hard . . . but it seemed that every time we were beginning to form up into teams, we would be reorganized. I was to learn later in life that we tend to meet any new situation by reorganizing; and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralization."** I must admit that I found this gem in a talk given by Sue Brock, President of California Children's Lobby as part of an argument against another reorganization of child care activities in California government. But I am sure she would want you to use the argument against reorganizing your own business too often.

The times and the President punish small retailers. Inflation has combined with high employment while the President has superimposed wage guidelines that are unrealistically low. Though the small retailer is exempt from the 7% guideline for employees paid less than $4.00 an hour, and so may be able to retain his salespeople and clericals, his department managers and buyers who are above $4.00 can only be given 7% increases. This will bring them to a level well below the standards at most rapidly growing chains and department stores. Thus his key employees will become targets for the higher paying companies.

TROUBLE AT BULLOCK'S NORTH

The Credit Billing Division of the Truth-in-Lending Law says in Section 164:

> **Prompt Crediting of Payments**
>
> Payment's received from an obligor under an open end consumer credit plan by the creditor shall be posted promptly to the obligor's account as specified in regulations of the Board. Such regulations shall prevent a finance charge from being imposed on any obligor if the creditor has received the obligor's payment in readily identifiable form in the amount, manner, location, and time indicated by the creditor to avoid the imposition thereof.

There is a valid reason for this provision. Unscrupulous credit grantors could defer crediting payments so as to increase their revenue from finance charges. This is especially true if a grantor delays crediting a payment-in-full until after the cycle closing date. But it will always increase revenues for the many retail stores that compute their finance charge on the average daily balance.

On Friday, March 9, 1979, my son was embarrassed when he tendered my credit card at a Bullock's North store. He was advised that the account was delinquent and that no charge could be made. When he told me about it I explained that I had failed to pay the previous month but that a check for the full amount (the account is not a revolving account—Bullock's still offers 30-day accounts) had been mailed on Monday, March 5, 1979.

I received my Bullock's statement dated March 14, 1979 indicating that the payment had been recorded (no date is shown) so I waited for my cancelled check to determine actual date of deposit.

The check indicated that the deposit was made on March 14th—the last day in the cycle and some 9 days following mailing. I noted that I mailed checks to a number of stores on the same day—all of which were deposited much sooner. Thinking that the problem might have been in the mail service I checked back on other months when the Bullock's check was mailed at the same time as other stores. I soon developed the following very interesting information:

Store	City	Check Date	First Endorsement Date	No. of Days
BULLOCK'S NORTH (1)	Palo Alto, CA	3/5/79	3/14/79	9
Mervyn's (2)	Hayward, CA	3/5/79	3/7/79	2
Macy's	S.F., CA	3/5/79	3/7/79	2
I. Magnin's (1)	S.F., CA	3/5/79	3/8/79	3
Capwell's (3)	Oakland, CA	3/5/79	3/8/79	3
Sears	L.A., CA	3/5/79	3/9/79	4
CNA Insurance	Chicago, IL	3/5/79	3/10/79	5
BULLOCK'S NORTH (1)	Palo Alto, CA	11/13/78	11/27/78	14
Mervyn's (2)	Hayward, CA	11/13/78	11/14/78	1
Macy's	S.F., CA	11/13/78	11/15/78	2
I. Magnin's (1)	S.F., CA	11/13/78	11/15/78	2
Shreve's (2)	S.F., CA	11/13/78	11/15/78	2
Reserve Officers Association	Ds. Mns., IA	11/13/78	11/16/78	3
Star Drug Store	Sn. Antn., TX	11/13/78	11/17/78	4
Veteran's Admin.	Minn., MN	11/13/78	11/21/78	8
BULLOCK'S NORTH (1)	Palo Alto, CA	9/7/78	9/20/78	13
Mervyn's (2)	Hayward, CA	9/7/78	9/11/78	4
Pacific Telephone	Oakland, CA	9/7/78	9/12/78	5
Macy's	S.F., CA	9/7/78	9/12/78	5
California State Auto Association	S.F., CA	9/7/78	9/13/78	6
National Home Life	Phila., PA	9/7/78	9/14/78	7
Star Drug Store	Sn. Antn., TX	9/7/78	9/15/78	8

(1) Division of Federated Dept. Stores
(2) Division of Dayton-Hudson
(3) Division of Carter Hawley Hale

RThought: The evidence appears overwhelming that Bullock's is in violation of Section 164 of Truth-in-Lending. It is beyond all probability that three different times (the three **consecutive** test groups) the post office mishandled Bullock's envelope but none of the other envelopes deposited simultaneously.

There are two possible explanations for the problem existing with Bullock's North—either the credit department is grossly incompetent or the delay is a matter of policy. Neither is acceptable under the law. Neither should be acceptable to the management of Federated Department Stores—an organization that professes to high technical and ethical standards.

Federated Department Stores has published a booklet entitled "A Code of Good Business Conduct." In the preface there is the statement "Federated as a company is totally committed to ethical and legal behavior in every aspect of its business at every level of the organization." One would assume that this includes the credit department at Bullock's North.

In speaking of their obligation to their Customers, Federated says "We are dedicated to providing our customers with fair and efficient service which will be reflected in the way we handle all our transactions with them."

Despite some horrible grammar in the Federated Booklet (which would have rated about a "D" in English composition in my day) the results at Bullock's North indicate the message has not reached them.

In fairness, RT should point to the good performance of I. Magnin's, another Federated Division.

RThought: RT knows of no store that schedules internal audit to check compliance with Section 164. It may be necessary for RT to ask Credit Office reporters to document the mailing date of their checks and the date deposited by the store to determine how widespread this situation is.

Transfer Check against the hometown bank that actually holds the corporation's funds. This takes an additional day or so to clear.

During this artifically created time delay the store (or other business) has, in theory, invested the funds in interest bearing accounts or borrowed less resulting in lower interest costs. In fact, the store may have combined remote disbursement banking with anticipated sales deposits—a process whereby a chain of stores with local depositories convenient to each branch anticipates the sales (sometimes 4 days over a long weekend) by depositing on Friday in the main bank a series of checks drawn in an amount equal to the anticipated Friday, Saturday, Sunday and Monday sales, counting on the store deposits being made on Tuesday when the Friday check will arrive at the remote bank serving the branch.

The major banks in the United States have assured their customers that this process is entirely legal—and retailers, with normal greed, and wanting to believe that it is legal, did little checking. Major banks hoped to get the "home town" account of the retailer by showing him the bank furthest away (in transit time) from the vendors who will receive the checks. In many cases retailers used West Coast banks to pay eastern customers and East Coast banks to pay western customers.

Corporations that used this method closed their eyes to the problem that this procedure caused many small businesses that received such checks because the vendor's bank might not allow checks to be drawn against the uncollected funds represented by the retailers remote check.

Let's illustrate an extreme case, using the March calendar as an example.

Retailer X in Western U.S. has invoices payable with a cash discount as of the 10th of March.

1. Check is drawn on March 12th (Monday after the 10th) and mailed just prior to midnight with a postage meter date imprint—but really going out on the 13th. Checks for Western payables are drawn on a remote bank in Arkansas and Eastern payables are drawn on remote Oregon bank.
2. Checks arrive at vendor on Friday the 16th and are not processed and deposited at the vendor's bank until Monday the 19th.
3. Checks are returned to remote disbursement banks by Friday morning, the 23rd, at which time the remote bank draws Depository Transfer Check (drawn by remote bank on Retailer X's Home Town Bank) and this arrives at the Home Town Bank on March 27th at which time the check is covered by checks drawn on remote branch store banks anticipating the sales for March 28th and March 29th (hoping the branch stores do not burn down).

The net effect of this series of transactions is the prompt and discount payment of an invoice due March 10th from proceeds of sales that take place on March 28th and 29th—some 2-1/2 weeks later!

All this may change now that the staff of the Federal Reserve Bank has completed their study of this process and have reached the following conclusions:

1. Remote disbursement unnecessarily delays payment to check recipients who rarely are able to determine the manner in which payments are made to them.
2. Remote disbursement has undermined efforts by the banking industry and the Federal Reserve to improve the speed and efficiency of the check clearing system.
3. Certain types of remote disbursement arrangements may affect the safety and soundness of the banks offering such arrangements.

The Federal Reserve System proposes to deal with this situation by taking the following action:

1. Making direct contact with the chief executive officers of banks known to be offering remote disbursement services asking their cooperation to eliminate this practice.
2. Bank examiners will continue to review settlement procedures between banks and their customers.
3. To assist the vendor's bank which received these remote checks, the Federal Reserve will offer later deposit deadlines for pre-sorted checks so that travel time between banks is reduced.
4. Study possible regulatory or legislative action which will classify remote disbursements as an unfair banking and business practice, change the credit availability schedule for remotely disbursed checks or require final settlement for payments within normal collection times including limitations on the use of depository transfer checks.

RThought: RT has watched this situation develop over the years. Years ago, daring treasurers put all their funds in the call-money market over the weekend so that it could earn interest at the wonderful rate of 2% or 3% per annum. Soon the situation became competitive as people concentrated on building up the amount of cash that was available for such manipulation. And then the banks made speakers available at conventions telling retailers (and others) how to operate this rip-off.

It seems to me that many of the people who took in all these instructions on how to rip-off the banking system and then rushed home to install the system are the same people who protested so vehemently when Jerry Rubin's book on how to rip-off the retailer was a best-seller among the counter culture sects and shoplifters. The solution sought against Jerry Rubin was censorship (banning such books); the solution against remote disbursement will be regulation or legislation, none of which will call for abandoning the First Amendment.

RThought: Retailers might contemplate the impact of EFTS on this game.

SHOULD CREDIT STATEMENTS BE SENT IN ENVELOPES WITH PREPRINTED POSTAGE INDICIA?

RT recently observed a statement envelope with pre-printed 13¢ postage for pre-sorted first class mail. The post office has increased the promotion of pre-sort first class mail.

But retailers may overlook the provision of the Fair Credit Billing Act which reads:

> "If an open end consumer credit plan provides a time period within which an obligor may repay any portion of the credit extended without incurring an additional finance charge, such additional finance charge may not be imposed with respect to such portion of the credit extended for the billing cycle of which such period is a part unless a statement which includes the amount upon which the finance charge for that period is based **was mailed at least 14 days prior to the date specified in the statement by which payment must be made** in order to avoid imposition of that finance charge." (emphasis added)

Although there may be errors in the postage meter date, it is some evidence of the date of mailing. Post offices, under Section 144.534 of the Postal Service Manual are supposed to check metered mail for the correct date (mail deposited after the last pickup will be considered timely the next day). If the wrong date is shown, the meter mail will be run through a cancellation machine and the mailer will be notified on Form 3749. If the error repeats, the postmaster will notify the head of the firm; and if this is disregarded, the postmaster may refuse to accept the mail, or, if accepted, may return it for new envelopes bearing the correct date.

All of this protects the retailer in establishing the fact that the statements were mailed on the date shown on the postage meter. In view of the preciseness of the provision of the Fair Credit Billing Act—and the continuing number of major stores that periodically get close to the 14 day limit—one would think that the benefit of a postage meter date would not be given up too quickly.

SHORT SHORTS

Can you get a discount on radio and TV spots? You can, according to Joe McNichols **Furniture Merchandising Newsletter** (Box 584, Palos Heights, IL 60463 $27/yr), who gave permission to reprint this item from the March 1979 issue:

> **Some readers tell us that they hold prepared 30 and 60 second TV and radio spots in readiness at all times. TV and radio stations often have voids in their schedules at the last minute and will offer cut rates to a buyer who can act fast. Electronic media sell the 24 hours of each day. Once a time slot has passed, it's gone forever. If a newspaper doesn't sell all of its space, it reduces the number of pages in the paper. If you don't ask for cut rate open space, your TV and radio stations won't know you are interested in buying last minute spots.**

Rent-a-shirt? And even rent a tie, belt and suit to go with it. Hilditch & Key on Jermyn Street in St. James's, London, was worried that 80% of their high-quality men's wear was being sold to foreign businessmen, while the British executives they served looked shabbier and shabbier. Selling the idea that it is the image that sells, H & K is persuading British businesses to buy wardrobes (they call the items "necessities") which they, in turn, lease at a nominal rate to their executives.

FEDMART moves to block allowances and rebates. Because RT is listed in the accounts payable files of computerized companies, we receive the general letters sent to all suppliers. Recently FedMart sent a letter stating "To maintain a continuing independent relationship between vendors and our buyers, FedMart requires that all remittances for allowances, discounts and rebates are mailed directly to: . . ." (the attention of the Vice President-Corporate Controller). The letter continues that they require a semi-annual report of all allowances presented directly or indirectly to FedMart and that company policy prohibits such presentations to be made to a FedMart buyer. Acknowledgement of the letter is required. **RT applauds this move.**

In case you hire an MBA from Stanford, you may have to clean up after him. Stanford may have replaced Harvard as the leading business school but Stanford students apparently are not able to throw their empty Coke and V-8 cans in the trash containers. A recent article and photograph in **The Stanford Daily** reported "litter swamps most restrooms, courtyards and student lounges" at the Graduate School of Business.

Some computers cannot tell time! Amfac's Airport Marina hotel chain uses the Datahost computer program which ties everything together. The CRT screen behind the coffee shop cashier showing the number on shift, cashier number and other information also showed the time and date. Unfortunately, at 48 minutes past midnight it was showing the previous day's date. One wonders about the internal records resulting.

No wonder FORTUNE magazine cannot find people. They recently sent one of these phony personalized computer letters that starts out "Your're hard to find, Mr. . . ." The address was to Mr. John Jones CLU, which most informed people would know was a man with a title (CLU means Certified Life Underwriter). However, this is much better than Reader's Digest did for years (I filed a letter with the post office indicating I considered their material pornographic and I no longer hear from them). They abbreviated Robert Kahn and Associates as Robert Kahn Ass and then proceeded to address me as "Dear Mr. Ass." I wrote twice but got no reply—the next time they will pay a fine. (I would appreciate it if readers would not observe that Reader's Digest might be right!).

Look who is going after the apartment dweller—through **Apartment Life**—American Express Credit Card, True Value hardware stores, Ethan Allen Galleries ("look us up in your yellow pages") and even L'eggs (pulling people into supermarkets). The only name of a conventional retailer that appears is Montgomery Ward (both store and auto club) and that is part of Timesaver's multiple credit card opening application. RT continues to suggest that retailers read Apartment Life ($7.97/yr., 1716 Locust Street, Des Moines, Iowa 50336).

There are more retail givers. RT reported in March 1978 that only three retailers were listed by Harvard Business School as matching gifts made by employees—Federated, Jewel and Winn-Dixie. The 1977-78 report shows that these firms were joined by Associated Dry Goods, Avon Products and Wickes. Other firms with a large position in retailing were Hart, Schaffner and Marx and W. R. Grace.

Did you know that layaway terms can violate Truth-in-Lending? S. Klein, Inc., of Washington, D.C. entered into a consent order whereby they will eliminate a condition of their layaway agreement that said that if the customer could not continue payments on their purchase that they forfeited all payments previously made. The new agreement will provide only for a $1.00 service charge in the event of termination. S. Klein has agreed that for all contracts cancelled since August 1, 1976 they will offer customers their choice of a cash refund or a credit for the amount forfeited less $1.00. S. Klein also agreed that future layaway contracts will contain credit cost information required by T-in-L.

WORDS TO START THE DAY BY

I am grateful to Marshall Kline, Sam Kline's son and formerly with the Kline-Kinsler Buying Office in Los Angeles, for making me aware of the writings of Ralph Waldo Trine. Here is one of my favorites.

THE FRESH BEGINNING

> **Each morning is a fresh beginning. We are, as it were, just beginning life. We have it entirely in our own hands.**
>
> **And when the morning with its fresh beginning comes, all yesterdays should be yesterdays, with which we have nothing to do. Sufficient is it to know that the way we lived our yesterday has determined for us our today.**
>
> **And, again, when the morning with its fresh beginning comes, all tomorrows should be tomorrows, with which we have nothing to do. Sufficient is it to know that the way we live our today determines our tomorrow.**
>
> **Simply the first hour of this new day, with all its richness and glory, with all its sublime and eternity—determining possibilities, and each succeeding hour as it comes—but not before it comes. This is the secret of character-building-of life here and hereafter.**

June 9, 1980

J. Carlson
1390 Normandy Dr. NE
Atlanta, GA 30306

File w/4/79

Dear J. Carlson:

I am returning your permission request to use material from the April 1979 issue of RETAILING TODAY, but I hope that you can indicate Lafayette, California, after the reference. Most publishers of magazines are far better known than my publication and should anyone want to contact me, I doubt that they could do it from the citation suggested.

I am also taking the liberty of enclosing a copy of the August 1979 issue on Ethics in Retailing as it may have some bearing on what appears to be your subject area as I would understand your title "Marketing and Society".

Sincerely,

Robert Kahn

Date: 5/24/80

Permissions Editor:

I am preparing a textbook on MARKETING AND SOCIETY

to be published by Prentice-Hall, Inc., on or about JAN. 1981

My book will make approximately 400 pages and will be

☐ case bound ________ (est. price) ☒ paper bound 12.95 (est. price)

Trade sale:

May I please have your permission to include the following:

"WHY DOES MANAGEMENT ALLOW INCOMPETENTS TO HANDLE COMPLAINTS?," RETAILING TODAY, APRIL, 1979

in my book and in future revisions and editions thereof, including

- ☒ nonexclusive distribution rights in the United States and its possessions and Canada in the English language
- ☐ nonexclusive distribution rights throughout the world in the English language
- ☐ nonexclusive world rights in all languages

These rights will in no way restrict republication of your material in any form by you or by others authorized by you. Should you not control these rights in their entirety, would you kindly let me know to whom else I must write.

Unless you indicate otherwise, I will use the following credit line:

(AS INDICATED ABOVE)

RETAILING TODAY April 1980 (Lafayettex CA).

I would greatly appreciate your consent to this request. For your convenience, a release form is provided below and a copy of this letter is enclosed for your files.

Sincerely, J. CARLSON

J Carlson

1391 NORMANDY DR. NE, ATLANTA, GEORGIA 30306 (address)

I (we) grant permission for the use requested above.

8 JUNE 1980 (date) [signature]

PUBLISHER-EDITOR

9.1-4105D

U.S.A. - Specialty shops installed in housewares departments

The review "Inside Retailing" reports that since Macy's in New York remodelled its basement to create the celebrated "Cellar", a complex of food and housewares shops, the Bloomingdales main store has carried out a similar transformation. The sixth floor of Bloomingdales has been remodelled to form a series of 18 specialty shops all selling housewares and called "The Main Course".

"Inside Retailing" recalls that this trend was in fact started by Hudson's in Detroit, which five years ago converted its conventional housewares department into a series of 18 sharply defined specialty shops catering to certain life-styles. The shops were identified as: Mug Shop, Apron Shop, Basket Shop, Glass House, Wood Utensils, Kitchen Boutique, Cutlery House, Ceramic-handled Flatware, Dansk Gourmet Shop, Spice House, Cookbook Library, Roast & Blend Coffee Shop, Tea Time Shop, Ye Olde Clock Shop, Copper Shop, "His" Cooking Corner, Chinese Kitchen and Bake Shop.

But in his bulletin "Retailing Today" Mr. Robert Kahn asks: does every housewares department have to look like Macy's basement? He suggests that retail executives keep building departments and stores that look like all the other stores because they lack creativity of their own.

Retail News Letter - Int'l Assoc of Dept Stores #248 May 1979

U.S.A. - Catalogue selling of household goods at Safeway

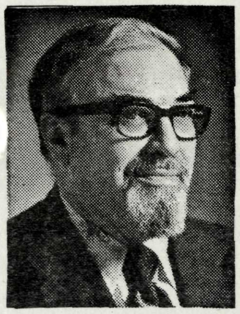
Two of the divisions of the Safeway supermarket company, the largest food retailer in the United States, have been conducting experiments with the sale of household appliances through catalogue order desks installed in the stores. The original experiment in the Los Angeles division of 178 stores was later extended to the Washington division of 165 stores.

Customers are invited to complete a form which lists 18 appliance items at a catalogue order desk in the store. The desk features illustrations of the items concerned. The articles ordered are then shipped to the supermarket from the distribution centre serving that division within a week when the customer picks them up. Items listed are changed every five or six weeks with some of the best-sellers from the previous list carried over to the new one. The appliances on sale vary in price from about 10 dollars to about 300 dollars; bank cards are accepted in payment.

RECENT PUBLICATIONS

"International Uniform Definitions for the Distributive Trade", prepared and published by the International Chamber of Commerce, 38 cours Albert 1er, 75008 Paris, France, 1979, no price quoted (in a trilingual edition - English, French and German)

A list of current definitions for use in the distributive trades to allow for international comparisons of types of establishment, outlets and selling methods. It is planned to revise and supplement this list from time to time in the future.



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ROUTE TO

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VOL. 14, NO. 5

READERS WHO ARE AFRAID TO SIGN THEIR NAME

As each subscriber knows, I recently mailed to each of you a copy of Spence Nilson's **The Nilson Report** with a cover letter explaining the circumstances. In the past I have mailed other items, such as information on The Christophers.

One reader returned the cover letter in an envelope postmarked in San Francisco but without a return address.

Following the sentence in which I said "I consider this mailing to be a communication" the unidentified person wrote the following:

> "I consider it a solicitation. For one so moral you prostitute yourself very cheaply—or were you paid? Annoyed."

RThought: First, I feel that our subscribers are responsible executives. I am surprised to find among those readers a person so insecure that he or she is afraid to place a name and address on a statement such as the one above. Perhaps this is just another sign of the weakness among some retail executives although I know that is **not** the case with most readers. Yet I see more and more people hiding behind anonymous letters or messages.

Second, it is disappointing to find that after carefully explaining how the mailing came about and that the cost—and nothing else—would be paid by Spence Nilson, that someone can consider this as prostituting myself.

Finally, if the very unhappy person who is so annoyed and frightened will just send me his name and address, I will gladly reimburse him (or his company—we record whose check we receive) for all monies paid for all past subscriptions together with 10% per annum interest on those payments and terminate their subscription.

THINGS I ALWAYS KNEW—ARE TRUE ABOUT LIMITED-ASSORTMENT STORES

Willard Bishop publishes a most interesting newsletter called Limited-Assortment Store Trends (Willard Bishop Consulting Economists, P.O. Box 32, Barrington, IL 60010 $65/yr). In addition to keeping readers posted on the number of such stores (defined as offering fewer than 1,000 grocery items and limited or no perishable products)—257 as of March 1, 1979—each issue contains a report on a special survey or study.

The March 1979 issue analysed the average transaction by the age of the shopper and by the number of people in the shopping party. The results are shown in the two tables below:

YOUR RESPONSIBILITY TO YOUTH

How many readers got their very first real job—a summer or Christmas or after school job—with a retailer? Perhaps you were a carry-out boy for the local supermarket or a temporary salesclerk during the summer vacation period.

This is how you learned what it was to hold a job. You had to be at work on time. You had to be neat and clean. You were polite to customers (and to fellow employees).

Perhaps your job was at the minimum wage—perhaps you go back to the days when it was 40¢ (25¢ in the South) as I do.

More young people were inducted into our economic system by retailers than by any other means. Few got their first job in a factory or a service industry.

By the time you graduated from high school you had one or more letters from the local supermarket or department store or apparel store saying "Mary (John) has done a good job for me over the past ______ years and I recommend her (him) to you." You now had the one thing that youth today find almost impossible to obtain—a recommendation from a prior job.

RThought: Summer is approaching. The summer program for youth under the Comprehensive Employment and Training Act will reach only a fraction of the youths who will be looking for jobs.

Can't you roll back the clock? What would happen if your supermarkets offered carryout boys just for the summer? What would happen if you took on some summer-time temporaries in selling or marking or the credit office just like you used to do?

Is it worth trying—to see if what worked one and two generations ago might work again today?

Average Transaction by Age of Shopper

Under 40	$19.45
40 and over	9.93

Average Transaction by Size of Shopping Party

1	$12.25
2	20.15
3	31.74
4 or more	41.06

RThought: If you are not running a Limited-Assortment store, and are saying to yourself "So what?," let me assure you that this does have meaning in your own business.

More than 30 years ago I conducted a study in what was then the largest men's and boys' store West of Chicago ($4½ million in 1947 dollars in one location–about $14 million in 1978 dollars). At that time the store used a tube system for all cash and charge transactions so we had a salescheck for each sale. For a period of 3 weeks these were coded to indicate whether it was a man shopping alone, a woman alone or a man and woman together.

We then computed the average salescheck on each type of shopper for each of the 10 departments in the store and in every case we got the following array:

Woman alone	smallest
Man alone	middle
Man and woman	largest

We never did fully exploit this information although we did add some additional chairs in the clothing and sportswear departments so that women could be seated while they "advised" their man on his purchases.

We never found out how to use this information (which I suggest is true today) **to bring more man-woman combinations in to shop.**

I feel very strongly that in a woman's store the average salescheck would rise from man alone, to woman alone, to man and woman together. The women's pattern is probably true for department stores while the men's pattern would likely hold true in most departments at Sears.

FAMOUS NAMES IN RETAILING

Dick England, Chairman of the Board of Hechinger's ("The world's most unusual lumber yards," which once carried Magnavox TV) is starting a collection of famous retail names. On his list so far are:

. . . a west coast retailer named Mark Downs!

. . . The vice president of sales for Easydriver ratchet tools who, appropriately, is Ted Toole

. . . The leading lumber yard in Denver owned, appropriately, by Randy Woods who advertises "When you want lumber, come to the woods!" Where else?

THE WONDERFUL WORLD OF WORDS AS USED BY BANKS

RT has been provided a copy of a letter from Wells Fargo Bank following a complaint sent to the Chairman and CEO when an error in handling a VISA account resulted in a progressively more demanding series of collection letters.

I realize that the manager of VISA collections may have some trouble in maintaining a consistent position throughout a 4 paragraph letter.

Paragraph 2 of his letter said: "These notices are issued to cardholders based on a predetermined set of criteria. The volume of accounts handled **does not allow us time for a personal review of each account.**" (Emphasis added)

Paragraph 4 said: "Please be assured that your recent experience, in no way, reflects a change **in our goal of personal service.**" (Emphasis added)

RThought: Alice in Wonderland lives at Wells Fargo Bank:

"Then you should say what you mean," the March Hare went on.

"I do," Alice hastily replied: "at least–at least I mean what I say–that's the same thing, you know."

"Not the same thing a bit!" said the Hatter. "Why, you might just as well say that 'I see what I eat' is the same thing as 'I eat what I see!' "

Which just proves that a bank might just as well say that "The volume . . . does not allow us time for a personal review . . ." is the same as ". . . our goal (is) personal service."

MIXED STANDARDS AT DAYTON-HUDSON

One wonders. Here is the only retailer that puts a full 5% of pre-tax profits into charitable contributions. Yet another part of Dayton-Hudson, Shreve & Co., San Francisco's leading jeweler, does two things that are questionable. First, statements are mailed from Minneapolis requiring additional delivery time (thus accruing finance charge income). Second, the pre-printed postage indicia does not give a date so that customers are unable to determine if Dayton-Hudson has complied with Section 163 of Truth-in-Lending which reads:

> ". . . such additional finance charge may not be imposed with respect to such portion of the credit extended for the billing cycle of which period is a part unless a statement which includes the amount upon which the finance charge for that period is based **was mailed at least 14 days prior to the date specified in the statement by which payment must be made in order to avoid imposition of that finance charge.**" (Emphasis added)

RThought: Not showing the date of mailing would appear to be a direct violation of the law by denying to the Shreve customers the ability to determine whether Dayton-Hudson is illegally billing finance charges.

THE RETAIL METHOD OF INVENTORY AND THE IRS

There are many retailers who are convinced that the Internal Revenue Service (and its agents) do not understand the retail method of inventory–and that even fewer understand it when it is coupled with LIFO. (There are also a large number–probably the majority–of CPAs who are in the same category.)

But someone at IRS does understand the retail method because they have recently issued Revenue Rule 79-115 which IRS summarized as follows:

> **Inventories: retail pricing method; promotional markdowns.** Temporary markdowns in price on promotional merchandise, which are eliminated at the end of the promotion period and for which the retail price of the inventory is not adjusted at any time, should not be used as an adjustment to retail prices in computing the cost complement for determining inventory value under the retail method of pricing inventories and the LIFO method of inventory valuation.

The facts upon which the ruling was based were:

THE CHANGING LABOR MARKET

The February 1979 **Monthly Labor Review** (Supt. of Documents, Washington, D.C. 20402 $1.40/copy) had an extensive review of the labor market together with a comparison with earlier years.

There is a contining change in the degree to which people in various groups participate in the labor market. The table below highlights the changes in a decade—from 1968 to 1978.

Participation Rates in Labor Market

	1968	1978
Total labor force	59.6%	63.2%
Men over 16	80.1	77.9
Women over 16	41.6	50.0
Men, 55 and over	56.5	47.3
Women, 55 and over	25.0	23.1
Men, 16 to 19	55.1	62.1
Women, 16 to 19	41.9	53.9
Men, 20 to 24	82.8	86.0
Women, 20 to 24	54.5	68.3
Men, 25 to 54	96.3	94.3
Women, 25 to 54	47.9	60.5

The table shows the marked increase in the participation rate for women—and the continuing decline of participation of men and of women over 55. Retirement has become an increasingly common event.

Unemployment continues to impact different segments of our society with different intensity as the table below shows for the comparison of the 4th quarters of 1976 and 1978:

Unemployment Rates

Category	1976	Ratio To All Workers	1978	Ratio To All Workers
Teenagers	19.1%	2.48	16.3%	2.81
Black and other non-whites	13.3	1.73	11.5	1.98
Part-time workers	10.1	1.31	9.1	1.57
Women who head families	10.0	1.30	7.7	1.33
ALL WORKERS	**7.7**	**1.00**	**5.8**	**1.00**
Adult women	7.4	.96	5.8	1.00
Married women, spouse present	7.1	.92	5.5	.95
Full-time workers	7.3	.95	5.2	.90
White	7.0	.91	5.1	.88
Adult men	6.0	.78	4.0	.69
Married men, spouse present	4.2	.55	2.5	.43

The unemployment rate for teenagers, in 2 years, has risen from 2.48 times the national rate to 2.81 times—reflecting a continuing worsening of the situation. In the same manner, the ratio for blacks and other non-whites has increased rom 1.73 times to 1.98 times. **A continuation of this exclusion of teenagers and non-whites from the fruits of our economic system will bring resistance and reaction that will extract a tremendous price from our society—perhaps even an end to much of our present personal freedom.** Yet few in the business community are concerned about this.

It should be noted that if those who are convinced that they cannot get a job in our system are added to the recorded unemployed, the ratio to the national statistics would be substantially worse.

The blame for much of the unemployment problem for teenagers can be laid at the feet of the retailers—who 25 years ago provided most of the opportunities for teenagers to get their first job and who today offer few or no opportunities.

Responsible retailers must ask themselves whether their decisions were sound decisions—and if they were not sound, how the past mistakes can be corrected.

The reasons for being unemployed have not changed much over the past 5 years as is shown by the comparison for the third quarter of 1973 and the fourth quarter of 1978:

Reasons Why Unemployed	1973	1978
Discharged	27.9%	29.2%
On Layoff	10.4	11.9
Quit	15.6	14.2
Re-entrants into market	31.3	30.5
New entrants into market	14.8	14.2
	100.0%	100.0%

There is also little change in the reasons why people are not in the labor market—for 1973 compared with 1978:

Reasons Not in Labor Market	1973	1978
Attending school	27.5%	25.8%
Ill health, disability	13.9	13.5
Home responsibilities	23.4	23.6
Think cannot get a job	15.2	15.9
Other reasons	20.0	21.2
	100.0%	100.0%

RThought: In 1976 Congress established the National Commission on Employment and Unemployment Statistics, known as the Levitan Commission. Their report is just now being circulated for comment. The purpose was **"To study the meaning of the labor force data system and to make whatever recommendations may be necessary to improve its accuracy and relevance to current conditions."**

They have made a number of suggestions which will have a material impact on the government reports on employment and unemployment figures.

On the employment side they recommend the inclusion of military personnel in the national but not the state employment figures inasmuch as the services now rely on voluntary enlistment. People are not in service under the compulsion or threat of compulsion of the draft. They also recommend including unpaid family workers as employed.

On the unemployment side they recommend including as unemployed those who are so discouraged they they cannot find a job. The present definition requires that the person be unemployed and actively seeking a job.

The Commission also suggests expanding the sample size so that figures can be developed more accurately for segments (teenagers, minorities) and for Standard Metropolitan Statistics Areas over 1,000,000 people. Finally, they recommend studies of why and how people move in and out of the labor market.

CREDIT OFFICE RATING

We have some new names on the HONOR ROLL—we welcome The Bay from Canada. And Sears is not listed too often—our congratulations to the Houston region.

HONOR ROLL

Macy's NYC	2.0	Hudson's Bay Co.	4.0
Oshman's	2.6	Mervyn's	4.0
Gimbel's Phila	3.6	Sears-Houston	4.0
Levy Bros.	3.7		

CREDIT OFFICE RATING

Information From Reporters	FEB.-MAR. 1979 No. of Reports	FEB.-MAR. 1979 Days to Bill Average	FEB.-MAR. 1979 Days to Bill Range	DEC. 1978-JAN. 1979 No. of Reports	DEC. 1978-JAN. 1979 Days to Bill Average	DEC. 1978-JAN. 1979 Days to Bill Range
Abraham & Straus (NY)	1	5.0	5	1	7.0	7
B. Altman (NY)	2	4.5	4-5	2	6.5	6-7
Bergdorf Goodman (NY)	1	6.0	6	--	--	--
Bloomingdale's (NY)	1	7.0	7	1	9.0	9
Bullock's (N. CA)	1	7.0	7	3	6.7	5-10
Capwell's (N. CA)	6	5.8	5-6	11	8.4	7-12
Emporium (SF)	2	4.5	4-5	2	5.0	5
Foley's (Houston)	1	8.0	8	1	9.0	9
Gimbel's (Phila.)	2	3.0	3	--	--	--
Gump's (SF)	2	11.5	11-12	--	--	--
Hudson's Bay (Calgary, Can.)	1	4.0	4	1	4.0	4
Joske's of Texas (Houston)	1	5.0	5	1	9.0	9
Liberty House (N. CA)	4	4.3	2-8	--	--	--
Livingston Bros. (SF)	3	5.6	5-7	2	7.0	6-8
Lord & Taylor (Houston)	1	7.0	7	1	13.0	13
Lord & Taylor (NY)	1	5.0	5	2	9.0	8-10
Macy's (NY)	1	2.0	2	1	2.0	2
Macy's (N. CA)	3	4.7	4-6	8	4.9	4-6
I. Magnin (N. CA)	9	4.7	2-6	4	4.3	3-6
May Co. (S. CA)	1	6.0	6	2	7.5	5-10
Mntgmy Ward (Houston)	1	6.0	6	1	4.0	4
Mntgmy Ward (N. CA)	2	4.5	4-5	2	8.0	8
Palais Royal (Houston)	1	7.0	7	--	--	--
Penney's (N. CA)	2	6.5	6-7	--	--	--
Penney's (Phila.)	2	6.0	6	--	--	--
Robinson's (S. CA)	1	12.0	12	--	--	--
Saks 5th Ave. (NY)	2	8.0	8	1	9.0	9
Sears (Houston)	1	4.0	4	1	3.0	3
Sears (N. CA)	4	7.0	6-8	9	7.8	6-9
A. Sulka (NY)	1	10.0	10	1	9.0	9
Weinstocks (Sacramento)	1	6.0	6	2	10.5	9-12
TOTAL	62	5.7	2-12	60	7.1	2-13

Information From Stores	FEB.-MAR. 1979 No. of Reports	FEB.-MAR. 1979 Days to Bill Average	FEB.-MAR. 1979 Days to Bill Range	DEC. 1978-JAN. 1979 No. of Reports	DEC. 1978-JAN. 1979 Days to Bill Average	DEC. 1978-JAN. 1979 Days to Bill Range
Carlisles (Astabula OH)	3	6.3	6-7	1	9.0	9
Gimbel's (Phila)	34	3.6	3-5	20	3.5	3-4
Ivers (S. CA)	10	5.3	4-8	10	11.2	6-14
Ivey's Carolinas	20	4.4	3-7	20	3.0	2-5
Levy Bros. (N. CA)	16	3.7	3-7	16	4.0	3-6
Mervyn's (N. CA)	20	4.0	4	20	4.4	4-6
Oshman's (Houston)	10	2.6	2-3	10	3.6	3-5
Ross Stores (N. CA)	4	5.0	4-7	4	7.0	5-8
Wineman's (S. CA)	4	6.8	5-8	3	7.0	6-9
TOTAL	121	4.1	2-8	104	4.7	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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

In computing its cost complement, the taxpayer adjusts the retail prices for normal markdowns on subnormal goods but makes no price adjustment (Note–does not re-mark goods) for temporary markdowns on promotional merchandise. The tax-payer includes promotional goods in inventory at full retail price and promotional markdowns are taken only at the cash register when the sale is recorded at the reduced selling price. The promotional markdowns are eliminated at the end of the promotion period and the inventory is not adjusted for the promotional markdowns at any time.

The IRS concludes that such promotional markdowns, which relate only to merchandise no longer in the store and which do not impact the value of the remaining items which continue to be offered at their regular price, will not impact the cost complement.

RThought: Most retailers using LIFO have been putting all markdowns and additional markups back into the computation of the cost complement. The elimination of promotional markdowns from that computation will lower the cost complement. The lowering of the cost complement reduces the ending inventory value and thus increases the cost of goods sold. This reduces gross margin, and thus net profits, resulting in a lower tax.

It is seldom that IRS adopts rules which reduce tax revenue. This may take us back to the starting point of this item–a substantial number of retailers are convined that the IRS does not understand the retail method of inventory.

THE QUALITY OF RESEARCH BEHIND FORBES ARTICLES

To read what Malcolm Forbes writes, one would think that Forbes has the greatest research organization in the world. The front section of each issue adulates one or more editors for their world-shaking research effort.

Recently, (April 16th) Contributing Editor Richard Phalon wrote an article "The game where nobody loses but everybody loses" in which he dealt with employee and customer theft. The figures cited were, of course, wrong. RT readers are familiar with the gross exaggerations that have been floated back and forth between trade associations such as National Retail Merchants Association and the Department of Commerce. Forbes applied a multiplier to these figures.

But what fascinated me was the lead above the headline which read:

> A buyer at a leading New York store says "inventory shrinkages"–a euphemism for theft–amounts to a staggering 10% of sales . . .

I asked Mr. Phalon if he would identify the store because I doubted the accuracy of the statement assuming that "leading" implies that it is also a larger store.

Here is his entire reply–he might as well indict his own work in his own words. You judge the quality of the verification required by Forbes policy:

> Thank you for your letter of April 10. We–as you note in your own letter–have discovered that top managers do not like to 'admit to errors in their records.' That's why we talked to a buyer, who had an accurate sense of what was happening to inventory in the entire store, rather than to a president or general manager. We wish you every success with your newsletter.

RThought: Will you ever believe the figures published by Forbes as to their circulation? After all, it doesn't come from the accounting office receptionist so it can't be accurate.

IRS AND STARTUP COSTS

RT is aware of attempts by over-aggressive IRS agents to require stores to capitalize pre-opening or startup costs for stores. In one case the agent proposed that the cost of opening charge accounts in a new area be capitalized with no amortization allowed since the asset did not have a measurable life. Other pre-opening, stocking, staffing and training expenses were to be capitalized and amortized over the life of the lease!

The IRS is still following this approach. In a recent case involving a bank the IRS treated as capital expenditures such costs as branch application fees, general expenditures including attorneys' and consultants' fees for applications approved without protest, expenditures for market studies and allocated costs of staff involved in planning the new branch. (For retailers, read the last sentence as market studies, lease negotiation costs, stocking and staffing costs and training costs–and perhaps the advertising done before the store opens.)

The District Court allowed current deduction for all the expenses–(But the IRS has appealed).

PORNO ADS I

I suppose a case can be made that major retailers are so weak and have so little control over their business that they have to go along with an advertising idea of their suppliers. Apparently almost any major retailer will allow a manufacturer to use the store's name in an advertisement–without checking on the ad.

This is the only possible explanation for the Maidenform ad that appeared in Sunday supplement sections of the Los Angeles Times and the San Francisco Chronicle-Examiner on April 8th–(repeated April 22nd) and probably in other cities. In Los Angeles the ad carried the names of The Broadway, Bullock's, May Company and Robinson's–a mighty fine collection of names. In San Francisco the stores were Macy's, Emporium and Capwell's.

The major headline said "You can see why I'm a Maidenform Woman." It was far more suggestive than either newspaper allows in the advertising of X-rated movies such as Laura's Desires, or Slave of Pleasure. Even the photograph of Carol Connors who appears in "Live erotic shows at the Ultra Room!" is less revealing and suggestive.

RThought: Years ago when Clarence Saunders was forced out of Piggly Wiggly (which he founded) he started over again and named his stores "Clarence Saunders–Sole Owner of my Name." Once that was a proud statement. Today such fine firms as Carter Hawley Hale, Federated Department Stores, The Macy Company, Associated Dry Goods and Macy's cannot make that claim for their operating division names since they appear willing to share them with almost any level of advertiser.

PORNO ADS II

A recent review of advertising in the Los Angeles Times indicates that Robinson's and The May Company are apparently in a race to show the most skin in their White Sales. The interesting thing is that bare female skin is apparently necessary to sell sheets and pillow cases but it is never helpful in selling beds, mattresses, sofas, chairs, tables, lamps, dinnerware or other household items.

If bare skin is so necessary to sell household goods, how come Robinson's and The May Company don't use it in all their ads? Or could it be that it really isn't necessary?

PORNO ADS III

Fairchild Publications seems willing to run any ad as long as they think they will be paid. Zena, Zadocorp International and Sisley are the most recent examples of advertisers that apparently send the same ads to **Women's Wear Daily** and **Screw**. There must be room in the publishing world for a daily trade publication for retailers with moral standards in keeping with the vast majority of the industry.

SHORT SHORTS

The risk of being a corporate director grows. In the suit by the bankruptcy trustee of W. T. Grant against former officers and directors for damages up to $800 million, two directors have settled their case for $50,000 indicating this is less than the legal fees would be. The two are prominent executives—E. Robert Kinney, Chairman and CEO of General Mills and Clarence W. Spangle, President of Honeywell Information Systems. This obviously cost much more than the fees they received during their short terms as directors. In the case involving Marshall Field, a Federal court has denied a motion to dismiss a suit against the directors and officers for failure to try to work out acceptance of the Carter-Hawley-Hale offer of $42 a share (the stock is now trading at about $18 and has ranged from $15 to $28 during the past 12 months).

Once it was "a penny for your thoughts" . . . but now it will be a J. C. "Penney" for a Wendy's hamburger if you are in Belgium, Luxembourg, France or the Netherlands.

Good news for the future. The Department of Labor in a recent report on job mobility (increasing—now 11.6% change occupations each year) and unemployment of school-age youth (declining) contained a statement of great hope: **"About half of the 3.1 million youth who had graduated from high school earlier in 1978 were in college by October. There is no statistically significant difference between men and women or between blacks and whites in the proportion of graduates going to college. The proportions enrolling in college among all these groups have been relatively stable, at about 50%, for the past 5 years! ! !"** Isn't that great?

Apparently ITT stole an idea from Hitler who used saw dust in ersatz food products at the end of World War II. ITT Continental Baking signed a consent agreement with the FTC saying that in the future they will clearly disclose the fact that they are passing off wood products as "fibre." FTC didn't like their advertising claiming that "Fresh Horizons" contained five times the amount of fiber found in a similar size serving of whole-wheat bread. They also didn't like the idea of advertising that "three out of five doctors recommended 'Fresh Horizons' for its fiber alone" when the company had no reasonable basis for the claim! This is hardly what one would expect from the 11th largest corporation in the U.S.

WORDS WE SHOULD REMEMBER

I have had on my desk for several years a small item from the **New York Times** of August 10, 1975 to remind me what most of us don't learn in school, don't remember if we did learn, and don't practice if we do remember—the fundamental principles upon which the United States was founded:

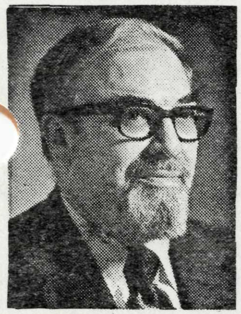
> **FEW PATRICK HENRYS FOUND WILLING TO SIGN**
> Roswell, N.M., Aug 9—A reporter for The Roswell Daily Record typed the Declaration of Independence under the heading "Petition."
>
> The reporter, Marian McQuiddy, then approached 100 persons at random and obtained 36 signatures. Only four—a teacher, two high school students and a businessman—recognized the document. The 64 who refused to sign gave a variety of reasons.
>
> "Two men coming out of the theater called me a Communist for circulating it," she said. "They stated that documents such as this called for tearing down our form of government and would start riots and result in protest meetings. One of them threatened to call the police."

RThought: "When in the Course of human events it becomes necessary . . ." perhaps has very little more meaning to the majority of our citizens than does the start of the item above "Roswell, N.M., Aug 9—."

We rush to make and spend money. It is no longer self-evident that "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain inalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness."

Somewhere in your home you have a copy of The Declaration of Independence. It is in every Almanac, lots of history books and encyclopediae. **Why not read it again—tonight.**

And if you think that this document is as out of date as the uniforms worn in the first World Series, try substituting the words "Shah of Iran" for "King of Great Britain" and place yourself in the position of a member of the masses in Teheran or Abadan or Isphahan or Shiraz. This is undoubtedly one of the greatest documents ever drafted—by committee. It could only be done in a day when our citizenry would write clear English sentences. Today's generation would have written it shorter, less clear and ending with "You know?."



RETAILING TODAY

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ROUTE TO

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SETTLING BUDDY KESSLER'S ESTATE

In the early days of discounting, two of the charming bright lights were Danny and Buddy (Bernard) Kessler, sons of a Philadelphia menswear merchant, who created Unishops in those flamboyant days.

Both died young. Danny died first, Buddy died in 1971 at which time he owned 325,000 unregistered shares of Unishop common stock. The market price at the date of death was $11.00. But by the alternate date, October 21, 1972, the market had dropped to $7.00 and Unishops was on its way to filing for protection under Chapter XI. His estate had to set a value on the stock.

The question was: How much would a willing buyer pay for 325,000 unregistered shares of Unishop? The Tax Court (Kessler, Est. of, v Commissioner, TC Memo 1978-491) noted that the shares could not be offered for public sale but felt that a purchaser who would be interested in acquiring a 6% position in the management would be willing to pay as much as $1,200,000 or $3.69 a share, thus the estate valuation was set at 53% of market value. (Note: the stock is now selling in the $2.50-$3.00 range.)

THE PROBLEM OF BEING NEIMAN-MARCUS

Pretend you are the CEO of Neiman-Marcus (or even the CEO of the Company that owns Neiman-Marcus). After years of champing at the bit you finally have your chance to bring your elegant merchandise to the heart of Southern California opulence, Beverly Hills, and a chance to do battle with the Boutiques of Rodeo Drive. You think that they have prospered just because you were not there to attend the needs of the millionaires and billionaires (as well as some style conscious secretaries as you did in Dallas).

You build a 120,000 square foot store. You have John Warneke (of Stanford Football and John Kennedy's perpetual flame) do the building.

You have your opening. You announce that the sales have far exceeded plans. You indicate that you will raise the sales plan following the most successful store opening in Neiman-Marcus history.

And then you read what John Dreyfus, Architecture and Design Critic for the Los Angèles TIMES, has to say—the heart of which went as follows:

> **"For a store full of elegant merchandise, Neiman-Marcus could have used more ingenuity in wrapping itself.**
>
> **"The exterior of 9700 Wilshire Blvd., designed by John Carl Warneke & Associates, is a monumental travertine box that surrenders to convention its chance of giving Beverly Hills some exciting, interesting, original, beautiful architecture. And the adjacent prefabricated parking lot (which Warneke did not design) is just plain ugly.**
>
> **"Inside, Neiman-Marcus is just plain successful. The store is a little like a beloved, wealthy, slightly overweight aunt who asserts herself with such charm, strength and tact that the family loves letting her take the reins. But most of the time, the family doesn't even know she's got control.**
>
> **"The store's interior design (and, in some area's overdesign) is not so much beautiful as it is welcoming, richly warm and painstakingly planned to seduce customers into a special kind of buying in which the process can be as important—and as satisfying—as the product.**

Thought: Back to the drawing board and the fight with the citizens of San Francisco who demand a sparkingly, novel, attractive new building just as long as it looks like the old City of Paris.

REALLY SUPPORTING YOUR UNITED WAY

J. James Richter, Jr., of Richter's in Laredo, Texas, responded to the item in December 1978 RT on NRMA STORES STIMULATE CORPORATE GIVING by sending the form used to authorize a continuing United Way payroll deduction of either a fixed amount per pay period or the equivalent of one hour's pay per month. You may be interested in the wording:

> "In recognition of Richter's policy of supporting approved public charity drives, and in consideration of the gifts of others, I hereby authorize my employer, August C. Richter, Inc., to deduct either (1 hr./month or fixed amount) to be paid to the United Fund of Laredo, Inc. This deduction to continue for the duration of my employment with Richter's or until I give written notice to Richter's of any change or termination of this deduction."

The form is signed, dated and witnessed.

Mr. Richter observed "We are pleased to say that our store always ranks highest in donations per employee in our city because of the participation of nearly 100% of our people in this program." He further observes that there is a time saving in not conducting annual campaigns with pledge cards.

But most important, Mr. Richter indicates that the store's own giving is **"motivated by similar desires to return to the community a form of thanks for our existence."**

IS IT JUST THE DEPARTMENT STORES THAT ARE LAGGING?

The Monthly Retail Trade report for March 1979 shows an unusual pattern in sales for the first quarter.

Everyone appears to be doing well—except department stores! And because the definition of department stores includes discount stores, the results appear to be unusual.

Total retail trade excluding automobiles was up 12% but department stores were up only 7%.

The table below—which includes comments—shows what is happening:

Description or Comment	Change From First Quarter 1978
The Building material group is doing well:	
Hardware Stores	+23%
Building Material and Supply Stores	+17%
And so is the Home Furnishings Group:	
Furniture Stores	+20%
Household Appliance Stores	+18%
Food stores are about even with food inflation:	+12%
Apparel price increases have been less than the Consumer Price Index increases and yet we find:	
Family clothing stores	+14%
Women's clothing stores	+12%
Men's and boys stores	+10%
Some of the specialty stores are going great:	
Sporting Goods	+40%
Stationery	+24%
Auto and Home Supply Stores	+16%
Camera and Photosupply stores	+15%
Book Stores	+12%
Liquor Stores	+12%
Drug Stores	+11%
Jewelry Stores	+9%
And yet the general merchandise stores are doing poorly:	
Department Stores	+7%
Variety Stores	+5%

If we assume that department stores are 50-60% apparel, then that portion should be up 12%. If 20-30% is in the Home Furnishings group, then that portion should be up 15%. A composite figure would be in the 13% range.

RThought: Is it possible that the public is turning away from department and discount stores? Is it the declining service offered in department stores—despite charging for services? Is it the limited assortment (out of stock) that is more and more common in both department and discount stores?

Are the specialty stores winning the customer with better assortment, clerks that are more interested in the customer, clerks that know their merchandise, simpler selling procedures, and often lower prices for the same merchandise?

When a department store operator says that business is bad he is not telling the story of what is happening generally in retailing. You might question him on what he is doing wrong.

PRELUDE TO THE FUTURE

That is the title of a wonderful booklet put out by D & H Distributing Company to commemorate their 60th year.

You know this is a different kind of organization when you realize that "D" stands for Dave and "H" stands for Harry—obviously an informal pair that started in Williamsport, Pennsylvania in 1918 and who sold tires with a guarante[e] something unheard of at that time. By 1926 they had switch[ed] from tires to radios. In 1938 they were offered the exclusive distributorship for RCA and they have changed some more since that day.

Throughout the period they stressed efficient operation, prompt delivery, honest dealing, effective promotions, consistent advertising and keeping promises. You could well find some things to say to your own organization and how to say it.

Julius Rainess, the President, has said that he would be happy to send you a copy of their story if you will just write to him at D & H Distributing company, P.O. Box 1967, Harrisburg, Pennsylvania 17105 and say "Bob Kahn said I should write."

FRANK W. WOOLWORTH

1979 is the centennial year for F. W. Woolworth Co. and they have issued a special Centennial Report that every retailer should read. (Write to 233 Broadway, NY, NY 10007.)

If you thought that Woolworth was successful because he had a new idea—nothing over 10¢—then you miss the reason why he was one of the first four elected to the Retail Hall of Fame at the Chicago Merchandise Mart. The others were Marshall Field, John Wanamaker and George Huntington Hartford.

The strength of Woolworth is shown in the concluding paragraph of an 1891 letter to "All Store Managers:"

> **Some time ago I was in one of the stores and their display envelopes and paper looked awful. The envelopes had the bands broken and there were some of them tied up with strings and some were loose. It was not necessary to ask if the goods sold well, as it was evident that they did not. I asked just the same, and the reply was "No, they don't sell at all, I wish you would not buy any more for us." It was my time to talk then. I ordered all the rotten dirty stuff off the counter, and made a nice display of bright, clean goods. The result was this store has established a big trade in these items. I have done the same thing with the same result in several stores.**

There are other things that indicate the stature of Woolworth. Woolworth was the first to give paid vacations, one of the first American retail firms to spread to many other countries and one of the first who recognized that the customer is always right. Woolworth said, "The customer is always right. He or she is right whether he or she is not!" Woolworth (but not Woolco, Kinney or Richman) stress "Satisfaction or Return" in virtually every advertisment.

A number of firm names in other business areas have not changed over the years. When Woolworth merged 7 companies and went public in 1912, the underwriting was handled by Goldman, Sachs and Lehman Brothers in New York and Kleinwort, Sons & Company in London.

And there was a respect among competitors that long ago disappeared. When Woolworth died, his long-time rival Sebastian Kresge closed his stores during the hour of Woolworth's funeral.

RThought: I wonder what would happen today if so[me] merchant sincerely believed that the customer was always rig[ht] and honored the customer's every wish while providing a wide selection of proven quality goods at the lowest price possible through conveniently located stores. So few retailers even

SHOULD J.C. PENNEY USE MY DATE OF BIRTH FROM MY CREDIT APPLICATION TO SELL ME LIFE INSURANCE?

The answer is that they do it—and feel that everything is alright.

Long ago I refused to provide my social security number to anyone not entitled to it. But recognizing that there are other "Robert Kahns" in this world, I felt obligated to provide my date of birth as necessary identification.

J.C. Penney thinks that it is great. Now they can really key in on me to sell life insurance—which they did just prior to my recent birthday. They personalized the computer letter at 7 places, all based on extracting my date of birth from confidential records provided another company (the life insurance company is a subsidiary that is so remote from the parent company that they don't even consolidate the financial statements!)

I wrote with great indignation to Mr. Seibert, the Chairman of J. C. Penney and with reasonable promptness received a reply from Mr. Seibert and from the counsel of J. C. Penney Insurance Company in Dallas.

Let me quote the pertinent sections of the letter from Mr. Seibert in which he justified this practice:

> **"... We have found through market research that *many* J. C. Penney customers appreciate receiving information about all of the goods and services we offer including life insurance, whether such goods and services are made available directly from the Penney Company or through its various divisions and subsidiaries." (Emphasis added)**

Comment: note that **"many"** but not **"all"** customers indicated this interest. J. C. Penney could provide me with information about their insurance subsidiary without having to dig out my date of birth.

> **"... In preparing the solicitation, no individual has access to this information while it is being processed and immediately after its use it is returned to its source. No person reads the material prepared except the recipient. The use of this information enables us to offer our customers the opportunity to purchase full life insurance if needed before their birthdays when the rate increases."**

Comment: this is the kind of defense that might be made by the camerman who took pictures of Jacqueline Kennedy Onassis when swimming nude off a private island—by saying that "Nobody looked at the pictures."

RThought: As our second largest grantor of retail store credit, J. C. Penney Company should be more sensitive to the desires of the public for privacy. (Read "Words for Management to Listen To" – back page). There was no urgent need to do this. It was just a money—making idea within the insurance subsidiary and it is of little concern to that subsidiary whether or not they invade the privacy of credit customers.

When this conduct leads to restrictive laws subjecting the J. C. Penney Company (and all other credit grantors) to manifold regulations and procedures, they will cry about the abuses of government. But they will have brought it on themselves.

Arthur M. Okun, former Chairman of the Council of Economic Advisors, recently wrote in the Columbia Journal of World Business:

> **"In establishing a capitalistic democracy, the United States has built a society on two differing foundations. The capitalistic foundation attaches top priority to efficiency—operating through market incentives for getting the economic job done in the way that obtains the most useful output from our labor, capital, and natural resources. The democratic foundation, in contrast, emphasizes egalitarian and humanitarian values of cooperation, compassion, and fraternity.**
>
> **"Because our society rests on both of these foundations, we encounter creative tensions and uneasy compromises. As individuals, we attach different weights to the two sets of values, and we reach different conclusions on particular policy issues that define the scope of the marketplace and the scope of the political process. So, inevitably we disagree and we debate.**
>
> **"At the bottom, most Americans know that our government and our private economy depend on each other. Many of the government's functions in promoting and regulating activity in the marketplace are not controversial; indeed, some are conducted so routinely that they tend to be taken for granted. And the same general implicit acceptance applies to many of the contributions that our private economy makes to the vitality of our democracy.**
>
> ***********
>
> **"Today, in my view, the main threat comes from the extreme right—from those who issue a blanket indictment against all government regulation and intervention, who redefine poverty as the "freedom to fail," and who basically ignore the values of democracy. The worst enemies of U.S. capitalism are a handful of its ardent proponents, who prescribe fiscal-monetary policies that would produce mass unemployment, regulatory policies that would flagrantly violate the legitimate interest of third parties, and "reforms" of government programs that would put vivid pictures of economic misery back on the front page.**
>
> **"The best antidote to polarization is the joint recognition that the pursuit of our human values depends on harnessing materialism and 'greed' and that the conduct of our market activity relies on the restrictive legal powers of the state and its 'bureaucracy'."**

SHORT SHORTS

Selfridges can be disappointing. My sister was in Europe for several months during which she journeyed into the land of Rowntree's Fruit Gums, my favorite candy for more than 50 years but not imported because Rowntree will not bow to the U.S. labelling requirements. While in Selfridges she wanted to order a supply for me—but the clerk would only allow her to order the amount in stock at that moment. The moment was October 21, 1978—but they didn't get around to delivering it to customs until November 24, 1978—33 days later. So much for my image of Selfridges **today.** Perhaps their slogan "There's no place like Selfridges" means that had these been purchased any place else thay would have arrived a month earlier.

One reason men's stores can keep customers—often at higher prices—is better policies. Some of our largest retailers are so wound up in policies and manuals that they forget that their future rests on a large number of individuals who constantly ask—does this merchant want my business? **Menswear Retailers of America** (390 National Press Bldg., Washington, D.C. 20045) reported in their March 19, 1979 Newsletter the results of a survey on return policy. Two tabulations stand out:

> After Christmas do you accept return of purchases not made in your store if you carry the same item?
>
> **Yes 105 – No 56**
>
> Do you advertise or otherwise promote an effort to make customers feel easier about making a return?
>
> **Yes 51 – No 110**

Try those questions on the divisions of billion dollar-plus retailers and see how they reply. It will indicate that they have lost sight of the customer because they have their eyes on the mob.

DO TOP EXECUTIVES SEEK TO SUBJUGATE SOCIETY THRU BUSINESS SCHOOLS?

On the same day two local papers carried interesting stories—the Oakland Tribune with a headline "Leaders assess business school" and The San Francisco Chronicle Examiner with "The top 50 Bay Area Salaries."

The first story dealt with what business leaders were looking for in future graduates from the University of California at Berkeley's Schools of Business. The salaries and 1978 increases were in the other article. (RT does not feel that publishing salaries does anything except endanger lives.)

Cornell C. Maier, CEO of Kaiser Aluminum and Chemical (No. 4 in salary – +16% over 1977) apparently wants only anti-government concepts and skills in manipulating. The article says:

> "Maier contended it's not enough for business schools to teach the old fundamentals—they must teach the new fundamentals of coping with government, the news media, and most importantly, public opinion which he said makes and breaks laws, institutions and governments."

There you have Mr. Maier's opinion—he appears to be saying that business schools should turn out people who will be able to stop public opinion from having a voice in our society.

Dorman L. Commons, CEO of Natomas, primarily an oil company, (No. 31 in salary +8%) is reported this way:

> "Natomas President Dorman L. Commons noted he spends a fourth of his time dealing with governments and a half in dealing with 'people' problems, and he contended business schools give inadequate training in these areas."

More and more businesses are "influencing" (by withholding or granting support) business schools as they see the schools doing their part to provide business with dominance over the economy and through that over the society. More and more executives are expressing feelings that can best be described as elitist, such as "We know about nuclear power plants and ordinary citizens do not; therefore we elitists should make all the decisions and ordinary citizens should have no right of expression" or "The most important thing should be for business to provide jobs—the more profit we can make the more jobs we can provide; ordinary citizens should not restrict our profits and thus our job providing ability because they have funny ideas about wanting to keep the water clean or the air pure or require safe places to work."

RThought: apparently making many thousands a year as head of a $2-1/2 billion corporation doesn't provide the chief executive with a very broad view of the society which gave him that opportunity. Apparently the University of California which provided Maier with a degree in electrical engineering didn't require enough courses to provide him with the ability to understand a complex society.

Clark Kerr, former President of the University of California and one of the outstanding students of and thinkers on our educational institutions and their relationship to society, best expressed the shallowness of our present crop of corporate executives when he pointed out that the corporate executives who plead most for more liberal arts in business schools are the same ones whose personnel officers hire on the basis of technical training alone.

RT has previously pointed out that retailing is doing a much better job than other industries in seeking the leavening effect of persons with a broader view of society (the liberal arts graduate).

The argument against the interference by government in business cannot be based on the restriction of business's profits. **Business has yet to prove that unlimited profits will work for the unlimited good of society.**

The argument should be based on a number of points that can be proven.

First, the administration of legislation by the bureaucracy of government often is contrary to the intent of the legislature in enacting the legislation. The conduct of the Occupational Safety and Health Administration during the past 5 years documents this argument.

Second, the areas of interface between government and business often occur in wrong areas and are conduct by people who have little or no understanding of the problems of the other party. This can be documented by many of the acts of the National Highway Traffic Safety Administration.

Third, the structure of government, broken down into federal, state, county, city and district levels and within such levels into departments, bureaus and independent agencies, is such that even when business and legislators agree that there should be joint responsibility, that responsibility cannot be administered efficiently. This can be documented by the problems of approving a site location for a major oil refinery or chemical plant.

Fourth, government impact on business is, in some cases, for a political purpose rather than for the short or long range benefit of the society. The legislators on key committees who make industries they regulate bow to their whims are too numerous to list here.

We must remember that it takes two blades of a scissor to cut a piece of paper and no one can prove which blade is most important. The same is true of business (as the means through which the economy works) and government (as the means through which the people express their views on the goal of the economy). If business and government were as well coordinated as the blades of a pair of scissors, society would benefit and life would be more pleasant for key business executives.

That change doesn't require a great power battle—it just requires understanding (which should come through our schools of business administration). The difference is almost as small as that relatively small machine screw that keeps the blades of a pair of scissors working together.

think of putting together the combination that made Woolworth a name recognized throughout most of the western world. (The few that do–like Wal-Mart, Caldor, and Mervyns prove that Frank Woolworth was right.)

IT IS HARD TO TELL THE DIFFERENCE–BETWEEN VISA AND MASTER CHARGE

Spence Nilson, in the April 1979 **The Nilson Report** (Issue 210, Box 49936 Barrington Station, Los Angeles, CA 90049, $185.00/year) reports the year-end figures for these two competing bankcard systems (the leader is emphasized).

UNITED STATES ONLY

	Master Charge	VISA
Participating banks	**11,061**	10,834
Banking Offices	31,180	**36,695**
Merchant Outlets	**1,974,097**	1,972,500
Active accounts (billed monthly)	**23,702,051**	23,143,573
Total accounts	34,859,304	**36,017,254**
Cardholders–people	40,300,000	**41,200,000**
Plastic cards outstanding	55,460,776	**56,583,700**
Outstanding Balances	**$10,654,212,132**	$10,347,365,000
Volume–saleslips only	**$20,372,682,732**	$19,811,569,000
Volume–including cash advances	**$22,385,584,235**	$22,097,813,000

WORLD-WIDE

	Master Charge	VISA
Active accounts	28,156,348	**30,239,928**
Total accounts	46,082,419	**49,492,518**
Cardholders–people	30,900,000	**31,000,000**
Plastic cards outstanding	68,831,793	**73,940,250**
Volume including cash advances	$27,675,740,825	**$29,108,214,000**

In the U.S., Master Charge has a slight lead–3% is the greatest spread in the figures shown above. World-wide, VISA has about a 7% lead.

ARE DEBIT CARDS A FINANCIAL TIME BOMB?

There is something wrong with what banks are trying to force on the American public through their devotion to "electronic funds transfer systems"–called EFTS so that casual readers will think it is something good for them.

As RT reviews the present status of EFTS and the companion "debit card," that magic piece of plastic that will instantly take money out of your account and put it in someone else's account, almost completely beyond recall. It appears to be a concerted drive by major banks to reduce costs (which savings will be passed on to bank stockholders and bank management but NOT to bank customers) regardless of the risks that cardholders will assume, knowingly or unknowingly. **How long since you read the fine print on the restatement of terms that your credit card issuers periodically send you?**

Representative Frank Annunzio (Democrat of Illinois) has a clear picture. He has pointed out that there will be little or no Federal protection until May 10, 1980 and says, "... The best advice I can give consumers is to cut their EFTS cards into small pieces and notify the financial institution of the action." RT would note that returning the card by registered mail, return receipt requested, probably would not protect you from improper use after receipt by the issuer.

The Nilson Report for May 1979–Issue 212–points out that under Regulation E you will be liable for losses depending upon when your notice **reaches** the issuer. (RT subscribers should recheck the April 1979 RT for the time delay between mailing payments on charge accounts and depositing of the check.)

If the card issuer receives notice within 2 business days of the card loss (how do you prove when the card was lost if it was stolen?) you will still be liable for up to $50.00. If the notice is received after 2 but before 60 business days, you will be liable for up to $500.00. If the notice is received after 60 business days you have unlimited liabilities.

All of this has been done by the friendly Federal Reserve Board, a part of the government that you might have thought was protecting your interests, and despite the attempt by the enabling law to set a $50.00 limit on liability.

RThought: It seems we Americans have a great desire to rush into the technological future even if we don't know where we are going. We built or authorized hundreds of nuclear power plants without figuring out how to dispose of the waste product. Three Mile Island finally scared some people. But now we are letting another part of our get-rich-quick-without-considering-the-future business community try to force on us an equally dangerous time bomb that we can carry in our wallet.

Can't you imagine Bank of America/Citicorp/Chase going national with debit cards and calmly reassuring you that you are protected by the laws of the United States of America and the regulations of the Federal Reserve Board! The Robber Barons of the 19th Century always hoped for a chance to get at the unsuspecting American public that is now being set up in the guise of "technological progress."

PORNO ADS

John Fairchild must be happy with the wonderful response now that he has dropped the standards on ads. American Enka is running topless ads (for a new nylon for pantyhose?–perhaps they don't understand where pantyhose are worn). Men's Wear saves the inside front cover for nude or topless models. And the dollars roll in.

COMMERCIAL BRIBERY

Pride Laboratories: This firm offers Houdini Vegetation Control, Rustop protective coating, Rid odor control, Tornado industrial cleaner and many more maintenance products. You should be concerned if you see any of these products–or the name Pride Laboratories–in your plant. They have what they call "Buying Plans" (Pride "Plans," you "Buy" and some employees "Profit") offering such tokens of friendship as a Motobecane Moped, an Ebonite 8' Granada Slate Pool Table, a Midland 40-Channel CB, a Sony Swivel-Vision TV and many more "Bonus Gifts." They even offer gifts just for returning a postcard! The person that received this wrote to Pride on the store's stationary. One paragraph read:

> "I am not so naive as to assume that by itself my single protest will alter the policy or the national advertising campaign of yours or any other firm. All that I can do is to be especially wary of supply purchase orders directed to your firm."

SHORT SHORTS

Who made $42 million with no tangible net worth? In fact, the tangible net worth came to a massive MINUS $115,000,000! The Company? Rapid-American Corporation. Riklis may be correct in paying himself one of the highest compensation packages in American industry. After all, what other company paid common stockholders $3 million in dividends when there was no net worth? Most other common stockholders in that position get a write-off for a bankrupt company.

Retailers on the move in England—David Wolfson, formerly of Great Universal Stores, has become personal chief of staff to new Prime Minister Margaret Thatcher and Sir Derek Rayner, former joint managing director of Marks and Spencer, was made responsible for reducing waste in government. The last retailer in a major U.S. Government position was Jack Eckerd as head of the General Service Administration—who was completely frustrated when he left that post.

If it is true that small business no longer has any chance, then a lot of people have not gotten the message. Credit Clearing House has reported that for 1978 they recorded 43% more retail startups than in 1977. So much for the disappearance of opportunity in the United States.

"Every serious economic study proves the best time to buy was last year." So reported Wes K. Davis, Secretary of the Let's Have Better Mottoes Association, Inc. (and also something of a swirl at Whirlpool). It is a thought worth thinking about—there are few times in the period since the end of World War II that last year wasn't a better time to do something—expand, open a store, increase promotions, add a customer service. Think about that when you start to let the doomsday talk overwhelm your own sound logic.

Do you gain from honoring bankcards? Beneficial Corporation says "Yes." In their annual report in telling of Spiegel's they said "Further progress was made in Spiegel's campaign to improve the demographics of its customer list and to change the buying medium from cash to Spiegel charge accounts and **national credit cards.** . . . This strategy lends itself to telephone sales, which are far more convenient than mail orders for most customers, **and it greatly increases both the frequency of ordering and the size of the average order.**" (Emphasis added)

Did God send W. R. Grace to retailing? In a recent ad Grace headlined **"9 years ago most corporations didn't know that leisure time would become big business. But Grace knew."** I seem to recall that more than 9 years ago Grace knew that chemicals were the business of the future—after which there were problems. But apparently Grace didn't know that catalog/showrooms, specialty apparel, toys, home improvement stores (they started this later with Channel) and other stores were the wave of the future. It is good that so much self-acclaimed wisdom has joined our retailing industry.

When is an overdraft not an overdraft? Ask Super Valu Stores. Their November 1978 quarterly report showed practically no cash ($640,000 out of $439,000,000 in assets). But under "Current Liabilities" one finds an account called "Checks Outstanding, net" for $31 million! That used to be an overdraft—or kiting—or drawing a check against insufficient funds. But it seems to work—Super Valu had only $24 million oustanding at the end of the November quarter of 1977. Perhaps Super Valu has learned from the Federal Government—which prints money backed solely by faith. A final thought—why the word "net?" Have they offset Checks Instanding against Checks Outstanding?

You can beat the Postal Service—by letting your customers know when you mail sale ads. More and more complaints are being received about late delivery (like a week after the special invitation sale ended) of sale ads. RT received a notice on April 28th of an opportunity to advertise that had a deadline of April 25th! Just print above the address portion of your mailer:

> This ad was delivered to the Postal
> Service on ____________________

WORDS FOR MANAGEMENT TO LISTEN TO

It is a shame that Henery Ford II is showing understanding of the problems of business in a democratic society just at the time when he is being eased out of Ford Motor Company and thus losing the platform from which his words might carry great weight. Too many of his comments, arguing for absolute independence of business, will be remembered long after his wiser thoughts are forgotten.

His thoughts were first put together when he lectured at the Stanford Business School in early 1979. More recently they were in a signed newspaper article that appeared in several papers. (For readers who would like the complete article, please write to RT, Box 343, Lafayette, CA 94549 for a photocopy.)

Here are some of the important statements:

> **"This brings me to a second way in which capitalism today falls short. Here I am referring to the failure of businessmen to respond intelligently to their social and political environment.**
>
> **"In recent decades we businessmen have neglected many genuine problems and turned a blind eye to conditions that should have caught our attention. Often we have simply been stupid. We have refused to confront some of the crucial issues of our time, and as a result we have played directly into the hands of our critics and helped to make matters worse.**
>
> **"The whole issue of consumerism is a prime example. Many of us refused to accept the validity of some of the consumerists' most telling criticism; and that refusal helped to make the consumer movement a force to be reckoned with, and to bring many new and costly governmental regulations.**
>
> **"Today the great majority of capitalism's problems reflect the failure of businessmen to take politics and new social movements as seriously as they should have. Often, businessmen have refused to respond to what's valid in the critics' cases. At the same time, many businessmen have also been inept in dealing with those charges and criticisms that aren't valid—and there are many of these.**
>
> * * * * * * * * * * *
>
> **"We are not simply capitalists in America today. We are democratic capitalists. By that I mean that our democratic heritage helped us to develop an industrial society that is more humane than any other I can think of.**
>
> * * * * * * * * * * *
>
> **"Businessmen will have to devote more time to those fundamental values that have made our system of democratic capitalism. In those values will be found a strength that is far more powerful than either our friends or our critics realize."**

RThought: Retailers are capitalist businessmen and what Henry Ford II says is applicable to retailers. We must remember that we are, first of all, a democratic society. Our Declaration of Independence said "We hold these truths to be self-evident: that all men are created equal . . ." It did not start out "We hold these truths to be self-evident: that our future will be best if business operates without restraint . . ."

The people make up our society and the institutions of the society—government, business, education—are there to serve the people. It goes further than that. Most business exists in corporate form. Corporations have only those rights that government gives to them; and government gives to corporations what is acceptable to the citizens.

Our Constitution does not recognize corporations nor grant them any rights. For the first two hundred years of our existence they had few rights. It is only within the past two years that the Supreme Court has extended to corporations some of the right of free speech (First Amendment) that is specifically granted to citizens. With more attention and concern, with more demonstrated good citizenship, society may extend more rights to corporations.

August 15, 1979

Mr. James C. Walton
TOUCHE ROSS & CO.
P. O. Box 22561
Jackson, MI 39205

Dear Mr. Walton:

As my Assistant wrote you on June 25th, I was out of the country on a trip which included 3 weeks in Australia putting on programs for retailers.

You will shortly receive the August issue in which I have included an article based upon a talk that I gave 8 times to 1000 top and middle management executives on "Ethics in Retailing". I particularly wanted to point out that I am still offering the Boy Scout Laws as a good guide. I suspect that you know them too from what you have done with the word RETAILING -- which I will use soon in my "Words To Live By".

Many thanks for writing.

Sincerely,

Robert Kahn

June 25, 1979

Mr. James C. Walton
TOUCHE ROSS & CO.
P.O. Box 22561
Jackson, Miss. 39205

Dear Mr. Walton:

Enclosed is a photocopy of Henry Ford's article which you requested.

Mr. Kahn received your letter shortly before he left on a trip and asked me to thank you for the idea you sent.

He will write you personally upon his return.

Sincerely yours,

Annabelle Farrell
Assistant to Robert Kahn

P.O. Box 22561
Jackson, MS 39205
June 19, 1979

Retailing Today
P.O. Box 343
Lafayette, Calif. 94549

Dear Mr. Kahn:

I have just finished reading the June, 1979 issue of Retailing Today, and as stated in your article of "Words For Management To Listen To" I would like to request a copy of the complete article.

I am also attaching something that I put together as guides and attitudes for retailers. These words were picked up from here and there and some came from some of your articles in past months.

I enjoyed very much your thoughts as regards various companies and policies that they follow and I wish you much continue success.

Sincerely,

Jim Walton

James C. Walton

P.S. Needless to say, I agree with the quotes of Henry Ford, II, and I believe that they contain the material for a solid and lasting foundation.

R -- Respect the Customer

E -- Ethical Standards

T -- Truthful in All Respects

A -- Attitude of Service to Company and Customer

I -- Integrity Must Be Manifest

L -- Loyalty to Company and To Fellow Employees

I -- Industrious/Innovative

N -- Non-Discriminatory/Treat All Equally and Without Bias

G -- Goals for Self

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ROUTE TO

JULY 1979

VOL. 14, NO. 7

THE AMERICAN DREAM IS ALIVE AND WELL IN THE WEST

That is the lead article in the May/June 1979 issue of Western Market Report published by **Sunset Magazine** (Menlo Park, CA 94025). Let's look at some of the information they extracted from Roper Reports 79-1.

	U.S. %	West %	West Index
Believe that they have at least a fairly good chance to realize their concept of the good life	75%	81%	108
Own their own home	58	64*	110
Have a yard and lawn	55	65*	118
Vacation Home	4	6*	150
Swimming Pool	4	5*	125
Happy Marriage	59	64*	108
Job that pays more than average	19	22*	116
Job that is interesting	39	42*	108
Job that contributes to society's welfare	17	20*	118
College education	21	27*	129
College education for children	14	13	93
Lots of money	2	2	100

*West is No. 1 region

The survey was taken before the gasoline crisis but I doubt that the answers would change much today.

On the gasoline crisis, the problem in California is basically related to the booming labor market where increased employment is far ahead of the national increase—and where more than half the gasoline is used to get to work (public transportation is limited, especially in such areas as Orange County where the gas problem is the worst).

Orange County is a good area to use to explain the California problem. At the end of February 1979 employment in the county was up 8.1% (against a national average of +2.4%). There were 5% fewer gas stations than a year earlier (although not 5% fewer pumps—the marginal stations are the ones that are gone).

The Orange County stations that remained were, for whatever reason, getting only 72% to 80% of the amount of gas they sold in 1978.

Roll those figures around—everyone drives to work, 8.1% more jobs, 5% fewer service stations and those that remain get 20% to 28% less gasoline than last year. This adds up to gasoline lines.

For those in other areas of the country—if California workers cannot get to work in one of the few booming parts of our

A SIMPLE STEP—TOWARD BETTER STORE-VENDOR RELATIONS

RT has been upset about the growing warfare between vendors and retailers. Our mass production system depends upon a smooth flow of merchandise from resource to retailer to consumer.

RT has tried to stimulate action in this area through the retail trade associations. The largest—National Retail Merchants Association—refuses to do anything, despite a constructive meeting with the Federation of Apparel Manufacturers, a positive reaction from the NRMA Vendor Relations Committee, and an agreement by Jim Williams to distribute the report on the meeting (which Williams voided unilaterally and without explanation).

Menswear Retailers of America, under farsighted Don DeBolt, is taking several steps in this direction. The food industry has a long history of cooperation.

The National Mass Retailing Institute, headed by Rich Hersh, brought the matter before their 1979 Annual Convention recently held in Dallas (see Feature Report). Just as the NRMI members have taken much business away from department stores, they are about to take away leadership in developing cooperation with vendors.

One idea came out of the session and subsequent discussions that, in this day of computerized billing and check preparation, can be taken unilaterally (and beneficially) by any cooperatively minded retailer or vendor.

Retailers can print on the voucher portion of each check the person and telephone number to call if the vendor has any question about the amount, deductions, claims, or adjustments.

Vendors can put on each invoice the person and telephone number to call if the retailer has any questions about routing, substitution, overshipments, shortages, late or early shipment, or authorization to return merchandise.

You say it isn't possible? Then how come my bank statements have a telephone number to call in case I have a question? Then how come retail credit departments are notifying customers twice a year about how to communicate when the customer thinks there is a mistake?

The possibilities for improved communications exist—all that is needed is the desire. Top management will have to impose the desire on middle management because many in middle management think the name of the game is fight and cheat the other side—this is true for both sides.

economy (new technology and electronics) the entire country will pay a high price as the recession spreads to all four corners of the United States.

A LOOK AT THE CONSUMER PRODUCT SAFETY COMMISSION

Articles criticizing the Consumer Product Safety Commission (CPSC) far outnumber those that praise it. It is criticized by consumer organizations for doing too little and by manufacturers and retailers for doing too much. Certainly the net result of the Tris incident doesn't indicate that the government has it's act together–CPSC required use of Tris and health agencies banned it.

But a recent issue of CPSC MEMO (available without charge–write U.S. Consumer Product Safety Commission, Washington, D.C. 20207) does indicate some results for which all of us should be thankful.

In late 1973 and 1974 the CPSC undertook a major campaign against the causes of crib injuries and the design of cribs. Their publication "Keep Them on the Safe Side" was widely distributed (250,000 copies) supplemented by technical fact sheets (60,000) and posters (50,000). By 1976 the crib-related death rate (deaths per million children ages 0-35 months) had dropped by 34% and injuries reported by emergency clinics dropped by 44%.

The recall/exchange of hair dryers containing asbestos is well under way, although the Commission had to be pushed aggressively by the Environmental Defense Fund (just proving that consumer organizations are necessary and are contributors to our collective safety). And the CPSC is now setting safety standards for CB omnidirectional antennas (more than 200 people have been electrocuted in recent years). The Electronic Industries Association is developing voluntary standards subject to CPSC review.

MORE INFORMATION ON LIMITED ASSORTMENT STORES

RT again recommends that all persons interested in limited assortment or box stores should read **Limited-Assortment Store Trends** (Willard Bishop Consulting Economists, P.O. Box 32, Barrington, IL 60010 $65.00 per year). In the May 1979 issue, in addition to reporting that the store count is now up to 300 (122 in the 4-state IL-MI-OH-IN area but only 1 in the 8-state Mountain area) they reported on the demographics of users. The table below is reproduced with permission:

	% Spent at Limited Asst. Stores	Average Visits Per Month	Age	Education Factor (1)	No. of Children	Family Income
Heavy User	30%	1.75	42	2.00	3.9	$15,700
Light User	5	1.50	48	2.25	2.8	18,100
Ex-User	--	--	31	2.4	1.6	19,500
Non-User	--	--	38	2.6	1.8	21,600
Total	--	--	40	2.32	2.5	18,800

(1) Education factor 1.0 = some high school
2.0 = high school graduate
3.0 = some college
4.0 = college graduate

The answer is obvious–the heavy users have larger families and lower income. That is logical–but not what some chains were expecting when they converted or opened stores.

One of the key points was the summary of the statements by ex-users. 80% said they stopped shopping because of lack of selection and unappealing store atmosphere. **They did not say they objected to the level of service.**

RThought: Let's look back to the days when discount stores started. Then compare those stores to a new Lechmere's. The unappealing atmosphere is gone. Or let's look back to the original convenience food stores started as an adjunct to an ice plant (industrial type location) with an open front, all items shown on a billboard above the open front, and a building people didn't have to enter (boys took your orders while you sat in the car). Then compare that with the newer convenience stores being built. The unappealing atmosphere is gone and the assortment has been enlarged.

Limited Assortment Stores have been started in run down locations or loss locations where the lease cannot be terminated and no subtenant can be obtained. There are probably those who argue, as did some early discounters, that if you make the place look too neat and clean, the people won't believe the values.

Big families with low incomes will shop anywhere–but smaller families with fewer children still like to save on food but will not do it in an unappealing facility.

The American customer has always responded to more attractive stores. In new types of specialty stores, where growth is rapid and direct competition is slight, the additional volume (producing new gross margin faster than new expenses) will always support better physical plants without boosting gross margins.

The profitability problem comes when the chains reach maturity, new locations without competition are hard to find, and full blown organizational structures evolve with the customary dozen vice presidents. That is when the shake-out comes.

But, of course, each chain rushing down that well documented path is certain that they won't be the victim. They would never have a bloated staff. They will never run out of locations without competition. They have the formula brought to them directly from the Mount.

FLOODS HAPPEN ONLY IN THE BIBLE–OR DO THEY?

Dun and Bradstreet reports that most businesses fail because of lack of management skills. For years an insurance company told us that very few businesses ever got started again after a fire.

But what about a flood or an earthquake or a tornado or a robbery?

It can't happen to you? Certainly, it can't happen twice!

Perhaps you should read the story of John Chisholm and his Marquette Bank and Trust Company in Rochester, Minnesota (ABA Banking Journal, April 1979, 1120 Connecticut Avenue, Washington D.C. 20036 $1.50 per copy). They had a large loan on an office and warehouse located on what was classified as a flood plain. Chisholm didn't even think of requiring flood insurance–in 30 years the water had never come close to the location. But one of those nit-picking Federal Deposit Insurance Corporation examiners said the loan was illegal without the insurance–either require insurance or write off the loan! That was July 1977. On July 6, 1978, the building was under 6 feet of water–and there was tons of mud inside.

That same flood caused problems for the bank. They pride themselves on never closing–but they did close on July 6,

NMRI MEETS IN CONVENTION

The theme was "Springboard to the 80's" but the suggestions were more of a "slide"—a continuation of the gradual changes from the past.

Opening with the Presidents' Roundtable, Herb Fisher reported on what he has done in the past (stack merchandise higher—just like they have done for some years in South Africa, as shown at the 1978 convention). Morty Godlas presented the population forecast, mainly relating to age and ethnic groups that are already born. The impact of changing mixtures will come gradually—no springboard. Maurice Segall argues for long-range planning, review, analysis, and corrective action. But he offered little in the way of what to plan for or how to take corrective action. (His performance at Zayre's argues that this method worked for one major company).

John Swajeski of duPont, assisted by Jim Head of Ralph Head and Affiliates, presented the 8th duPont NMRI study—"Management Perspectives on Advertising/Promotion." This completes a series of eight studies made possible by duPont—and for which the entire NMRI has shown little or no appreciation. No such studies, to my knowledge, have ever been undertaken for any other general merchandise trade association.

How long can John Swajeski and duPont continue to pour out such an effort without even being thanked? A check prior to the convention indicated that in the two years since RT wrote about the lack of appreciation, only one firm (John was relying on his memory) had bothered to say those two very important words—"Thank You."

When John ended his presentation with the statement that this completed the original series, he commented on the lack of appreciation—at least, as expressed to duPont. Suddenly people started to ask him about next year—a few even said "thank you" for this year and the prior 7 reports.

> *RThought:* **Perhaps this proves the old saying that when people do not pay for something, they consider it as having little value. A solution at NRMI is simple. If Swajeski and Head gave half as much insight into the report—more of a teaser— and then concluded by saying that the full report was available outside the meeting room for $25.00 a copy, the reports would be more highly valued. Of course, the content would be the same.**

Dennis Defforey, President of Carrefour, assisted by management consultant to Carrefour and professor of retailing Maxwell Stern, gave an excellent report on operating details of their hypermarkets—using as the model a large unit doing approximately $800.00 per square foot. Unfortunately, as consultant Stern admitted, hypermarkets are practical only in countries where land controls prevent the establishment of competing stores. They would not work in the United States (Oshawa proved they could not work in Canada—when a competing store opened near their trial store). Defforey has moved Carrefour's emphasis to Brazil where they have a jump on the market—and are operating successfully but with the risk of competition in the future.

> *RThought:* **Did NMRI members benefit from a better knowledge of a type of store that is not practical in the United states?**

Senator Orrin Hatch made his speech from a phone booth in the Senate in Washington—and answered questions. Hatch is one of the leaders in the new conservative coalition of Republicans and Southern Democrats. When he argued that with a good effort in the 1980 elections they could increase their block to 41 senators, virtually none of the audience understood the importance of the number 41 vs 42 or 40 or 39. Under Senate rules, it takes 60 votes to stop a filibuster (until a short time ago it required two-thirds, or 67 votes if all members were present). What Hatch was looking toward was the power to bottle up government on a broad scale—an ability to stop legislation without the votes to pass legislation.

The response of the audience seemed to indicate that Hatch will get lots of help. NMRI established their own Political Action Committee. One would expect that most of that money would go to people who Senator Hatch would like to have on his side.

The break-out sessions were very good. Obviously, with 3 concurrent sessions, it was not possible for one person to cover all.

John Geisse talked on fundamentals in his presentation on "Maximizing Sales and Gross Margin," Al Doody showed how stores could be drastically changed (and sales greatly increased) by remodelling expenditures totalling $2.00 per square foot or less. And Paul Close and Peter Gundell had an overflow crowd at their presentation on point-of-sale equipment and systems that will be available in the coming years.

Howard Davidowitz did an outstanding job on "Productivity —How to Manage and Motivate Your People for Increased Profits," providing a thick kit of materials for all who attended. The session on "Managing Inventories More Effectively" offered constrasting views. Frank Brenton outlined the peculiar problems of maintaining assortments at Marshalls where purchases are odd-lots or remainders.

The session on "Exploring Vendor/Retailer Problems," **in which I participated**, was, I say with modesty, outstanding. This is the kind of session that Jim Williams at NRMA refuses to permit for his members. Sabin Segal reported on the major points raised in a survey of 40 Associate member firms while Marshall Hess summarized the problems experienced by his buyers. I added a number of other problems—from both sides.

The outcome of the Vendor/Retailer meeting was unanimous approval by the 180 people present that a committee should be appointed to study what can be done to eliminate common problems (See Box on Page 1) including asking the American Arbitration Association Research Institute to study the problems, draft contract terms, and establish special rules for arbitrating differences. The officers of NRMI will, hopefully, carry this project forward.

SHORT SHORTS

For just $12.00 a year you can get a monthly exposure to Horatio Alger. Just mail a check for that amount to Johnson Publishing Company, Incorporated, 820 South Michigan Avenue, Chicago, IL 60605 and ask them to send you **Ebony.** Each month you will find renewed faith—faith that there are still many following in the footsteps of Horatio Alger.

If you had been the first department store to honor American Express Card instead of Macy's, you might have been written up in the newsletter to all cardholders and have an American Express Office right in your store.

CREDIT OFFICE RATING

We have a record number of names on the HONOR ROLL this month—16! We congratulate these companies who have attained their goal of 4 days or less between cycle closing and postmark date.

HONOR ROLL

Company	Days	Company	Days	Company	Days
Liberty House, N. Ca	2.5	Gimbels, Philadelphia	3.5	Hudson's Bay, Calgary	4.0
Oshman's, Houston	2.7	Levy Bros., N. Ca	3.8	Mervyn's, N. Ca	4.0
Rubenstein's, Shreveport	2.7	Bullock's, S. Ca	4.0	Montgomery Ward, Houston	4.0
Ivey's Carolinas	2.8	Grodins, N. Ca	4.0	Robinson's, S. Ca	4.0
J. Magnin, N. Ca	3.0	Holman's, N. Ca	4.0	Sears, Houston	4.0
Sears, Dallas	3.0				

Information From Reporters	APRIL-MAY 1979 No. of Reports	Days to Bill Average	Range	FEB.-MARCH 1979 No. of Reports	Days to Bill Average	Range
B. Altman, N.Y.	1	5.0	5	2	4.5	4-5
Bamberger's, N.Y.	1	5.0	5	—	—	—
Battelstein's, Houston	1	11.0	11	—	—	—
Bloomingdale's, N.Y.	1	8.0	8	2	7.5	7-8
Bonwit Teller, N.Y.	1	7.0	7	—	—	—
The Broadway, S. Ca.	2	5.5	5-6	—	—	—
Bullock's, S. Ca.	1	4.0	4	—	—	—
Bullock's, N. Ca.	4	5.0	4-7	1	7,0	7
Capwell's, N. Ca.	4	5.8	5-6	6	5.8	5-6
B. Dalton, S. Ca.	1	10.0	10	—	—	—
Emporium, S. F.	3	5.8	5-6	2	4.5	4-5
Foley's, Houston	1	10.0	10	1	8.0	8
Gimbels, Philadelphia	2	3.5	3-4	2	3.0	3
Grodin's, N. Ca.	1	4.0	4	—	—	—
Gumps, S. F.	2	11.5	11-12	2	11.5	11-12
Hudson's Bay, Calgary	1	4.0	4	1	4.0	4
Joske, Houston	1	6.0	6	1	5.0	5
Liberty House, N. Ca.	4	2.5	2-4	4	4.3	2-8
Livingston Bros., S.F.	2	6.0	6	3	5.6	5-7
Lord & Taylor, Houston	1	6.0	6	1	7.0	7
Macy's, N. Ca.	6	4.2	4-5	3	4.7	4-6
I. Magnin, N. Ca.	6	5.8	5-9	9	4.7	2-6
J. Magnin, N. Ca.	1	3.0	3	—	—	—
May Co., S. Ca.	1	7.0	7	1	6.0	6
McCaulou's, N. Ca.	2	6.0	5-6	1	5.0	5
Mervyn's, N. Ca.	1	4.0	4	1	4.0	4
Montgomery Ward, Hous.	1	4.0	4	1	6.0	6
Penney's, N. Ca.	2	6.0	4-8	2	6.5	6-7
Penney's, Houston	1	8.0	8	—	—	—
Penney's, Philadelphia	1	6.0	6	2	6.0	6
Robinson's, S. Ca.	1	4.0	4	1	12.0	12
Saks 5th Ave., N.Y.	3	9.0	8-10	2	8.0	8
Saks 5th Ave., N. Ca.	1	12.0	12	—	—	—
Sears, Houston	1	4.0	4	1	4.0	4
Sears, Dallas	1	3.0	3	—	—	—
Sears, Philadelphia	1	8.0	8	—	—	—
Sears, N. Ca.	8	5.8	5-7	4	7.0	6-8
Smith's, N. Ca.	1	12.0	12	—	—	—
Stern Bros., N.Y.	1	6.0	6	—	—	—
John Wanamaker, Phila.	2	8.0	8	—	—	—
Weinstock's, Sacramento	2	5.5	5-6	1	6.0	6
Wineman's, S. Ca.	4	6.0	5-6	4	6.8	5-8
TOTALS	83	5.9	2-12	61	5.9	2-12

Information From Stores	APRIL-MAY 1979 No. of Reports	Days to Bill Average	Range	FEB.-MARCH 1979 No. of Reports	Days to Bill Average	Range
Carlise's, Ashtabula, OH	2	5.5	5-6	3	6.3	6-7
Gimbels, Philadelphia	36	3.5	3-4	34	6.3	3-5
Holman's, N. Ca.	9	4.0	3-5	10	4.4	3-7
Ivers, S. Ca.	10	5.6	4-7	10	5.3	4-8
Ivey's Carolinas	20	2.8	2-3	20	4.4	3-7
Levy Bros., N. Ca.	16	3.8	3-6	16	3.7	3-7
Mervyn's, N. Ca.	20	4.1	4-5	20	4.0	4
Oshman's, Houston	10	2.7	2-4	10	2.6	2-3
Ross Stores, N. Ca.	5	5.6	4-7	4	5.0	4-7
Rubenstein's, Shreveport	3	2.7	2-3	3	2.5	2-3
TOTALS	208	3.6	2-7	130	3.9	2-8

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.

1978. When the power went off the computer did not work nor did the air-conditioning. Their emergency power system was 2 flashlights, one with dead batteries! Without power the telephones didn't work too well—and people could not see in many parts of the office.

Finally, there was the bomb threat. It came on August 30, 1978, when they were still recovering from the flood. And then they missed all the systems they had turned down as unnecessary because they were only 2 or 3 minutes from the police department and crimes against banks in Minnesota were rare. But the extortionist who claimed to have placed a concealed time bomb within the bank apparently did not read the bank's analysis.

RThought: Read the article. It could be about a retail store. You are probably no better prepared than Marquette Bank was. That's why Mr. Chisholm's true story is worth reading.

IT IS EASY TO UNDERSTAND WHY SEARS DOES SO POORLY

On May 2, 1979, Sears ran ads nationally headlined:

> An Open Letter to Sears Customers:
>
> **Here's What Sears Will Do to Help Fight Inflation**
>
> To support the nation's efforts to curb inflation Sears will voluntarily take the following actions:

They then announced a 5% reduction in Spring General Catalog prices effective through July 31, 1979, selected reductions of regular prices in the stores (to be announced through ads) and sharply reduced items offered as **Sears Super Values** through all advertising media.

They concluded with the following statement:

> **By reducing prices on these selected Catalog and Retail merchandise items, Sears intends to take a leadership position in the fight against inflation and to keep our promise to you, our customers, to continue to be *Sears, Where America Shops for Value.***

RThought: Is it possible that Sears, the company with more credit cards outstanding than either VISA or Master Charge, honestly believes that their millions and millions of customers do not read the front page of their newspapers? Does Edward Telling think that much of America is unaware that the Council on Wage and Price Stability found that Sears prices were exceeding the anti-inflation guidelines? Does Mr. Telling think that the public is not aware that the government, starting with President Carter, was placing pressure on Sears to comply with the guidelines?

RT recognizes that the change in merchandising policy adopted immediately prior to the announcement of the voluntary guidelines called for higher margins and lower volume in an attempt to restore profitability levels in the retail operations. Many merchants familiar with the problems at Sears would agree with that decision. Unfortunately, it came at a time when the rules of the game were changed by President Carter's voluntary guidelines on prices and wages.

Sears should have re-evaluated their policy in order to place themselves in compliance. Sears, more than any other retailer in the United States, has a vested interest in reducing the rate of inflation.

But even more—the American people are entitled to honest statements when the President of Sears Roebuck signs an ad. And they did not get it on May 2, 1979. Only by the most tortured manipulation of the common meaning of the word "voluntary" can Sears so classify their act. When Sears bowed to the pressure of the White House it was not because they had developed this program of their own free will; it was because Sears could not win an escalating public debate on the level of their price increases.

F.T.C. ACTION ON FALSE COMPARATIVE ADVERTISING CLAIMS

Litton Industries, the original conglomerator, is now doing its part to increase government regulation of advertising. They did so by virture of false and misleading advertising, probably persuaded by Dr. Milton Friedman that this was entirely appropriate within our system since the ultimate test is whether consumers continue to patronize a particular manufacturer.

The product they selected was their microwave oven (how many people, Dr. Friedman, buy more than one microwave oven and thus will punish Litton by not buying their second one from Litton?). They claimed that a survey of "independent technicians" recommended Litton over all others because of fewer repairs and being easier to repair. (Perhaps Litton recalled similar advertising for a color TV set which claimed that technicians preferred a certain brand.)

Who were the "independent technicians?" Just the servicemen of Litton dealers who had little or no knowledge of other brands. Who did the "survey?" Employees of Litton.

RThought: Now users of comparative advertising have a whole new set of government rules to comply with. Litton's gift to advertising might be summed up as follows: Use a competent independent agency to develop the comparative data; don't use just the good comparison and leave out the bad; be careful how your advertising agency "re-words" the reported results; and save all the documentation for more than 3 years. **Thanks Litton.**

CRIMES TO COMPUTERS

The United States press gives wide coverage to crimes committed by or through computers, especially if it involves many millions of dollars.

But less publicity has been given about crimes against computers according to Donn Parker of SRI International, the leading student of computer crime. In an article that appeared in Campus Report, a publication for people on the Stanford University campus, he reported that in the past 3 years terrorists in Italy have bombed 25 computer centers. The first one was the one containing records of all driver licenses, making identification of people difficult.

All have been conducted by women who carry fire bombs and machine guns. So far no computer personnel have been hurt.

The reason for terrorist interest? They charge that computers are the tools by which multinational corporations are enslaving people.

READING THE ANNUAL/QUARTERLY REPORTS

Peoples Drug Stores, Incorporated (28 weeks to April 13, 1979): A tear-off section is a certificate for shareholders to take into a Peoples Store: "This coupon entitles you to a **25% Discount** on any one of over 200 Peoples Brand Products. Present to your neighborhood Peoples Drug Store Manager."

The Oshawa Group Limited (12 weeks to April 21, 1979): In the letter from R. D. Wolfe, Chairman and President: "First quarter loss of $1,227,000 (18¢ per share) was not as large as budgeted . . ." but the budget was never made known to the owners of the company.

Safeway Stores, Incorporated (12 weeks ended March 24, 1979): A frank statement by Chairman W. S. Mitchell: "Although we appeared to stumble slightly in the first quarter, in terms of sales and profit, our outlook for the remainder of 1979 and the years ahead is positive."

Danners, Incorporated in their annual report: "Danners, Inc., is a proud Company—proud of its people and proud of its communities. In the Indianapolis office and distribution center, the employees pledged one of the highest per capita contributions in the county-wide United Way drive. Countless hours are given by Danner employees to local charitable organizations and the corporation donates a generous percentage of revenues to charitable and civic agencies and educational institutions in the cities where stores are located. All of this creates goodwill and respect for the total Company and we believe the return on investment is tremendous." **RThought**: It is also tremendous to show your employees your pride in what they did as well as displaying your citizenship to your shareholders.

HAS FEDERATED TURNED EACH DIVISION LOOSE?

One wonders about the long-range concept of Federated Department Stores. Will they end their regional concentration by permitting each division to develop into a national chain? Does Federated envision several divisions competing in the same market?

Bloomingdale's, which appears to have carved out the northeastern megalopolis as it's territory, now competes with Filene's. Filene's is now headed for Albany, New York from which they could work southeast into the A & S–Bloomingdale territory.

Sanger and Harris is headed for Tulsa, Oklahoma, but could it go the opposite direction and fill the gap between Houston (Foley's) and Dallas? Lazarus has headed east to Indiana but why not south into Rike's and Shillito's territory?

Bullock's has spread from California to Phoenix—can it now go into Tuscon and compete with Levy's?

Will Federated ever acknowledge that they own any stores at all? Or do they think they can fool some of the people all of the time into thinking that each division is just a home-owned business? Wait for the next store opening announcement (Bloomingdale's in Orange County, California? ? ?).

SHORT SHORTS

Safeway helps keep shoppers alert. Hidden in the drug sundries, side by side, they have Alka-Seltzer in foil packs. 36 tablets/18 packs sell for $1.45 ($2.02 per 50 under unit pricing) while the 72 tablet/36 pack sells for $2.99 ($2.06 per 50). Remember the guy in the insane asylum who, when offered the choice of a nickel or a dime always took the larger nickel? As he explained—he was insane but not stupid and if he ever took the dime people would quit offering him money!

Lionel Leisure, Inc. (operator of Lionel Kiddie City, Lionel Playworld and Toytown) has taken a major step in improving customer relations. RT recently received a letter addressed to credit managers announcing a new manager of accounts payable stating he "brings with him many years of background in dealing with the mutual problems experienced by vendors and customers in this financial activity." Although asking that correspondence continue to be directed "Attention: Vendor Adjustments," credit managers are asked to contact the ne[w] manager "regarding discrepancies not resolved to your satisfaction."

WORDS TO THINK ABOUT

A long-time RT reader was impressed by the following ad which was run by United Technologies. So was RT. It appeared in the Wall Street Journal on April 16, 1979:

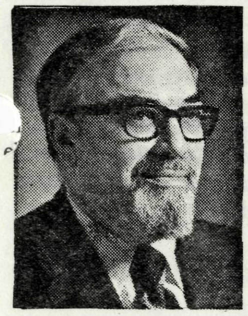
> **Do You Remember**
> **Who Gave You**
> **Your First Break?**
>
> Someone saw
> something in you once.
> That's partly why you are
> where you are today.
> It could have been
> a thoughtful parent,
> a perceptive teacher,
> a demanding drill sergeant,
> an appreciative employer,
> or just a friend who
> dug down in his pocket
> and came up with
> a few bucks.
> Whoever it was,
> had the kindness
> and the foresight
> to bet on your future.
> Those are two beautiful
> qualities that separate
> the human being
> from the orangutan.
> In the next 24 hours, take
> 10 minutes to write
> a grateful note to the
> person who helped you.
> You'll keep a wonderful
> friendship alive.
> Matter of fact, take another
> 10 minutes to give
> somebody else a break.
> Who knows?
> Someday you might
> get a nice letter.
> It could be one of
> the most gratifying
> messages you ever read.

If you would like a free 8½" x 11" reprint, write Mr. Harry J. Gray, Chairman, United Technologies, Box 360, Hartford, CT 06141.

RThought: Some years ago I realized that far too often I was writing nice things about great people—to their widow. I never found time to tell them while they were alive what I thought about them. Now I write the good thought as soon as I think it.

For years I told people how Elmer Fagan, my professor at Stanford in Econ 1, had changed my life and concentrated my learning. He could stand in front of a class, draw a straight line on the blackboard, and say "Take that circle" and each of us would convert that line to a circle.

I didn't know, when I wrote to tell how much he meant to me, that Professor Fagan was dying. The letter was read to him but he was too weak to respond. Later his beloved wife wrote to me that my letter was one of three read at a memorial servic[e] held in the Stanford Chapel. I know that my thoughts were the thoughts of thousands of his students and I have been forever thankful that I found the time to write when I did.



RETAILING TODAY

ROUTE TO

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ETHICS IN RETAILING

Before we can discuss "ethics" we must agree on the meaning of the word.

In the singular, "ethic" means "the character or the ideals of character, manifested by a race of people." There is no connotation of good or bad in the word "ethic." Headhunters, who cut off the head of the victim, shrink it and keep it as a trophy, have their own ethic that encompasses this act. In the United States (and the colonies that preceded it) we had an ethic for 250 years that condoned the ownership of one human being by another with full property rights over that other human being.

It is the definition of the plural–"ethics"–that I wish to use in this discussion–the second definition given in Webster's International Dictionary, 2nd Edition:

> The science of moral duty; more broadly, the science of the ideal human character and the ideal ends of human action. The chief problem with which ethics deals concern the nature of the **summum bonum**, of the highest good, the origin and validity of the sense of duty, and the character and authority of moral obligation.

Let me repeat the key facets of ethics:

1. The nature of the highest good.
2. The origin and validity of the sense of duty.
3. The character and authority of moral obligation.

Nothing in ethics concerns itself with what is or is not legal because the law is not involved. Nothing in ethics concerns itself with conduct approved or disapproved by a religion for which there is either reward or punishment.

Why should a retailer be concerned about ethics?

As retailers we play a very important part in our society–far more important than that played by most manufacturers, wholesalers, or service businesses.

First, we employ many people both as an industry and in many of our individual companies. Our conduct has a direct impact on these people and our conduct, good or bad, sets an example for them.

Second, we pre-select the merchandise from which our customers pick what they want. Thus our standards restrict their choice. If we knowingly offer products that will injure them, it is because our ethics permit such conduct.

Third, our business has an impact on the cities and towns in which we live. Our advertising can be honest or dishonest. Our example will be followed by other retailers. Our concern or lack of concern for our communities has a great impact on them.

Finally, our business relations–and the manner in which we conduct those relations–with our vendors and our customers again sets a guideline for others to follow.

We all think kindly of Ben Franklin, who played such an important part in the development of the United States, by his writings, by his participation in the writing of the Declaration

A VISIT TO AUSTRALIA

I have just completed a 3 week stay in Australia at the invitation of several major retailers and retail trade associations. The trip was instigated by Michael Grace, Managing Director of the Grace Bros. department store group in Sydney together with the Retail Traders' Association of New South Wales.

I worked with top and middle management executives at Grace Bros., John Martin and Company (and their subsidiary, Venture Stores) and Myer Emporium. In addition, I was the feature speaker at day-long programs conducted by the Retail Traders' Associations in both New South Wales (Sydney) and in Victoria (Melbourne).

One of the major themes that I discussed was "Ethics in Retailing," a presentation that I made 8 times to more than 1,000 top and middle management executives. The essence of that presentation is offered in this issue of RT.

When this trip was being planned I explained that I thought that it was important for us to bring the discussion of ethics up to the conscious level. Every study that I had seen of groups of executives who knew each other well indicated that two-thirds of the executives thought that their own ethical and moral standards were above that of their peer group. Mathematically this cannot be true. It just means that we do not know what our peers think and feel. As a result, we feel that we are alone in trying to be honest and ethical.

At my first presentation–to the 50 to 60 top executives at Grace Bros. who have worked together for from 10 to 40 years–I had each one write just one word on a slip of paper, carefully concealing their answer from people on either side. I asked them to write more, same or less, indicating whether they thought their conduct was more ethical, the same, or less ethical than their peers. The tabulation showed 67% more, 31% same, 2% less. I attribute the 2% to someone trying to have fun with me.

of Independence, and by his service to the United States as an Ambassador abroad and as the first Postmaster.

His writings gave us–

A penney saved is a penny earned.

Never leave that till tomorrow which you can do today.

Little strokes fell great oaks.

He that goes a borrowing, goes a sorrowing.

Lost time is never found again.

For the retailers he said–

Keep thy shop and thy shop will keep thee.

For the world today he said–

There never was a good war or a bad peace.

For those who signed the Declaration of Independence he said–

We must all hang together, or assuredly we shall all hang separately.

While Ambassador to France he apologized to President Washington for writing such a long letter but he didn't have time to write a short one.

And he observed in 1729–250 years ago–in the **American Weekly Mercury:**

If we were as industrious to become good as to make ourselves great, we should become really great by being good, and the number of valuable men would be much increased.

But it is a grand mistake to think of being great without goodness; and I pronounce it as certain, **that there was never yet a truly great man, that was not at the same time truly virtuous.** (Emphasis added)

A serious problem faces each retailer in the United States.

We are dedicated to two great causes–democracy and the free enterprise system.

These great causes are in basic conflict. Each businessman–and that includes every retailer–must deal with this conflict in almost every important decision that he makes.

Let us first look at democracy.

Our democracy started in 1215 with the Magna Carta. In that document the lords rejected the power of the King to control the personal property and liberty of the lords save with the consent of the lords. This was later expanded to reject the power to control the property and liberty of every sort of citizen save with the consent of the citizen's equals.

Representative government was established as the means of expressing the will and consent of the equals.

In our Declaration of Independence we said:

We hold these truths to be self evident: that all Men are created equal, that they are endowed by their Creator with certain inalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness–that to secure these Rights, Governments are instituted among Men, deriving their just Powers from the Consent of the Governed, that whenever any Form of Government becomes destructive of these Ends, it is the Right of the People to alter or abolish it, and to institute a new Government, laying its Foundations on such Principles and organizing its Powers in such Form, as to them shall seem most likely to effect their Safety and Happiness.

Our Constitution starts with the Preamble that remains unchanged after 190 years:

We, the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare and secure the blessings of liberty to ourselves and our posterity do ordain and establish this Constitution for the United States of America.

By these documents we clearly demonstrate that **democracy is dedicated to the most good for the most people.**

What about the free enterprise system?

In 1776, the same year in which we wrote the Declaration of Independence, Adam Smith published **The Wealth of Nations,** the first statement of the free enterprise system. The following quotation sums up the position that he advocated following the end of the mercantilism system under which the government controlled what could or could not be manufactured or imported and which had as its major goal the accumulation of gold by exporting more than was imported:

All systems whether of preference or of restraint, therefore, being completely taken away, the obvious and simple system of natural liberty established itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way, and to bring both his industry and capital into competition with those of any other man, or order of men . . . According to the system of natural liberty, the sovereign has only three duties to attend to: Three duties of great importance, indeed, but plain and intelligible to common understanding: First, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of society from the injustice or oppression of every other member of it, thus the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society.

And thus we clearly demonstrate that the **free enterprise system is dedicated to individuals getting as much for themselves as they can.**

We now can pose, in its simplest form, the question that faces the retail executive–"Do you do what makes the most money or what is best for the most people?"

The question is not fully stated. We operate our businesses, with rare exception, in corporate form. A corporation is an artificial entity. It is created by government and reflects a limited grant of power from the people. We have just recently given corporations some limited rights of free speech under the Constitution. Government can control how large the corporation becomes, where it can operate, what percentage of a market it can control, the voting rights of stockholders, the disclosures that have to be made to stockholders and,—**it could eliminate corporations.**

Among the American people today we are seeing a reaction against the oil corporations; the people are in the process of imposing special limitations on this group of legal entities.

Corporations are usually controlled by people—often salaried management—who own little or none of the stock. Many times their decisions are based more on benefit to themselves as employees or to the corporations they represent than on benefit to shareholders.

We can finally pose the full problem that faces business and society.

> The decision on whether to make the most money or help the most people must be made within the structure of an artificial legal entity by people who often have little or no investment in the enterprise.

In recent years we have had some expressions on this conflict.

Kenneth Dayton, then Chairman and CEO of Dayton-Hudson, said in 1975 at the Graduate School of Business at the University of Michigan:

> "There is one thing about the future . . . The free enterprise system must change drastically its relationship to the rest of society, if it is to survive.
>
> "I maintain that business must change its priorities. We are not in business to make maximum profit for our shareholders. We are in business for only one reason—to serve society. Profit is our reward for doing it well. If business does not serve society, society will not long tolerate our profits or even our existence.
>
> "It is for this reason that Dayton-Hudson clearly states in our corporate philosophy our commitment to our customers, our employees, our shareholders and the communities in which we operate. PROFIT IS THE COMMON DENOMINATOR OF OUR COMMITMENT TO ALL FOUR OF THESE CONSTITUENCIES BECAUSE WITHOUT PROFIT WE COULD NOT SERVE ANY OF THEM WELL. But profit is not an end in itself." (Emphasis added.)

It should be noted that Dayton-Hudson is the only major retailer (and one of a very small group of public corporations) that each year puts the maximum allowable charitable deduction of 5% of pre-tax profits into a foundation and then gives the money back to the communities in which their various divisions operate.

On the question of the relation between an effective enterprise and morality, Brooks McCormick, President and CEO of International Harvester (and a descendant of the founder), told the 1976 annual meeting:

> "I don't believe the relationship between morality and the effectiveness of an enterprise can be separated. Expediency is never a valid alternative for ethical conduct."

Henry Ford, II, who has headed Ford Motor Company for more than 30 years, often spoke out on the need for government to completely free corporate giants of restraints so that people could benefit from the unrestrained profit motive. He never mentioned that the claimed beneficial effect of competition in the market place was an argument based on the assumption that there are a large number of suppliers and a large number of consumers, each of whom had perfect knowledge of the market. This is a market in which Ford Motor Company never operated—and it is one that hasn't existed, except in rare instances, since prior to the industrial revolution.

More recently Henry Ford has gotten smarter. It is unfortunate that just at the time when he is ready to hand over the reins at Ford Motor Company and will thus leave the platform to which he could call the press of the world at any time, that he would write the following clear expression of the problem we face:

> "This brings me to a second way in which capitalism today falls short. Here I am referring to the failure of businessmen to respond intelligently to their social and political environment.
>
> "Today the great majority of capitalism's problems reflect the failure of businessmen to take politics and new social movements as seriously as they should have. Often, businessmen have refused to respond to what's valid in the critic's case.
>
> "We are not *simply* capitalists in America today. We are democratic capitalists. By that I mean that our democratic heritage helped us to develop an industrial society that is more humane than any other I can think of.
>
> "Businessmen have to devote more time to those fundamental values that have made our system of democratic capitalism. **In those values will be found a strength that is far more powerful than either our friends or our critics realize."** (Emphasis added.)

Faced with our problem, our trade press is not helping us.

For example, **Dun's Review**, (published by Dun & Bradstreet, the company that professes to provide information—and interpret that information into all-important credit ratings)—said recently in an editorial:

> "Whatever happens, it is important that the government quickly and more fully inform American corporations of the ethical standards that they will be required to live by. However much they have disliked the verdicts in the past, business men have always been able to adjust once they knew the rules."

Here is **Dun's Review** *arguing that the minimum legal standards should become the maximum ethical standard by which business in the United States is to operate.* They are saying, quite bluntly, whatever is legal is ethical.

American business is certainly entitled to something much better than the quality of editorial thought offered by Dun & Bradstreet.

With this problem facing us, what is happening to people?

Before Watergate, Father Raymond Baumhart published an article in the Harvard Business Review based on some 1700 questionnaires. He concluded that a very large percentage of the respondents recognized within the companies for which they worked the existence of "generally accepted **unethical** practices." **25%** found unfair prices, **25%** reported use of bribes, gifts and call girls, **14%** were concerned about dishonest advertising, **9%** were concerned about outright cheating of customers.

The University of California at Los Angeles questioned one of their Executive Training Seminars and found that–

21% condoned the price fixing in the electrical equipment field case.

37% approved using advertiser influence to keep true, but derogatory, news out of papers.

49% approved use of insider information for personal gain.

40% approved of an auditor's report that omitted reference to a bribe of a public official known about by the auditor.

A survey was made of people selected at random from the tens of thousands listed in Standard & Poor's Register of Directors and Executives. The sample came up 71% middle management, 52% with bachelor degrees, 85% between 30 and 59, 51% Republican, 24% Democrat and 25% Independent. They were asked whether they agreed or disagreed with certain statements. Let's look at just two:

> I can conceive of a situation where you have sound ethics running from top to bottom in a business but, because of pressure from the top to achieve results, the persons down the line compromise company standards.

Agree	44%
Somewhat agree	35%
Somewhat disagree	7%
Disagree	15%

> Managers today feel under pressure to compromise personal standards to achieve company goals.

Agree	21%
Somewhat agree	42%
Somewhat disagree	11%
Disagree	15%

The pressure to perform–the scientific management without ethical standards as developed by Harvard Business School and others–is forcing people to go against both the professed ethical standards of their company (the lip service from a top management that does not enforce the standards) as well as against their personal standards.

Here business is clearly to blame. Top management salves their own conscience by setting forth ethical standards. Then under the pressure of the stock market to maintain constantly growing profits, and with the help of many of the top educational institutions that are training their managers, management creates an internal pressure that forces a result detrimental to the moral fiber of our society.

What about the people who come to us in retailing and upon which we must build our business?

Will Durant in **The Story of Civilization** wrote:

> "What we are up against is the simple fact that man is still an animal. That is the deepest thing in his nature–the survival instinct and the hunting instinct. Those were necessary at one time when self-preservation was the rule rather than resisting the pressures of society. So morality an uphill battle against those two inheritances. **You have to recognize the enormous difficulty in making an animal and a hunter into a citizen and a civilized man.**"

Despite this, Alfred Sloan, who built General Motors, said:

> "The most important thing I have learned about management is that an executive must arouse the individual initiative of the people working under him. Big business must be human if it is going to succeed because what makes the wheels go around will always be the human being."

Yet Sloan has to work with the same human beings that led Will Durant to say "you have to recognize the enormous difficulty in making an animal and a hunter into a citizen and a civilized man."

The manner in which retailing is doing this today brings to mind the observation of San Francisco's famous longshoreman-philosopher, Eric Hoffer, who said "We lie loudest when we lie to ourselves."

It is time to review our own conduct as retailers.

Ask yourself these questions about personal matters:

Do I cheat on my expense account?

Do I take merchandise without paying for it?

Do I accept (or suggest) expensive gifts from suppliers?

Do I falsify business or personal records to reduce income tax

Do I pay off local officials?

Do I have a mistress on the company payroll?

Do I participate in price collusion?

And what about the way in which you manage your business?

Do I place such strong incentives on managers to create profit that they will violate our ethical code or their ethical code?

Do I set such low travel allowances that I force employees to obligate themselves to vendors?

Do I place such heavy emphasis on markdown control that buyers will create shortages by not recording markdowns?

Do I place such heavy emphasis on shortages that buyers will not record markdown cancellations?

What about the area of vendor/retailer relations?

Do I pay late and still take the discount?

Do I dishonestly return goods as imperfect or as not in accordance with samples when I am trying to get out of an overstock position?

Do I impose arbitrary charges on vendors not included in the terms of my purchase order?

Do I extort advertising allowance?

Consider the area of store practices.

Do I steal credit balances?

Do I enter into price collusion with suppliers and/or competitors?

Do I make little effort to get termination pay checks to former employees?

Do I *manipulate figures in financial statements*—whether internal, to my bank or to my stockholders?

Do I fail to make full and complete disclosures?

Do I put pressure on my independent CPA to conceal and distort information?

What about the merchandising area?

Do I misrepresent in my advertising?

Do I make false claims in my advertising?

Do I let salespeople make claims about products that the product cannot fulfill?

Do I knowingly carry unsafe products for sale to my customers?

Do each one of us need a simple personal guide?

I think so.

More than 50 years ago I memorized 15 words that have served me well all my life—and will continue to serve me. They are the Boy Scout Laws. I am sure that each of you learned them at one time—take a moment to go back over them—**"A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean and reverent."**

To guide us in obeying the Laws, we said the Scout Oath "On my honor I will do my best to do my duty to God and my country, to obey the Scout Laws, to help other people at all times and to keep myself physically strong, mentally awake and morally straight."

Can your business be both ethical and profitable?

I answer YES.

You can make it happen—but only you can do it. First you must make the decision. You won't do it by following the crowd—although you may be surprised by the number of people who will cheer you once you set out on this course. These will be all the people who thought they were alone, the honest and moral men who think they are in the midst of peers whose sole concern is making more money and acquiring more goods without concern about the standards of conduct employed.

For each of you there is one final test.

When you go to bed at night and put your head down on the pillow, you are the only one who knows how you spent that day. I hope that every night you will be able to say to yourself "I spent this day the way I know I should."

A LOOK AT AUSTRALIAN RETAILERS

Let me put the size of the Australian firms with which I worked in some form of perspective. Australia has only 14 million people in a country almost as large as the United States. More than half of these people are in the three major cities—Sydney, Melbourne and Adelaide. The first two have more than 3 million each while the third is approaching a million.

With that background consider the annual volume done by the firms with which I worked—expressed in U.S. dollars, Myer Emporium, which operates both department stores and discount stores (Target) on a national basis, did $1.2 billion. Grace Bros., which operates only department stores in just one state, did $450 million. John Martin & Co. which operates department stores only in South Australia plus Venture discount stores nationally, did $225 million.

G. J. Coles & Coy, Ltd., which operates variety and food stores plus K-Mart (K-Mart-U.S. owns 20%) is the largest retailer with a volume of $2.2 billion. Woolworths, Ltd., (not connected with F. W. Woolworth Co.) is second largest at $1.7 million (excluding their interest, recently sold, in Woolworths [New Zealand], Ltd.), operates supermarkets, food stores, variety stores, budget fashion stores and Big W discount stores on a national basis.

In 5th place, behind Myer Emporium and Grace Bros., is David Jones which operates fashion department stores in the eastern states, hardware stores, and some experimental specialty stores plus the Buffum chain in Southern California. Stanley Goodman, formerly of May Department Stores, serves as an advisor to the Board of this company.

Next is Safeway, developed from a supermarket chain Safeway purchased several years ago (and left the management in place). Safeway is gradually increasing the size of their stores—the largest is more than 60,000 square feet.

The last among the majors is Walton's at $350 million. In addition to 30 department stores (28 under the Walton name), they operate 31 homewares stores and 14 specialty stores. Sears Roebuck held an interest in this company from 1955 to 1959 (when it was called Walton-Sears, Ltd.). They still handle some Sears merchandise.

HOW TO SAVE MONEY AND IMPROVE VENDOR RELATIONS

One of the basic reasons why problems between vendors and retailers fester rather than disappear is that neither party has a good system to control the correspondence from the other party—and to see that correspondence is answered.

It seems that the paperwork systems used by vendors (ending up in their accounts receivable department) and the systems used by retailers (ending up in their accounts payable department) both assume that errors will never be made. Therefore no plans are necessary for an error correction subsystem. (Retail experience with computers should have taught us otherwise.)

Fortunately for both parties **Key-Rec Systems**, a part of SCM Allied/Egry Business Systems, concentrates on providing forms and systems that solve problems for retailers.

Key-Rec has developed a system to control vendor inquiries sent by vendors to retail stores. Fortunately, the system can be used with virtually no change to handle retailer inquiries sent to vendors. The basic system, as with all Key-Rec systems, produces a chronological log of incoming inquiries plus a 4-part form. Parts 1 and 4, with carbon between, circulate to accumulate the answer to the inquiry. Part 3 becomes a tickler file. Part 2 fits a window envelope and is used to acknowledge the inquiry, while at the same time giving the other party a control number to use on future inquiries.

Part 1 ultimately becomes the reply to the vendor while part 4 is used to purge the tickler file, close out the line entry on the incoming log and finally to be subject to analysis so that the causes of problems can be identified and ultimately removed.

The second system developed by Key-Rec is the Key-Rec Vendor Return Authorization Request System. Again a log is produced as part of creation of a 3-part form. The first part is sent to the vendor requesting authority to return goods and explaining why the request is made. The second part is a second request. The third copy of the Key-Rec is filed by Vendor until the merchandise is returned.

If you want more information on these systems, write to M. D. Ransom, Key-Rec Products Group, Key-Rec Systems, P.O. Box 40, Dayton, Ohio 45406 and ask for KEY-RECommendations #30-75 "Key-Rec Vendor Return Authorization Request System" and #30-74 "How to Control Vendor Inquiries in the Accounts Payable Area."

RThought: Now you can save labor, money and time while improving vendor/retailer relations. What more can management ask?

SAVING THE UNITED STATES FROM THE FASB

RT has long criticised the Financial Accounting Standards Board (FASB) for their massive assault on the U.S. dollar, the market value of the stock of multinational companies, and the confidence of all investors in financial statements prepared in accordance with generally accepted accounting policies (GAAP). For example, see **"Do Accountants Have Common Sense?"** in RT October 1978.

In general, the FASB has put themselves in the position of the engineers who could prove that a hummingbird cannot fly by combining three major policies:

1. Treating the fluctuations in currency exchange rates as though the investee company is bought and sold daily but with different rules for the liabilities (current value) and the assets (historic value). If someone on the FASB had ever attempted to sell a substantial business they would recognize the foolishness of their theory.
2. Failure to fight the battle with Congress and the IRS so that all companies using LIFO (not just that small number protected by the SEC) can clearly report to stockholders and creditors the current value of inventories.
3. Handling equipment and building leases so as to create billions of dollars of duplicate assets (on the books of both the lessor and lessee) and liabilities totally unenforceable in a showdown (bankruptcy proceedings do not recognize the full lease term but do allow return of worn-out market-value assets).

But a bright new day is ahead.

Forbes continues to attack what they call the "gnomes in Connecticut" by reporting the position of knowledgeable money makers who show how FASB Statement 8 (on how to handle foreign currency exchange rate fluctuations) has materially contributed to the continuing weakness of the dollar—and will continue to do so.

Finally this message is reaching the FASB—their March 15, 1979 **Status Report** says that a task force has been appointed to aid in a review of FASB Statement 8—and this includes qualified representatives from multinational corporations such as International Harvester, INA Corporation, Holiday Inns, The Royal Dutch/Shell Group, duPont, and Control Data plus Morgan Guaranty Trust Company. It is also hoped that the acccounting firm representatives (Peat Marwick, Arthur Andersen, Arthur Young) will reflect the thinking of their clients with problems rather than that of accounting theorists that are still studying the hummingbird to see where they went wrong.

RThought: Banks also attack the dollar by showing their multinational customers how to sell dollars and invest in foreign currencies—further pounding the dollar. All we need is a few more friends like Citicorp, Chase, Wells Fargo—and the accounting theorists.

WORDS TO LIVE BY

It is appropriate in this issue of RT dedicated to "Ethics in Retailing" to select two items from a recent Christopher News Notes (you can receive monthly Notes from The Christophers by writing to The Christophers, 12 East 48th Street, New York, NY 10017 and say Bob Kahn sent you. You might even want to distribute them to your staff.).

The first is some thoughts from Helen Keller who overcame far more obstacles than any of us are likely to face:

The Great and the Noble

I long to accomplish a great and noble task, but it is my chief duty to accomplish humble tasks as though they were great and noble.

The world is moved along, not only by the mighty shoves of its heroes, but also by the aggregate of the tiny pushes of each honest worker.

The second is a poem by Bessie Anderson Stanley offered without a name—but obviously it should be called

Success

That man is a success
who has lived well, laughed often and
loved much,
who has gained the respect of intelligent
men
and the love of children;
who has filled his niche
and accomplished his task;
who leaves the world better than he
found it
whether by . . .
a perfect poem
or a rescued soul;
who never lacked appreciation of earth's
beauty
or failed to express it;
who looked for the best in others
and gave the best he had.

AB
Paul Agostini

Ethics In Retailing

Before we can discuss "ethics" we must agree on the meaning of the word.

In the singular, "ethic" means "the character or the ideals of character, manifested by a race of people." There is no connotation of good or bad in the word "ethic."

Headhunters, who cut off the head of the victim, shrink it and keep it as a trophy, have their own ethic that encompasses this act. In the United States (and the colonies that preceded it) we had an ethic for two hundred and fifty years that condoned the ownership of one human being by another with full property rights over that other human being.

It is the definition of the plural—"ethics"—that I wish to use in this discussion—the second definition given in Webster's International Dictionary, 2nd edition:

> The science of moral duty; more broadly, the science of the ideal human character and the ideal ends of human action. The chief problem with which ethics deals concern the nature of the **summum bonum,** of the highest good, the origin and validity of the sense of duty, and the character and authority of moral obligation.

Let me repeat the key facets of ethics:

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Two—The origin and validity of the sense of duty.
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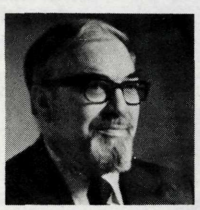

Robert Kahn CMC
Robert Kahn and Associates
Business Counselors
Lafayette, California

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Second, we pre-select the merchandise from which our customers pick what they want. Thus our standards restrict their choice. If we knowingly offer products that will injure them, it is because our ethics permit such conduct.

Third, our business has an impact on the cities and towns in which we live. Our advertising can be honest or dishonest. Our example will be followed by other retailers. Our concern or lack of concern for our communities has a great impact on them.

Finally, our business relations—and the manner in which we conduct those relations—with our vendors and our customers again sets a guideline for others to follow.

We all think kindly of Ben Franklin, who played such an important part in the development of the United States, by his writings, by his participation in the writing of the Declaration of Independence, and by his service to the United States as an Ambassador abroad and as the first Postmaster.

His writings gave us . . .

A penny saved is a penny earned.
Never leave that till tomorrow which you can do today.
Little strokes fell great oaks.
He that goes a borrowing, goes a sorrowing.
Lost time is never found again.

For the retailers he said . . .

Keep thy shop and thy shop will keep thee.

For the world today he said . . .

There never was a good war or a bad peace.

For those who signed the Declaration of Independence he said . . .

We must all hang together, or assuredly we shall all hang separately.

While Ambassador to France he apologized to President Washington for writing such a long letter but he didn't have time to write a short one.

And he observed in 1729—two hundred fifty years ago—in the American Weekly Mercury . . .

If we were as industrious to become good as to make ourselves great, we should become really great by being good, and the number of valuable men would be

Paul R. Scheffel
Director of Stores
Washington University
Campus Bookstore
St. Louis, Missouri

expended by our student staff artist, Angela Wright, we were able to create and publish a fall and a spring edition of the "Book Review Supplement."

The Editor was able to secure many interested and talented students who generated some excellent reviews of selected titles which became the nucleus of our supplements.

The Columbia Scholastic Press Association, of Columbia University, said of the "Student Life"; . . . "your arts coverage, as features, can be considered away the 'very best' in your class. The 'book review supplement' parallels NYT's." (The New York Times Book Review).

A most important contribution was made by our General Book Department Manager, Gerri Stalzer and her Assistant Manager, Susan Spano. They spent many hours selecting books to be considered for review and suggesting titles to be included in the final make-up of the supplement.

Not a small task to be accomplished by Gerri and Susan in the follow-up was the real effort and time needed to be expended by them in co-ordinating the stocking of these titles. The books to be featured most certainly had to be available in the store before the publication of the reviews.

The majority of the advertisements had to be created in the store by our own people since most publishers apparently believe that camera ready art and copy consists of a faint copy of typewritten blurb accompanied with a nine by twelve inch glossy photo.

The store guaranteed all the ad space in the supplement and we were able to collect co-op advertising funds from most of the publishers whose books were advertised.

Naturally, of course, the Campus Bookstore's Logo appeared in all the ads we provided.

The result of all the effort and time expended, of all the creative people's contributions, was a fine, attractive and informative set of supplements to our campus newspaper. Promotional pieces of very high quality which enhanced and boosted our store's book image to new heights.

Hard work, long hours, tedious details—yes—but so worth it all.

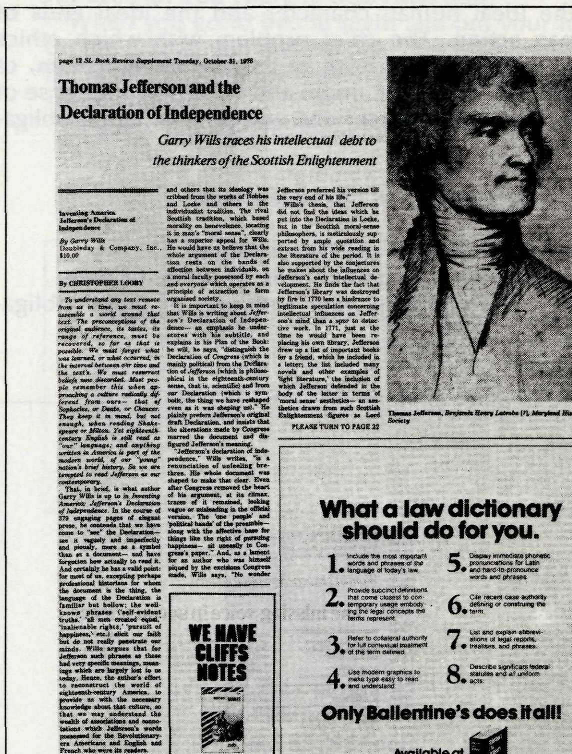
How do you measure the value of this type of project?

The Supplements were distributed in eight thousand copies of the campus newspaper. We distributed an additional five hundred copies on a "help-yourself" basis at the front of the store to give us an indepth penetration of our market.

As an example of the effectiveness of this promotional effort, we had customers ask for advertised titles while they stood there holding the advertisement from the supplement in their hand.

The General Book Department Staff felt certain they could discern an increased interest in most of the titles featured as well as an obvious increase in sales of many of the titles.

While a book review supplement, per se, is not a new idea, the General Book Department of Washington University's Campus Bookstore has enjoyed an eighteen point five percent increase in sales. So . . . who will argue that an old idea isn't worth repeating when you can repeat it with high quality and dignity?



much increased.

> But it is a grand mistake to think of being great without goodness; and I pronounce it as certain, **that there was never yet a truly great man, that was not at the same time truly virtuous.** (Emphasis added)

A Serious Problem Faces Each Retailer In The United States

We are dedicated to two great causes—democracy and the free enterprise system.

These great causes are in basic conflict. Each businessman—and that includes every retailer—must deal with this conflict in almost every important decision that he makes.

Let Us First Look At Democracy

Our democracy started in 1215 with the Magna Carta. In that document the lords rejected the power of the king to control the personal property and liberty of the lords save with the consent of the lords.

This was later expanded to reject the power to control the property and liberty of every sort of citizen save with the consent of the citizen's equals.

Representative government was established as the means of expressing the will and consent of the equals.

In our declaration of Independence we said . . .

> We hold these truths to be self evident: that all Men are created equal, that they are endowed by their Creator with certain inalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness—that to secure these Rights, Governments are instituted among Men, deriving their just Powers from the Consent of the Governed, that whenever any Form of Government becomes destructive of these Ends, it is the Right of the People to alter or abolish it, and to institute a new Government, laying its Foundations on such Principles and organizing its Powers in such Form, as to them shall seem most likely to effect their Safety and Happiness.

Our Constitution starts with the Preamble that remains unchanged after one hundred ninety years:

> We, the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare and secure the blessings of liberty to ourselves and our posterity do ordain and establish this Constitution for the United States of America.

By these documents we clearly demonstrate that **democracy is dedicated to the most good for the most people.**

What About The Free Enterprise System?

In 1776, the same year in which we wrote the Declaration of Independence, Adam Smith published The Wealth Of Nations, the first statement of the free enterprise system. The following quotation sums up the position that he advocated following the end of the mercantilism system under which the government controlled what could or could not be manufactured or imported and which had as its major goal the accumulation of gold by exporting more than was imported:

> *"All systems whether of preference or of restraint, therefore, being completely taken away, the obvious and simple system of natural liberty established itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way, and to bring both his industry and capital into competition with those of any other man, or order of men . . . According to the system of natural liberty, the sovereign has only three duties to attend to: Three duties of great importance, indeed, but plain and intelligible to common understanding: First, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of society from the injustice or oppression of every other member of it, thus the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society."*

And thus we clearly demonstrate that the **free enterprise system is dedicated to individuals getting as much for themselves as they can.**

We now can pose, in its simplest form, the question that faces the retail executive . . . "Do you do what makes the most money or what is best for the most people?"

The question is not fully stated. We operate our businesses, with rare exception, in corporate form. A corporation is an artificial entity. It is created by government and reflects a limited grant of power from the people.

We have just recently given corporations some limited rights of free speech under the Constitution. Government can control how large the corporation becomes, where it can operate, what percentage of a market it can control, the voting rights of stockholders, the disclosures that have to be made to stockholders and . . . it could eliminate corporations.

Among the American people today we are seeing a reaction against the oil corporations; the people are in the process of imposing special limitations on this group of legal entities.

Corporations are usually controlled by people—often salaried management—who own little or none of the stock. Many times their decisions are based more on benefit to themselves as employes or to the corporations they represent than on benefit to shareholders.

We can finally pose the full problem that faces business and society.

The decision on whether to make the most money or help the most people must be made within the structure of an artificial legal entity by people who often have little or no investment in the enterprise.

In Recent Years We Have Had Some Expressions On This Conflict

Kenneth Dayton, then Chairman and CEO of Dayton-Hudson, said in 1975 at the Graduate School of Business at the University of Michigan:

"There is one thing about the future . . . The free enterprise system must change drastically its relationship to the rest of society, if it is to survive.

"I maintain that business must change its priorities. We are not in business to make maximum profit for our shareholders. We are in business for only one reason . . . to serve society. Profit is our reward for doing it well. If business does not serve society, society will not long tolerate our profits or even our existence.

"It is for this reason that Dayton-Hudson clearly states in our corporate philosophy our commitment to our customers, our employes, our shareholders and the communities in which we operate. Profit Is The Common Denominator Of Our Commitment To All Four Of These Constituencies Because Without Profit We Could Not Serve Any Of Them Well. But profit is not an end in itself." (Emphasis added.)

It should be noted that Dayton-Hudson is the only major retailer (and one of a very small group of public corporations) that each year puts the maximum allowable charitable deduction of five percent of pre-tax profits into a foundation and then gives the money back to the communities in which their various divisions operate.

On the question of the relation between an effective enterprise and morality, Brooks McCormick, President and CEO of International Harvester (and a descendant of the founder), told the 1976 annual meeting:

"I don't believe the relationship between morality and the effectiveness of an enterprise can be separated. Expediency is never a valid alternative for ethical conduct."

Henry Ford, II, who has headed the Ford Motor Company for more than thirty years, often spoke out on the need for government to completely free corporate giants of restraints so that people could benefit from the unrestrained profit motive.

He never mentioned that the claimed beneficial effect of competition on the market place was an argument based on the assumption that there are a large number of suppliers and a large number of consumers, each of whom had perfect knowledge of the market. This is a market in which Ford Motor Company never operated—and it is one that hasn't existed, except in rare instances, since prior to the industrial revolution.

More recently Henry Ford has gotten smarter. It is unfortunate that just at the time when he is ready to hand over the reins at Ford Motor Company and will leave the platform to which he could call the press of the world at any time, that he would write the following clear expression of the problem we face:

"This brings me to a second way in which capitalism today falls short. Here I am referring to the failure of businessmen to respond intelligently to their social and political environment.

"Today the great majority of capitalism's problems reflect the failure of businessmen to take politics and new social movements as seriously as they should have. Often, businessmen have refused to respond to what's valid in the critic's case.

"We are not simply capitalists in America today. We are democratic capitalists. By that I mean that our democratic heritage helped us to develop an industrial society that is more humane than any other I can think of.

"Businessmen have to devote more time to those fundamental values that have made our system of democratic capitalism. In those values will be found a strength that is far more powerful than either our friends or our critics realize."

Faced With Our Problem, Our Trade Press Is Not Helping Us

For example, Dun's Review, published by Dun & Bradstreet, the company that professes to provide information—and interpret that information into all-important credit ratings—said recently in an editorial:

"Whatever happens, it is important that the government quickly and more fully inform American corporations of the ethical standards that they will be required to live by. However much they have disliked the verdicts in the past, business men have always been able to adjust once they knew the rules."

Here is Dun's Review arguing that the minimum legal standards should become the maximum ethical standard by which business in the United States is to operate. They are saying, quite bluntly, whatever is legal is ethical.

American business is certainly entitled to something much better than the quality of editorial thought offered by Dun & Bradstreet.

With This Problem Facing Us, What Is Happening To People?

Before Watergate, Father Raymond Baumhart published an article in the Harvard Business Review based on some seventeen hundred questionnaires. He concluded that a very large percentage of the respondents recognized within the companies for which they worked the existence of "generally accepted unethical practices."

Twenty five percent found unfair prices, twenty five percent reported use of bribes, gifts and call girls, fourteen percent were concerned about dishonest advertising, nine percent were concerned about outright cheating of customers.

The University of California at Los Angeles questioned one of their Executive Training Seminars and found that the following opinions existed . . .

Twenty one percent condoned the price fixing in the electrical equipment field case.

Thirty seven percent approved using advertiser influence to keep true, but derogatory, news out of the papers.

Forty nine percent approved use of insider information for personal gain.

Forty percent approved of an auditor's report that omitted reference to a bribe of a public official known about by the auditor.

A survey was made of people selected at random from the tens of thousands listed in Standard & Poor's Register of Directors and Executives.

The sample came up seventy one percent middle management, fifty two percent with bachelor degrees, eighty five percent between thirty and fifty nine, fifty one percent Republican, twenty four percent Democratic and twenty five percent Independent.

They were asked whether they agreed or disagreed with certain statements. Let's look at just two:

I can conceive of a situation where you have sound ethics running from top to bottom in a business but, because of pressure from the top to achieve results, the persons down the line compromise company standards.

Agree	44%
Somewhat agree	35%
Somewhat disagree	7%
Disagree	15%

Managers today feel under pressure to compromise personal standards to achieve company goals.

Agree	21%
Somewhat agree	42%
Somewhat disagree	11%
Disagree	15%

The pressure to perform—the scientific management without ethical standards as developed by Harvard Business School and others—is forcing people to go against both the professed ethical standards of their company (the lip service from a top management that does not enforce the standards) as well as against their personal standards.

Here business is clearly to blame. Top management salves their own conscience by setting forth ethical standards. Then under the pressure of the stock market to maintain constantly growing profits, and with the help of many of the top educational institutions that are training their managers, management creates an internal pressure that forces a result detrimental to the moral fiber of our society.

What About The People Who Come To Us In Retailing And Upon Which We Must Build Our Business?

Will Durant in The Story Of Civilization wrote:

"What we are up against is the simple fact that man is still an animal. That is the deepest thing in his nature–the survival instinct and the hunting instinct. Those were necessary at one time when self-preservation was the rule rather than resisting the pressures of society. So morality is an uphill battle against those two inheritances. You have to recognize the enormous difficulty in making an animal and a hunter into a citizen and a civilized man."

Despite this, Alfred Sloan, who built General Motors, said:

"The most important thing I have learned about management is that an executive must arouse the individual initiative of the people working under him. Big business must be human if it is going to succeed because what makes the wheels go around will always be the human being."

Yet Sloan has to work with the same human beings that led Will Durant to say "you have to recognize the enormous difficulty in making an animal and a hunter into a citizen and a civilized man."

The manner in which retailing is doing this today brings to mind the observation of San Francisco's famous longshoreman-philosopher, Eric Hoffer, who said: "We lie loudest when we lie to ourselves."

It Is Time To Review Our Own Conduct As Retailers

Ask yourself these questions about personal matters:

Do I cheat on my expense account?

Do I take merchandise without paying for it?

Do I accept (or suggest) expensive gifts from suppliers?

Do I falsify business or personal records to reduce income tax?

Do I pay off local officials?

Do I have a mistress on the company payroll?

Do I participate in price collusion?

And what about the way in which you manage your business?

Do I place such strong incentives on managers to create profit that they will violate our ethical code or their ethical code?

Do I set such low travel allowances that force employes to obligate themselves to vendors?

Do I place such heavy emphasis on markdown control that buyers will create shortages by not recording markdowns?

Do I place such heavy emphasis on shortages that buyers will not record markdown cancellations?

What about the area of vendor/retailer relations?

Do I pay late and still take the discount?

Do I dishonestly return goods as imperfect or as not in accordance with samples when I am trying to get out of an overstock position?

Do I impose arbitrary charges on vendors not included in the terms of my purchase order?

Do I extort advertising allowance?

Consider the area of store practices.

Do I steal credit balances?

Do I enter into price collusion with suppliers and/or competitors?

Do I make little effort to get termination pay checks to former employes?

Do I manipulate figures in financial statements—whether internal, to my bank or to my stockholders?

Do I fail to make full and complete disclosures?

Do I put pressure on my independent CPA to conceal and distort information?

What about the merchandising area?

Do I misrepresent in my advertising?

Do I let salespeople make claims about products that the product cannot fulfill?

Do I knowingly carry unsafe products for sale to my customers?

Do Each One Of Us Need A Simple Personal Guide?

I think so.

More than fifty years ago I memorized fifteen words that have served me well all my life—and will continue to serve me. They are the Boy Scout Laws. I am sure that each of you learned them at one time—take a moment to go back over them:

"A Scout is trustworthy, loyal, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean and reverent."

To guide us in obeying Laws, we said the Scout Oath:

"On my honor I will do my best to do my duty to God and my country, to obey the Scout Laws, to help other people at all times and to keep myself physically strong, mentally awake and morally straight."

Can Your Business Be Both Ethical And Profitable?

I answer Yes.

You can make it happen—but only you can do it. First you must make the decision. You won't do it by following the crowd—although you may be surprised by the number of people who will cheer you once you set out on this course.

These will be all the people who thought they were alone, the honest and moral men who think they are in the midst of peers whose sole concern is making more money and acquiring more goods without concern about the standards of conduct employed.

For Each Of You There Is One Final Test

When you go to bed at night and put your head do[wn] on the pillow, you are the only one who knows how y[ou] spent that day. I hope that every night you will be able to say to yourself:

"I spent this day the way I know I should."

A Communication from
Jack Newcomb
Editor

28 August, 1979

Robert Kahn, CMC
Robert Kahn and Associates
P.O. Box 343
Lafayette, CA 94549

File in binder
of August 79 RT

Dear Mr. Kahn:

We would like to have permission to reprint your article entitled "Ethics In Retailing" which appeared in the August, 1979 issue of your publication "Retailing Today."

If you permit such reprints we would like to include the piece in our October/November issue of The College Store Journal with proper credits, of course. Could you advise me as quickly as possible yes or no, and if yes what restrictions or considerations are required?

Thank you very much for your consideration.

Oh yes, if you should give your permission please note that on the enclosed copy of the first page there are some words missing which were pulled off by the sealant on the envelope. Would you please fill in the missing words?

Jack

September 1, 1979

Dear Jack

I gather you are Max Williamson's replacement---welcome.

I am happy to grant permission to reprint "Ethics in Retailing" and am enclosing an additional copy without the printing defect.

Sincerely

Bob

Robert Kahn

Photocopy retained

The College Store Journal

OFFICIAL PUBLICATION OF THE NATIONAL ASSOCIATION OF COLLEGE STORES

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216-775-1561

RETAILING TODAY

ROUTE TO

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HOW HONEST SHOULD ATTORNEYS BE?

In the past, attorneys have argued that they are entitled, under something called the "attorney-client relation," to keep secret illegal corporate conduct even while serving as corporate officers (counsel for a firm) responsible to the owners (stockholders). Using this as protection they often participate with other officers and employees in actual illegal conduct, counsel or guide illegal conduct, or have knowledge of illegal conduct that they do not disclose to stockholders.

The White House under Nixon was the most public of such affairs. Disclosures about the conduct of both inside and outside corporate counsel has embarrassed dozens of major public corporations. This involved acts stretching from illegal campaign contributions to financing South American revolutions with hopes of gaining or retaining government concessions. On the presumption that top retail management is basically committed to honest business conduct and that as a minimum they believe in compliance with all laws, RT would hope that the retail industry would support the petition of the Institute for Public Representation to the Securities and Exchange Commission to require each annual report to contain a certificate stating that:

... Its board of directors has instructed all attorneys employed or retained by the corporation to report to the board any violation or probable violation of securities laws. Other law violations would have to be reported if they could result in material financial liability to the corporation, call into question the integrity of management or be part of a pattern of recurring activity.

... All attorneys have complied with the board's instructions by reporting violations or annually certifying that none came to their attention.

... The Board has considered each attorney's report and has taken all actions determined to be appropriate.

... Information regarding any material violations or probable violations have been conveyed to the independent auditors.

Each company would be required to file with the SEC copies of written agreements delineating the relationship between a corporation and its outside attorneys. Further they would be required to file a Form 8-K describing the circumstances of any resignation or dismissal of a general counsel or attorney retained in connection with matters concerning securities laws.

RThought: First, RT is indebted to **The Week In Review** published by Deloitte, Haskins & Sells, from which the above material was taken. It is appropriate that independent accountants should be concerned about this matter. When signing off an annual report or a prospectus for an underwriting, accountants recognize that they may face legal action regarding facts that they are presumed to know about or which plaintiffs feel they should have discovered.

Accountants can require "comfort letters" from responsible corporate officers but when the same assurance is sought from counsel for the company it is resisted on the grounds that attorneys enjoy something called an "attorney-client relation."

Such protected status has worked to the detriment of hundreds of thousands of innocent investors, sometimes to the direct gain of the counsel involved, and often to the benefit of corporate officers who work with counsel.

It seems strange that a substantial body of law-abiding attorneys should work so industriously to protect crooked attorneys. Yet when the SEC voted 4 to 1 to publish this rule for comment, Commissioner Roberta Karmel (LL. B. New York University 1962) could not rise above her duty to self despite her sworn duty to the citizens of the United States. She voted against the rule because, as she said, it would "clearly interfere with the attorney-client relation."

RThought: It is hoped that the retailers who are represented by the American Federation of Retailers, supported by such associations as the National Retail Merchants Association and the Food Marketing Institute, will indicate support of this rule prior to the November 30, 1979 deadline. This, of course, is a hollow hope considering the past conduct of these organizations. But one can always hope.

Perhaps RT readers might be able to influence their trade organizations to act.

PUTTING YOUR FOUNDATION TO WORK

Dayton-Hudson does a wonderful job with their charitable foundation into which they alone, among major public retail companies, put 5% of their pre-tax profit. The job they do in their communities is excellent. Thousands of people benefit.

But who knows about it? Certainly not the millions of customers of Dayton's, Hudson's, Target, Mervyn's, B. Dalton, various guild jewelry stores, John Brown, Diamond's et al. Somehow it never seems to get into the ads.

At the Gemco division (membership discount stores) of Lucky Stores, there are periodic reports to all members through their monthly GEMCO COURIER–about 75% ads and 35% editorial. For example, the August 1979 issue reported "Award Winners for 1979"–the report of the Scholarship Fund. Fifteen group photos, mainly of the 3 top winners, accompanied the article that reported that more than 1,000 students had received scholarship awards. Winners were chosen on the basis of academic excellence and community involvement as determined by a volunteer board of business people, civic leaders and Gemco members in each of the 31 marketing areas in which Gemco operates.

RThought: Just because a retailer does something good in his community doesn't mean that he has to conceal it from his customers. Even customers might like you better for your good deeds.

THE PROBLEM OF EXPLAINING THE IMPACT OF INFLATION

Economists and accountants keep explaining that when prices go up for inventory and equipment (called inflation) that our accounting procedure gives us a false figure for profit. Part of the profit, in theory, is not there because we (1) had to pay more for the same number of units in our inventory and (2) the depreciation recorded will not provide the money to replace the old equipment with a like item that will then cost more than the original item.

Without implying any criticism, I would like to analyse the statement by Jack J. Crocker, Chairman and CEO of Super Valu, Inc. included in his first quarter report and report of the Annual Shareholder's meeting. Before analysing the comment, let me point out as did Mr. Slovick, the Chief Financial Officer, that when Super Valu went public in 1951 they had sales of \$56 million and profits of \$346,000 or 2¢ a share on the basis of the present shares. For the year ending February 1979, the corresponding figures were \$3.03 billion, \$36.9 million and \$2.05, for compounded annual growth rates over the 28 years of 15.3%, 18.2% and 18.0%, respectively. This outstanding record was accomplished primarily in the supermarket industry—one of the most competitive forms of retailing.

With that accolade, let us return to Mr. Crocker's statement: "Let me cite an example. We have \$80 million of cash invested in the merchandise inventories. If we experience an 8% inflationary rate in a given year, then next year we need 8% more than \$80 million of cash just for the replacement of those same units. And if you have an 8% inflationary factor and if you have \$80 million of cash in an inventory today, then next year you are going to need \$86 million to put those same units in your distribution centers and in your stores. That is what we mean by having to use 'so-called profits' for replacement of supplies, inventory and equipment."

Mr. Crocker then estimates the actual needs to be \$13 million. He deducted that amount from the reported \$37 million in profits to arrive at what he called real profits of \$24 million.

Let us look at some points not mentioned.

First, Super Valu is using LIFO on more than 60% of their inventories (presumably they would use it on more if it was to their advantage). As of the end of their first quarter in 1979 the LIFO reserve represented 10.1% of the total FIFO inventory value compared with 9.7% at the corresponding date a year earlier. Super Valu is already adjusting their inventory—and reported profits—for the impact of inflation on more than 60% of their inventory.

Second, the increase in inventory is partially financed by increased accounts payable which are measured in the same dollars (called current dollars) as the inventory. At the end of the first quarter, accounts payable represented 62% of inventory (compared with 63% a year earlier). Thus most of the inventory is financed by interest-free money from suppliers measured in current value dollars. Management thus has to provide for the impact of inflation only on the 30% of inventory not financed by accounts payable.

Thus the argument explained by Mr. Crocker does not really apply to Super Valu. 62% of the total inventory is financed by **no-interest money** from vendors and the inflation on 60% of the inventory has been financed by the use of LIFO for income tax purposes. The result is that Super Valu has to finance, from their profits, the impact of inflation on only a small portion of their inventory—not 100% as explained by Mr. Crocker.

The impact of inflation on replacement of store equipment and fixtures is harder to measure. Chains increase the percentage of building space devoted to selling and create fixtures that produce higher unit sales per square foot in new stores than do the fixtures in old stores. It is not a simple case of applying an "inflation factor" to a book figure for fixtures and equipment.

THE CHANGING EXPENDITURE PATTERN OF THE RETIRED

Consumer View, published by CitiBank (June 1979, 399 Park Avenue, NY NY 10043—Single copy free) compared the expenditure pattern of an average U.S. family in 1978 with an average retired couple in 1977 with an income after taxes of \$7,198.

	U.S. Average	Retired Average
Food	31.3%	28.3%
Housing	28.2	35.0
Transportation	10.6	9.1
Medical care	7.2	8.8
Clothing	8.2	5.0
Personal care, other	9.2	7.8
Miscellaneous	5.5	6.0

The variations are about as expected. Food is less with smaller living units and smaller appetites. Transportation is less but discretionary transportation is probably up. Medical care is higher—reflecting the average age.

Though the remaining expenditures—clothing, personal care, and miscellaneous are less, they are not greatly less and the retired family unit remains an active and good customer.

WHICH RETAILERS DOES THE STOCK MARKET VALUE HIGHEST?

The Forbes 500 identifies the following retailers, when measured by market value. They may surprise you.

Standing in Forbes 500	Retailer
14	Sears Roebuck
45	K-Mart
63	J.C. Penney
87	Federated Department Stores
139	Safeway
186	Winn-Dixie
192	Dayton-Hudson
236	Lucky Stores
257	Tandy
259	Melville
273	Jack Eckerd
298	Petrie Stores
300	Woolworth
315	Southland Corporation
323	May Department Stores
353	Kroger
384	Allied Stores
431	Carter Hawley Hale
442	Macy's
462	Wal-Mart
471	Edison Bros.
496	Revco DS

CREDIT OFFICE RATING

Our list of HONOR ROLL stores continues to grow. We are also getting new reporting stores, such as Waldoff's which is accepting the challenge to improve to the HONOR ROLL standards. We will watch with interest at the progress they make. We are also pleased to report our first overseas HONOR ROLL firm, Harrod's of London.

HONOR ROLL

Liberty House, Calif.	2.0	Mervyn's	3.9
Macy's NYC	2.0	Buffum's	4.0
Ivey's	2.6	Nan Duskin	4.0
J. Magnin	3.0	Harrod, Ltd	4.0
Rubenstein's	3.3	Macy's California	4.0
Gimbel's, Philadelphia	3.5	Ross Stores	4.0
Sears Houston	3.5		

CREDIT OFFICE RATING

Information From Reporters	JUNE-JULY 1979 No. of Reports	JUNE-JULY 1979 Days to Bill Average	JUNE-JULY 1979 Days to Bill Range	APRIL-MAY 1979 No. of Reports	APRIL-MAY 1979 Days to Bill Average	APRIL-MAY 1979 Days to Bill Range
B. Altman, (NY)	1	5.0	5	1	5.0	5
Bambergers, (NY)	1	6.0	6	1	5.0	5
Battelstein's, Houston	1	9.0	9	1	11.0	11
Bloomingdale's, (NY)	1	7.0	7	1	8.0	8
Bonwit Teller, (NY)	1	9.0	9	1	7.0	7
Buffum's, (S. CA)	1	4.0	4	--	--	--
Bullock's, (N. CA)	2	6.5	5-8	4	5.0	4-7
Capwells, (N. CA)	9	5.1	4-6	4	5.8	5-6
Nan Duskin, Philadelphia	1	4.0	4	--	--	--
Emporium, (N. CA)	2	7.0	7	3	5.8	5-6
Harrod, Ltd., London	1	4.0	4	--	--	--
Joske's of Texas, Houston	1	6.0	6	1	6.0	6
Liberty House, (N. CA)	2	2.0	2	4	2.5	2-4
Livingston Bros., (N. CA)	2	5.0	5	2	6.0	6
Macy's, (NY)	1	2.0	2	--	--	--
Macy's, (N. CA)	7	4.0	4	6	4.2	4-5
I. Magnin, (N. CA)	4	5.0	5	6	5.8	5-9
J. Magnin, (N. CA)	2	3.0	3	1	3.0	3
Mervyn's, (N. CA)	2	4.0	4	1	4.0	4
Sakowitz, Houston	1	5.0	5	--	--	--
Saks 5th Ave., (NY)	2	12.0	8-16	3	9.0	8-10
Sears, Houston	2	3.5	3-4	1	4.0	4
Sears, (S. CA)	1	5.0	5	--	--	--
Sears, (N. CA)	3	6.3	6-7	8	5.8	5-7
Weinstock's, Sacramento	1	5.0	5	2	5.5	5-6
Wineman's, (S. CA)	3	6.3	6-7	4	6.0	5-7
TOTAL	55	5.3	2-16	55	5.5	2-10

Information From Stores	JUNE-JULY 1979 No. of Reports	JUNE-JULY 1979 Days to Bill Average	JUNE-JULY 1979 Days to Bill Range	APRIL-MAY 1979 No. of Reports	APRIL-MAY 1979 Days to Bill Average	APRIL-MAY 1979 Days to Bill Range
Carlisle's, Ashtabula	2	5.0	5	2	5.5	5-6
Gimbel's, Philadelphia	18	3.5	3-4	36	3.5	3-4
Iver's, (S. CA)	10	6.3	5-8	10	5.6	4-7
Ivey's, Carolinas	20	2.6	2-6	20	2.8	2-4
Mervyn's, (N. CA)	20	3.9	3-4	20	4.1	4-5
Ross Stores, (N. CA)	3	4.0	4	5	5.6	4-7
Rubenstein's, Shreveport	8	3.3	2-6	3	2.5	2-3
Waldoff's, Hattiesburg, (MS)	5	11.8	10-16	--	--	--
TOTAL	86	4.2	2-16	96	3.9	2-7

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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

THE CARS THAT DRIVE TO FACTORY OUTLET STORES

Recently a Gannett News Service reporter stopped off at a factory outlet store in North Carolina. When he parked next to a 1979 Lincoln Versaille, he got to wondering what kind of cars the bargain hunters drove. Here is what was in the lot that day:

1979 Lincoln Versaille
1979 AMC 4-wheel drive Cherokee
1979 Chevrolet Caprice 4-door
1978 Chevrolet Custom 4-door truck
1978 Chevrolet Monza 22 with V-8
1978 Pontiac Grand Prix
1978 Buick Regal LTD
1978 Chevrolet Monte Carlo
1978 Triumph TR7
1978 Toyota Corolla
1977 Chrysler 4-door
1977 Ford Granada 2-door
1977 Cadillac Eldorado
1977 Buick Landau salon sedan
1977 Plymouth Fury 4-door
1977 Toyota Corolla
1974 Plymouth Satelite Sebring
1974 Pontiac LeMans Sport Coupe
1973 Buick Skylark

RThought: What can one conclude? Chevrolet owners want to save money? New car owners have to shop at outlet stores to be able to afford their cars? Only wealthy people can afford big new cars and outlet priced clothing?

CALIFORNIA AND GASOLINE

The truth about California and gasoline is far different than that set forth by many uninformed Congressmen and exploited by TV cameras and so-called investigative reporters.

California's main growth has come since World War I—the period known as the Age of the Automobile. As a result the population is distributed differently than it is in the East—there are no massive concentrations with 100,000 or more people per square mile. This is true of most of the West and much of the Southwest—Arizona, Oregon, Washington, Texas, and Colorado. Some of our states just don't have enough people to make a good metropolitan area—such as Nevada, Wyoming, Idaho, New Mexico and Utah—even if you lumped all the people in one place.

Westerners drive more because distances are greater. Going from Eureka to San Diego, all within California, is about the same as going from Portland, Maine to Raleigh, North Carolina. A Californian's not-unusual day of a morning meeting in San Francisco, and an afternoon meeting in Los Angeles, yet arriving home in time for dinner (vice versa for the southern part of the state) is the same as doing it in Boston and Washington D.C.—skipping over the states of Rhode Island, Connecticut, New York, New Jersey, Delaware, Pensylvania and Maryland.

Because we have long recognized the problem of gasoline, westerners have long led the country in use of gas-efficient cars. In California, imports, even before the oil crisis, had about 50% of the new car market.

In the 13 western states (California, Oregon, Washington, Nevada, Idaho, Utah, Arizona, Colorado, New Mexico, Wyoming, Montana, Alaska and Hawaii) the people buy from 30% to 37% of the Toyota, Datsun, Volkswagon, Honda and Mazda cars—plus equally high proportions of the Fiats, Peugeots, MG, Colts, Fiestas and other imports.

It shows in the comparison of the weighted mileage of cars on the road, despite about half the cars being in California where mandated emission control devices reduce the mileage of cars below the "49 state" models. Here is a comparison of the median miles per gallon for the U.S. vs. the West:

	U.S.	West	Difference
In-city mileage	14.9	16.2	+9%
Highway mileage	18.7	20.6	+10%

Source: Sunset Newsletter from R.L. POLK & CO. data

California, with an even higher proportion of fuel-efficient cars, has an even higher median mileage than the West as a total!

RThought: If the rest of the United States had bought the same proportion of fuel-efficient cars as had California—and the rest of the West—we would have two great benefits:

1. We probably would be much closer to a trade balance because of the lower amount of oil imported and might well have avoided the crisis we have experienced lately.
2. General Motors might have brought out the X-model cars 5 years earlier and we would be an even greater distance toward energy self-sufficiency.

Of course, we wouldn't have elected Senators or Congressmen who are any smarter—which is unfortunate.

CAN DEPARTMENT STORE GROUPS SERVE THEIR MOBILE CUSTOMERS?

Federated never tells anyone that their stores are related—they try to fool the public into believing they are still locally owned stores (someone might say "I saw Mr. Bullock in the store just the other day") Yet Allied and Marshall Field clearly identify their subsidiary stores: "A unit of Allied Stores" or "A Marshall Field store."

Associated, Mercantile, Dayton-Hudson, and Carter Hawley Hale give little or no family identification.

But Carter Hawley Hale is changing. They have recently issued new "Gold Cards" to Capwell, Emporium, Weinstock and Broadway customers with full information that the card will be honored at 75 stores under 4 names in 5 states.

Of course, they missed a chance to help identify their stores with their corporate name. The card could have said something nice about all of these fine stores being a part of CHH.

RThought: Why continue to hide the identity of the parent company when the least sophisticated cardholder can figure out that one company owns all of the stores? His only problem is figuring out the name of the company. Who ever heard of a Capwell-Emporium- Weinstock-Broadway, Inc.? (On the East Coast that might be competitive with Garfinckel, Brooks Brother, Miller & Rhoads, Inc.)

SO MUCH FOR CONSUMER REPORTERS ON RADIO STATIONS

RT has previously reported on the excellent local program carried on Radio Station KGO in San Francisco which involves a radio talk show personality, Owen Spann, interviewing Stan Johnson, Executive Vice President of the Northern California Grocers Association. Johnson is assisted by Diana Walter, identified as KGO's consumer reporter.

A recent program covered convenience foods and product labeling. Owen Spann started by asking about labeling sugar content—"glucose, fructose, the whole ball of wax."

Reading the broadcast transcript, Johnson raised the problems of added cost and the inability to precisely maintain the proportions in each package.

The Transcript continues:

> DIANA WALTER: It is already law that nonstandardized foods have to list ingredients. The problem is that half of the foods in stores are standardized. Mayonnaise, for example, is a standarized product. They don't have to list the ingredients. **You are supposed to know that it has eggs, oil, and whatever else is in it . . .** (emphasis added)

RThought: If a so-called "consumer reporter" posing as an expert doesn't know "whatever else is in" mayonnaise, isn't that an argument for full labeling?

BENEFITS FROM THE CONSUMER PRODUCT SAFETY COMMISSION (CPSC)

One of the favorite sports of retailers, over their morning coffee, is telling how worthless the CPSC is and how all their safety requirements cause extra expense and add qualities that the consumer does not want.

Here is a report that may be of interest in such an argument.

Remember those child-resistant safety caps for drug bottles—the ones that often are adult resistant, too? A totally worthless price-increasing requirement? Between 1972 and 1977 the number of deaths among children 5 and under who consumed deadly products declined 56%; aspirin-related deaths dropped 76%; poisoning from drinking auto windshield cleaning compounds dropped 65%, lye compounds 58% and turpentine 51%.

RThought: Doesn't that make safety tops a little more reasonable?

EXCUSES

The following item is quoted in its entirety from the July 1979 issue of **Jack Brandwein's FORUM** (the All Industry Home Furnishings Newsletter, 4731 Camino Ave., Carmichael, CA 95608 $33/yr):

> WILD ANSWER—Why are fire trucks red? Fire trucks are red because fire trucks have four wheels and eight men. Everyone knows that four and eight make twelve. There are twelve inches in a foot. A foot is a ruler. Queen Elizabeth, a ruler, is also the name of the largest ship on the seas. Seas have fish and fish have fins. The Finns fought the Russians. Russians are Red. Firetrucks are always rushin' so therefore fire trucks are Red.
>
> If you think this is wild you should hear some of the excuses we get when we ask stores why they do not have a mailing list of their old customers. In good times or bad, when business is booming or sluggish, stores that have active, up-to-date mailing lists and use them at least six times a year continue to pull ahead of the pack.

RThought: What excuses have you heard lately?

FTC AND THE RETAILER

Ending Vendor control of selling prices: In a continuing program to eliminate formal and informal control of selling prices by manufacturers, the FTC entered into agreements with **Hartz Mountain Corp** (the largest manufacturer of pet supplies), **Jaymar-Ruby, Inc.** (a subsidiary of **Hart Schaffner and Marx** and the largest manufacturer of quality slacks—Sansabelt), and **Gant, Inc.** (a subsidiary of Consolidated Foods and manufacturer of men's, women's and children's clothes). **Hartz** agrees not to discriminate in services because of price at which their products are sold and to end any requirement that competing products not be carried. **Jaymar-Ruby** and **Gant** are prohibited for 3 and 2 years, respectively, from suggesting any retail prices following which they may suggest prices if they include a statement that the purchaser is free to determine its own resale price. Buyers of their products are not restricted from using the trademarks or other identification in the buyer's ads.

Montgomery Ward: Under threat of seeking a preliminary injunction, Wards agreed to a drastic program of correcting unsafe instructions on installing wood-burning heaters and Franklin Fireplaces that were unsafely installed by purchasers who followed the recommended distances from combustible walls set forth in Wards ads. These distances were less than the safe distances determined by laboratory tests or the distances required by the model building code. Wards will send out a chart showing proper distances and stating "If you purchased one of these heaters or fireplaces and installed it closer to combustible walls than the distances shown in the chart below, it sould be relocated IMMEDIATELY. Failure to relocate the heater or fireplace to these distances or (if needed) to install a protective heat shield between it and combustible walls COULD CAUSE A FIRE." The customer, if not satisfied, would have the option of having Wards remove the stove, refund the full purchase price and make "reasonable repair" necessitated by the removal.

George's Radio and Television Company, Inc.: This first complaint under the Magnuson-Moss Warranty Act (although FTC had advised RT previously that the first complaint was filed outside of the District of Columbia, whose merchants are often the kicking bag for FTC staff) ended in a finding by an administrative law judge that George's had failed to provide written guarantees in compliance with the Act but that the company has since implemented an appropriate binder system for prospective customers to use.

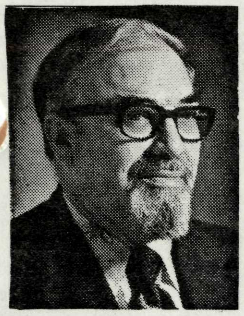
Home Centers, Inc.: This Ohio 8-unit chain has agreed not to misrepresent price reductions and potential savings to consumers. The complaint alleged that at Home Centers the "special" or reduced prices are substantially the same as their regular selling prices and that the advertised offers are not of a limit duration even though such statement is made in the ads. The agreement prohibits Home Centers from presenting products as specials or at sale prices unless the price reduction is meaningful.

Kroger Co.: An administrative judge has held the "Kroger Price Patrol" to be unfair and deceptive advertising on the basis that the methodology was not sound and that no disclosure was made that meat, produce and house brands were excluded from the survey. Thus the results did not substantiate the claim that "shopping at Kroger will enable you to spend less for your food than at any other store." The judge did authorize Kroger to use such surveys if properly constructed and executed and with an additional important proviso—that the people in Kroger do not know the products selected for the sample. Finally, the results must be qualified by the statement "Whether you will save or how much you will save will depend on what you buy."

WORDS TO DO SERVICE BY

When I.M. Pei joined the select group of 41 architects, who, since 1907, have received the Gold Medal of the American Institute of Architects, he observed that architects should contribute more to their community. He underlined his point with the following comment:

> "If Thomas Jefferson could find time to serve as a member of the local school board in Washington D.C. while he was **President**, so can we find time for public service."



RETAILING TODAY

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ROUTE TO

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THIS TIME LET'S FOLLOW FEDERATED

RT gets into the accounts payable files of many stores as a "vendor." Thus, we receive mailings that are primarily intended for providers of merchandise or services.

In 1978, we were pleased to receive identical letters from: Robert Tammero, President of A & S; Richard McEwen and John Burden, Chairman and President of Burdines; B. Paul Heidrick, Chairman, and Richard Crafts, President of Bullock's North; Henry Quinto, President of Levy's; and Donald Stone, President of Sanger-Harris. The letters set forth their policy in regard to business ethics. As the letters say, "We believe, in view of the current increased attention being given by government and the media to the entire subject of business ethics, that it is appropriate to bring our policies to the attention of our many resources and suppliers."

It is a good policy statement. If you have not reduced your policy to writing, you might write to Mr. Ralph Lazarus, Chairman, Federated Department Stores, 7 West 7th Street, Cincinnati, Ohio 45202, and ask for a copy.

RThought: After the many times RT has criticized Federated, it is good to have the benefit of their leadership. I wrote my thanks to Mr. Ralph Lazarus.

RThought: Let's not overlook what smaller stores are doing. RT also received a fine statement from Ames Department Stores (write Mr. Herbert Gilman, President, 2418 Main Street, Rocky Hill, CN 06067), Aldens (write Carle R. Wunderlich, 5000 West Roosevelt Road, Chicago, IL 60607), and Marshall's (write Frank Brenton, President, 83 Commerce Way, Woburn, MA 01801).

EVERYBODY LOSES SALES BY CUTTING INVENTORY AT FISCAL YEAR END

The folllowing information is quoted from the "News for Retired Personnel," July-August 1979, published by the United States Air Force.

The 3rd Anniversary Sale of the Air Force Commissary Service, which in the past has been run for all the month of October has been changed to October 15th to November 15th. Said the Commander of that Service, Major General Charles E. Woods, "We found that, as a result of the fiscal year beginning on 1 October, some of our stores were not prepared for the sale. **Their stock levels were low.**" (Emphasis added)

General Woods said, "We must give the best service possible to our patrons. By delaying the start of the sale until October 15th, all of our stores should be prepared. **Vendors are quite enthusiastic about participating in this year's sale.** (Emphasis added by RT, not the FTC.) We believe that we will be able to provide patron savings of close to $2 million. The anniversary sale is a good opportunity for customers of Air Force Commissaries to obtain special savings over the normal low commissary prices, on a large number of products."

A MATTER OF ETHICS

If RT could give a "Man of the Year" Award for great ethics in retailing, it would go this year to Jere Thompson, President of The Southland Company. He is a son of Joe (Jodie) C. Thompson, Jr. who created The Southland Company. Jere and his brother John built it into one of the outstanding retail companies in the world.

Jere is proof that the great ethical decisions are made by those who are the creators of great businesses—and not by the "sell yourself-for-lots-of-bucks" executives who claim to be "professional management" in the retail field. The latter are the ones who, with prime well above 14%, once again are paying 30 to 60 days late and still taking the cash discount.

But let me tell you why Jere Thompson deserves such an award. He ordered the removal of cigarette papers from the approximately 3,000 (out of 7,000) 7-11 Stores that are company-operated.

His reason was simple. Cigarette papers are no longer sold to people who "roll their own," they are sold to people who roll "joints" or marijuana cigarettes. To varying degrees the possession, sale or use of marijuana is illegal in all states.

Convenience Store News (9/15/79, 254 West 31st Street, NY, NY 10001, $1.00/copy) reported the following statement by Jere Thompson:

> **"The use of cigarette papers has changed from the time when I was in the stores; then they were sold to people who rolled their own cigarettes. Now they are used mainly for marijuana, which is illegal in this country. I don't think we ought to be encouraging people to smoke marijuana when it's against the law . . . I haven't seen anyone roll a cigarette in a long time, and I live in a part of the country (Dallas) where it used to be a big thing to do. I don't believe people use them to roll cigarettes—and if there are any that do, it's less than one percent. And that's not what convenience stores are for—that small of a clientele.**
>
> *"It's my personal decision, and I'm going to stick to it."*

RThought: The heart of ethical conduct is contained in the emphasized last sentence: "It's my personal decision." Does your business depend on cigarette papers?

Bud, is this

$1100.00 A SQUARE FOOT ON 421 ITEMS

Willard Bishop (write, for subscription details, to Box 32, Barrington IL 60010) in his excellent "**Limited-Assortment Store Trends**" reports on the Aldi store in Bedford Park, Illinois which has 12,800 square feet of selling space with 12 checkouts, is open 61 hours in 6 days and, according to his estimate, does $1100.00 to $1200.00 per square foot per year. It does this with only 421 items! Their advertising consists of a quarter page in the TV section listing 18 Chicago area locations plus a single item such as "WHITE BREAD 24 oz. only 29¢."

RThought: Anyone interested in the progress of Limited Assortment stores should be reading this report.

WHY DO CUSTOMERS SHOP IN A PARTICULAR HOME CENTER?

Lebhar-Friedman Research studied customers of home centers in 15 metropolitan areas and reported the results in the June 18, 1979 issue of **National Home Center News** (425 Park Avenue, NY, NY 10022, $3.95/yr.) The table below has been prepared by RT from that report but RT suggests that you write for the entire issue:

Metropolitan Area	Median Miles Travelled	Most Frequently Mentioned Reasons: Location	Selection	Price	Special Merchandise
NATIONALLY	NA	51%	24%	22%	15%
Atlanta	5.3	50	20	15	NM
Boston	5.0	45	35	37	15
Chicago	3.4	65	30	20	18
Denver	4.2	56	24	30	8
Houston	3.6	42	18	14	14
Indianapolis	3.6	51	22	NM	23
Los Angeles	2.8	55	24	20	18
Minneapolis–St. Paul	5.3	44	29	50	16
New Orleans	4.1	52	23	35	12
New York	4.6	35	19	23	8
Pittsburgh	5.4	44	34	15	19
San Francisco	2.9	40	22	11	12
Seattle	4.2	70	34	22	16
Tucson	3.3	41	NM	12	24
Washington, D.C.	3.2	68	25	19	11

NA Means Not Available
NM Means Not Mentioned as Leading Reason
Note: Totals more than 100% because some customers gave more than 1 reason.

RThought: This reminds me of the saying that there are three major factors in the success of a store–location, location and location. Price is more important than location in only one market–Minneapolis-St. Paul. Selection and price approximately tie for a bad second place. So, why is so much advertising emphasis on price and so little on selection? And virtually none on location?

USING AVAILABLE SERVICES TO IMPROVE YOUR COMPANY

I was interested, as always, in the annual report of the Cornell Home Study program developed in conjunction with the super market industry. They listed the 30 top companies participating in the program over the years. 13 firms have put more than 100 people through the program. The 5 leaders are Publix Super Markets (352), Kroger Company (290), Von's (268), A & P (243) and Loblaws (194).

But what was particularly interesting were three other firms:

No. 15 Kings Department Stores (71)
No. 27 Jamesway Corporation (34)
No. 28 Pay'N Save (32)

RThought: The principles of managing a supermarket are not substantially different from those required to manage a discount, drug or department store. Because you do not operate a supermarket does not mean that the Cornell Home Study Program will not be helpful to your employees who want to improve themselves.

The program costs $40.00. Most companies reimburse the employee after the successful completion of the program. A number allow the employee to pay for the program with a small ($3.50 to $5.00) weekly payroll deduction. Supermarket employers generally encourage enrollment by making descriptive literature available.

For further information, write the Department of Agricultural Economics, Cornell University, Ithaca, New York.

IS IT INTEREST-FREE CREDIT?

Cheveron, U.S.A., a subsidiary of giant Standard Oil Company of California, is expanding their direct mail effort.

A recent mailing offered Toshiba Color T.V., Praktica cameras, ElectroBrand Stereo, Regal cookware, Bell & Howell Binoculars, watches, sleeping bags and auto gadgets. Unit prices varied from $481.00 to $22.00.

In every case they had a wonderful offer–you can pay in 6 to 12 equal monthly installments, charged to your Standard of California credit card or you can make a single payment. The total paid is always the same. The pertinent sections of the disclosure read as follows:

> **"3. Under the law, you have a right to pay off in advance the full amount due, and to obtain a partial refund of the finance charge, if any, provided herein.**
> **4. If you desire to pay off in advance the full amount due, the amount of the refund you are entitled to, if any, will be furnished on request.****
>
> ****Since the cash price and deferred payment prices for these products are the same, no refund is given for early payment."**

RThought: Assume that a finance charge of 1.5% (allowed in California up to $1,000.00) is considered as inherent in the deferred payment plan, then the cash price before finance charge should be the advertised price reduced as follows:

Duration of Contract	Discount From Represented Price
6 months	5.0%
9 months	7.1
10 months	7.8
12 months	9.1

THE LACK OF GOOD BUSINESS LEADERSHIP–AMERICAN BANKERS ASSOCIATION STYLE

ABA Banking Journal prominently reported in the July 1979 issue the comments of President-elect C. C. Hope, Jr., which, ABA Banking Journal reported, "drew appreciative nods." Hope is Vice Chairman of First Union National Bank of Charlotte, NC.

I quote the article:

> "What he had to say about regulatory overkill was quite pointed:
>
> . . . Most government regulations, while ostensibly written to help consumers, are in actual fact working against them,
>
> . . . In many cases, businesses are required by law to give the consumer details he never asked for, has little or no use for, but which he has to pay for in added costs.
>
> Consumers themselves have little or no choice in these matters in saying what regulations they want or what they feel would benefit them.
>
> "When were bank customers asked, for example, if they wished to pay an added $9,800.00 for a $50,000.00 new home, simply to cover the cost of layers of regulations? Or an additional $700.00 for a new car–again merely to cover the cost of regulations?"

RThought: ABA Banking Journal did not disclose any proof of these charges that Mr. Hope might have presented.

Nor has ABA Banking Journal commented on the wide-spread tendency of members of the ABA to take money they are not entitled to. Steal is defined as "Take away, esp. secretly, for one's own use without right or leave, take feloniously."

Most regulation of banks has followed improper conduct by banks. We have only to look at the conduct of the famous southern banker, Mr. Lance, to understand why there are layers of regulations.

More recently, in California, the Court of Appeal, Second Appellate District, upheld a summary judgment against Golden State Bank (2d Civil No. 54267, Jul 25, 1979) in favor of the Controller of the State of California.

Under California Escheat Laws, money orders that remain uncashed for 7 years must be paid to the state who holds the money for possible later redemption. Golden State Bank asserted "that it was entitled to retain, from a total uncashed money order fund of $154,765.47, service charges in the amount of $143,133.22" computed on the basis of $63.00 per unclaimed money order! (Editor's note: 75¢/month for 7 years = $63.00, claimed to be the cost of keeping track of an account number on file for an uncashed money order during which time the bank earned interest on the funds.)

In the case involving millions of dollars taken from small and large inactive accounts by Bank of America National Trust and Savings Association and Security Pacific National Bank (Memorandum Opinion, Superior Court in and for the County of Sacramento, No. 257509 filed on June 20, 1976) the judge said, in rejecting their right to such millions:

> **"The second (basic guideline that applies here) is that it simply is inconceivable that the plantiff banks, having used the depositors' money to earn money for themselves, truly believe that they not only should not pay interest on the accounts involved but that they are entitled to impose a service charge when the funds are turned over to the Controller, even though no such charge is made to a depositor. We will call this the 'Chutzpa Principle.'"**[1]

1. Leo Rosten in the "Joys of Yiddish" (1968) 92, defines "chutzpa" as "gall, brazen nerve, effrontery, incredible 'guts,' presumption–plus arrogance such as no other word and no other language can do justice to."

RThought: Of course, Mr. Hope did not address such issues. ABA Banking Journal does not report such cases. Members of the ABA are perfect–and customers are no good. Yet there must be responsible people in the American Bankers Association who recognize that much of the legislation that hampers business is the result of immoral (and often illegal) conduct to the point that sufficient support develops to pass the laws and produce the regulations to which Mr. Hope objects.

It would be wonderful to learn that Mr. Hope, on ascending to the throne of the ABA, decided to appoint an ethics committee to review complaints against members of ABA, reprimand them when necessary (and, preferably, do it in public) and expel from the Association such banks, even as large as the Bank of America, who do not have the ethical standards expected by the public.

Postscript: Security Pacific has paid $6½ million to the California Controller and Bank of America is considering paying more than twice that amount.

SHORT SHORTS

Sears once again promises "Satisfaction Guaranteed or Your Money Back." RT has checked during the past two months of travel and finds that every ad has carried their famous slogan. Sometimes the type is small–but it is there together with the sig cut and the slogan "Where America shops." RT feels that this is a major step in the right direction–but only if the store personnel have been stimulated to implement the policy promptly and courteously.

Convenience Stores magazine has started something other trade publications could copy–a series of articles called "After Working Hours" giving an insight into the interests of CEOs in matters other than business. For their first article they picked Don Peden of Convenient Industries of America–who has been attending church missions in Central and South America for the past 8 years, the past 6 years as a member of a medical missionary team. A substantial part of his salary goes to support the missions. There are a lot of other stories that could be told–John Hechinger as Chairman of the City Council for Washington D.C. and as a representative to the United Nations, Walter Hoving and his home for troubled girls, Sydney and Frances Lewis and their support of Virginia Union University, a black college.

THE 1980 CENSUS

Government and business are the major beneficiaries of the decennial census. Government gains through updated information for planning or from allocations of money (federal to state and local, or state to local) on the basis of census data. Business does much of their planning of long-term investment on the basis of census data. Have you ever committed to a branch store location without having data submitted or developed that is largely based on census data?

In past years the country has suffered because of inaccurate census information. Studies of the 1970 Census indicates that the various approaches to distributing the census forms (and getting them back) resulted in "missed" housing units as follows:

Method of Taking Census	% Housing Units Missed	% Occupied Housing Units Missed
Local mailing lists purchased from firms that maintain lists of occupied dwelling units.	1.2%	.9%
List of housing units developed by enumerators who walk the area.	3.2	2.6
Sub-total—census by mail	1.6	1.2
Conventional census by enumerator who calls on housing unit.	3.9	2.6
Overall Rate	2.5	1.7

The Census Bureau is seeking to reduce the error by taking more of the Census by mail—by means of purchased lists or developed lists. In 1970, 60% of the Census was taken this way; in 1980, they will take 90% of the Census in this manner.

Having an accurate list of housing units is half the battle; the other half is getting the information back to the Bureau.

This is where retailers can help.

Many people are afraid to submit information for many reasons. Perhaps they are illegally in the country. Some think they will get called for jury duty since the form requires their name and address. Others have a problem reading and/or understanding the form.

The Census will be taken "as of" April 1, 1980. On Friday, March 28, 1980, 86 million questionnaires should be received. **And that is when retailers can help.**

Although the Bureau of Census has planned T.V. and radio coverage in addition to newspaper coverage, with special emphasis on minority and foreign language programs, and despite the national campaigns, many people will not get the message.

Retailers can help in many ways.

. . . tell the story in your ads (and in all necessary languages for your area).
. . . put signs around the store.
. . . be sure your employees know what to do so they can tell others.

You might even run an April 1 or April 2 promotion with a discount given to all people who bring in some part of the mailing they receive (or even turn in their forms at your store for bulk transmission to the Bureau).

RThought: If you want to help produce a better Census in 1980 than in 1970, contact the Public Information Office, Census Bureau, Washington, D.C. 20233 ([301] 568-1200) or the regional offices in Atlanta ([404] 881-2271), Boston ([617] 223-2327), Charlotte ([704] 371-6142), Chicago ([312] 353-6251), Dallas ([214] 749-2814), Denver ([303] 234-3924), Detroit ([313] 226-7742), Kansas City ([816] 374-4601), Los Angeles ([213] 824-7317), New York ([212] 264-3860), Philadelphia ([215] 597-4920) or Seattle ([206] 442-7800).

RThought: With your assistance, the census will be better than ever. And the final report will be available in September, 1982.

SHORT SHORTS

The mystery of credit account terms at I. Magnins. The form says Federal law requires us to give you the following notice:

> If you have a Regular Charge Account, any "New Balance" on your monthly bill for that account **will be payable within ten days from the date we mail that bill to you.**

What this means is that revolving account customers get until the cycle closing date to make their payment while those nice kind people with regular charge accounts get less time.

The Post Office doesn't even look at ZIP Code numbers—so why go to 9 digits? We recently entered a subscriber's address as "Santa Monica CA 93454." It was returned marked "No such address." The ZIP code is for Santa **Maria** but the "No such address" came from Santa **Monica.** At 9 digits there will be more than 4 codes available for every man, woman and child living in the United States. This will mean more numbers that won't be read, won't be used in sorting, and won't help delivery. The number of changes in ZIP codes should be 10 to 100 times the present number, a function of an increased number of possible codes. Soon the Postal Service will be requiring a special format—such as is used with Social Security Numbers. If I know the thinking in the Post Office they will probably want 5 segments such as 94-8-12-7-123. As an accommodation to the public they may even accept letters without extra postage charge if the number is shown as

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WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

CAN LOCAL SUPERMARKET CHAINS COMPETE AGAINST NATIONAL CHAINS?

The answer is: **They can and do.**

The August 20, 1979 issue of **SUPERMARKET NEWS** (7 East 12th Street, NY, NY 10003, $15.00/year) included the annual study of market share for the 25 major food markets in the United States.

The Table below shows these markets, arranged alphabetically, and describing the holders of 1st, 2nd, and 3rd place as either National (N), Regional (R) or Local (L) chains:

Market	First	Second	Third
Atlanta	R	L	N
Baltimore	N	L	R
Boston	R	R	R
Chicago	R	L	R
Cincinnati	N	L	L
Cleveland	R	R	L
Dallas	N	L	L
Denver	~~L~~ R Pow Bud its third	N	R
Detroit	L	L	N
Houston	L	N	N
Los Angeles	L	L	N
Miami	R	L	L
Milwuakee	L	L	R
Minneapolis	L	R	R
New York	L	L	N
Philadelphia	N	N	L
Phoenix	L	L	L
Pittsburgh	L	L	N
Portland	L	L	N
St. Louis	L	N	R
San Diego	N	N	L
San Francisco	N	N	N
Seattle	N	L	R
Tampa	L	R	L
Washington, D.C.	N	L	N
Total National	8	5	9
Total Regional	5	4	8
Total Local	12	16	8

A NEW WAY TO HANDLE PAY RAISES

The Small Business Reporter, according to a free sample issue mailed to RT, reported that Manford R. McNeil of Romac Industries in Seattle has solved the problem of handling merit pay increases. Following a period of union organizing attempts, McNeil began to take employee relations seriously.

His present plan provides for a hire-in rate at the firm (it makes waterworks and pipe fittings) at $4.50 per hour following interview of each applicant by the foreman, plant manager, vice president and McNeil. During the next 6 months automatic raises are given without review

After that, any employee who feels that he merits an increase submits a Wage Increase Request to his supervisor. All requests with photos of the employee are posted on the bulletin board (on which is also posted the hourly rate of all employees). Other workers have a chance to become familair with the applicant. At the end of 5 days a secret ballot is taken and a majority favorable vote is required to approve the increase.

The plan has been in operation for 5 years and management has never found it necessary to override a vote.

RThought: A retail appliance firm in Oakland, Friedman's Appliances, operates on the basis that each employee can set his own pay rate. Each rate is known by all the other employees (about 10). Local newspaper reports indicate that there has not been any abuse and all employees are happy with the arrangement.

HIGH PRIME–SLOW PAY

High prime rates separate the honest retailers from the dishonest ones. The little guys tend to be more honest and the big guys tend to be more dishonest–although there are many exceptions to that observation.

There is no explanation, however, of the fact that divisions of billion-dollar-plus retailers with adequate access to funds are not above chiseling on much smaller suppliers by paying late and taking the discount.

Sidney Rutberg wrote on September 6, 1979 about the problem; but as is customary, **Women's Wear Daily** is not enough of a "newspaper" to name names–since the names could be their biggest subscribers.

RT is undertaking a study and if vendors will submit information by stores, the names will be published.

PROSECUTING THIEVES IN RETAILING

John L. Lea, one-time meat purchasing agent for SAFEWAY STORES, was found guilty of 20 counts of mail fraud for receiving kickbacks of approximately $30,000.00 between 1965 and 1975 from officials of Mutual Brokerage Service. He was given 2 years in prison on each of 20 counts and fined $1,000.00 on each of 10 counts. **Congratulations to Safeway for prosecuting this matter.**

STORE BLINDNESS

An old German shopkeeper once told Sherwood Swan–and he kept telling me–that too many retailers suffer from "store blindness." They walk into the same business every day and never see it the way the customer sees it.

Jack Brandwein, publisher of Jack Brandwein's FORUM (for the home furnishings industry–4731 El Camino Avenue, Carmichael, CA 95608, $33.00/year–$5.00/single issue), took a 26-day 16-state tour during which he visited 60 stores. And he told about the trip in the September 1979 issue.

He found that far too many home furnishing merchants are "store blind." (He would have found the same thing if he had visited department, men's, women's, shoe, harware, drug or food stores.) Here are some of the observations he made–could they be true about you?

> Over 50% of the stores with "sale signs" on their windows were using old, torn and faded signs . . . Most store (windows) had patches of scotch tape from signs long since removed.
>
> Cartons and packing materials left piled next to the building are an invitation for a fire. They are a natural attraction for children.

The condition of delivery trucks from some very fine and famous stores was deplorable. Many had faded signs, were dirty and needed body work. Your truck is a traveling billboard. Make sure it presents your store favorably.

There is a direct relation between stores with sales increases and those who are falling behind. Those with competent management, positive attitude and motivated sales forces are doing business. A similar store a block down the street is turning his lights out and the owner is wringing his hands and scratching his head.

Jack also brought back some heartwarming stories—such as the story of "85 year young Rose Blumkin," interviewed on the selling floor at 8:30 a.m. in a business that she started in 1936 with $500.00 and which is now doing $72 million a year!

RThought: What Jack writes about home furnishing stores is, in many cases, applicable to all stores. And what he says about furniture is especially important to department store furniture departments which usually are inferior to the local independent furniture stores.

DRESS CODES ARE O.K.

In Lanigan v Bartlett & Co. Grain, U.S. District Court for West Missouri (3/29/79) Bartlett was charged with sex discrimination when a secretary in the executive office was discharged for wearing a pantsuit. Prior to October 1973, female employees in both the general and executive offices were not allowed to wear pantsuits. After that, women in the general office were allowed to wear them. The court concluded that "a company's choice on how to run its business" in the matter of dress regulations includes the right to project whatever image it wants. If employees are unhappy with the image they are asked to project, they can either leave or accept the punishment for disobeying the regulations.

SHORT SHORTS

The coming world of terminals—John M. Bonaguide, Assistant V.P. at Aetna Life & Casualty, reported at the 1979 National Computer Conference that they now have 1 terminal for each 11 employees and by the end of 1980 this will be 1 for every 5 employees!

Carson Pirie Scott points out a fact worth mentioning in their second quarter report to shareholders. If someone bought 100 shares in 1970 for $1,025.00, he would now own 168 shares worth $3,192.00. This represents a 13.5% per annum compounded increase in value in addition to more than $550.00 in dividends that Mr. Spurway overlooked.

Did you know that wooden Indian Head nickels cost 6¢ in lots of 1,000? They can be imprinted "Good for a 5% discount at . . ." or "25¢ off any purchase" or "one free cup of coffee." You have to order 5.000 or more to get the cost of a wooden Indian Head nickel below 5¢!

The miracle of Wieboldt's advertising. Or, if you can't do it with mirrors, have the artist do it. On August 12, 1979, in the **Chicago Tribune,** they ran an add for the Sharp EL 8131 pocket calculator which features an "**8** digit display." The illustration clearly shows the display as follows "8.8.8.8.8.8.8.8.8." You count them—I did three times. They got 9 digits out of an 8 digit display.

Is the government bringing suits without merit? It would seem so. **Dun's Review** reports that the bill sponsored by Senators DeConcini (Dem-AZ) and Danforth (Rep-MO) allowing companies to recover legal expenses if they could prove a suit by federal agency had no merit, is being opposed by government on the grounds that the cost could go as high $120 million a year!

The rich and the poor want consumer advisors. Colonial Stores (now part of Grand Union) recently installed a consumer advisor in a new 35,000 sq. ft. store in Dunwoody, Georgia as a means of switching traffic from the established competition in a high income area. Of course, most consumer cooperatives, catering to middle and low income families, have provided consumer advisors as part of their operation—interrupted only when financial pressures dictate cutting back to bare essentials. "For the Colonel's Lady an' Judy O'Grady are sisters under the skin" ("Soldier an' Sailer Too" by Rudyard Kipling).

Continuing inventory problems at Color Tile? RT has previously reported the apparently deceptive ads of inventory overstock (August 1976, February 1977) and now the 3rd quarter report for fiscal year 1979 reports:

> **During the third quarter management initiated a plan to increase inventory to levels of $38,000,000; the plan resulted from the necessity of ensuring availability of products for customer requirements.**

Note that $38 million is the exact number that is on the balance sheet—a 49% increase over the prior year at the end of a quarter that showed a 38% sales increase. Now watch for the "excess inventory sales" presented in a 4 or 8 page full color tabloid.

Who is the master of selling names? Undoubtedly Rich Vigeurie who masterminds so many money-raising campaig for conservative causes. An RT reader who gave only a few dollars to two or three such causes kept track of the solicitations he received in 1978—it came to 51 and he feels he may have failed to record a few. It would appear that ultimately all of his money ended up with the printers and the U.S. Postal Service. This was not his original objective. RT cannot make the same argument against selling lists among political causes as it can among retailers because the name is given voluntarily when making a contribution which is different from being required by the credit grantor as a condition of obtaining credit.

WORDS TO DEFLATE YOURSELF BY

We all wonder what will happen when we die. Where will we go? Will anyone remember us 6 months after we are gone? Here are some sobering thoughts from the **Executive Review,** passed along by **Hardware Retailing.**

I dreamed I died the other night
and heaven opened wide its gates
And an angel ushered me inside
and there I met some folks I'd
known on earth
who I'd judged as unfit and
Of very little worth and
Words of indignation rose to my lips
But never were set free
For all around me the people's faces
showed stunned surprise—you see
NO ONE EXPECTED ME.

Georgia State University

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college of business administration
department of marketing

June 24, 1981

Permissions Editor
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Sincerely,

Jac L. Goldstucker

Jac L. Goldstucker
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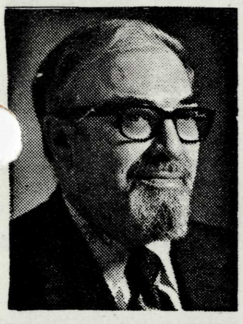

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ROUTE TO

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IS FEDERAL RESERVE CHAIRMAN VOLCKER OUT TO KILL THE FREE ENTERPRISE SYSTEM?

One has to wonder about the wisdom of Paul Volcker, Chairman of the Federal Reserve System, who as a monetarist is intent on pushing the prime interest rate to the 20% level or higher.

There are two basic fallacies in the reasoning behind solving inflation problems by boosting the prime rate.

First, the information on the "money supply" series of figures issued weekly by Mr. Volcker's own organization have long been suspect as to their accuracy. This is independent of the $3 billion error reported recently, an error which was blamed on a reporting bank. The money supply figures are based on a composite of three factors: Weekly reports by larger banks, monthly reports by medium size banks and quarterly reports by small banks. Within the Fed there have been a number of technical papers published questioning the accuracy of these figures which can cause such massive market (stock, bond and interest) changes on a fluctuation of substantially less than 1% a week.

The size of normal weekly changes is less than what a statistician would call a "significant" change. **Our economy would be much better off if these figures were published monthly instead of weekly**—just as there was improvement when the weekly retail figures were eliminated. Unfortunately, Congress has mandated weekly figures.

Second, changing the prime rate has little impact on the use of money by large firms, but a catastrophic impact on small business. Large users get the benefit of any declines in the rate—when they borrow on a "prime plus" basis. They know that prime will ultimately go down (perhaps when Mr. Volcker forces a repeat of 1929). But most small businesses are stuck with fixed interest rates for periods of 90 days to 12 months—if money is available.

Mr. Volcker, in order to be able to sleep nights, has asked (not ordered or directed or required) banks to continue to provide money to small businesses. At the same time Mr. Volcker is telling banks that he will force a major depression, if necessary, to solve inflation—and that he will do it by boosting the interest rates. Banks recognize that a depression is likely to bankrupt small businesses long before big businesses and therefore are reluctant to lend to small businesses.

Already the higher interest rate has caused a reduction in funds for home building—despite the "vote getting" statements made by President Carter to the building trade unions that there will be enough money to keep their industry going. The high prime has had a double impact on states with usury rates substantially below the present market rates because many lenders have been forced out of those markets.

A MATTER OF ETHICS

My trip to Australia resulted from my friendship with Michael Grace, Joint Managing Director of Grace Bros. Pty. Ltd. of Sydney. My talk "Ethics in Retailing" was first given to the senior staff of Grace Bros. Mr B. A. "Mick" Grace, Chairman and Joint Managing Director, was present.

Mr. B. A. Grace is not the usual CEO but then Grace Bros. is not the usual department store group. It does US $500 million in a state of only 3 million people. In his youth Mr. Grace played on the Australian rugby team in international competition. In World War II he flew hundreds of missions as a fighter pilot and was decorated for bravery. When his company went public he eliminated all prerequisites that had formerly been part of his compensation. perquisites

BOB CRONIN 12/1

Thus, it was most satisfying at the conclusion of my talk to have Mr. Grace tell his senior executives "I endorse everything that Bob Kahn had said. His standards have been and will continue to be the policy of Grace Bros."

As I visited their stores I found at many places in each store signs that read as follows:

GB

Service objectives:

WE WILL GIVE FIRST-CLASS SERVICE AND FIRST-CLASS VALUE.

WE WILL MAKE GOOD THINGS AND SERVICES AVAILABLE IN ABUNDANCE AND AT REASONABLE PRICES.

WE WILL SEEK TO GIVE EVERY CUSTOMER COMPLETE SATISFACTION WITH EVERY TRANSACTION SO THAT GRACE BROS. IS THE BEST COMPANY FROM WHICH CUSTOMERS MAY BUY.

To this end:

WE WILL CONDUCT OUR BUSINESS WITH COMPLETE INTEGRITY.

WE WILL BE TRUTHFUL IN ALL OUR STATEMENTS.

WE WILL BE JUST, AND ALSO APPEAR TO BE JUST ON ALL OCCASIONS, SO THAT WE MAY ENTIRELY DESERVE PUBLIC TRUST AND CONFIDENCE.

GRACE BROS

Although Mr. Volcker has said he doesn't think that prime should go any higher, he is obviously being deceptive because he knows that the following cycle will recur several times: His initial move of boosting the discount rate from 11% to 12% would cause prime to be boosted at least that much, which would then cause other money market rates to rise; which would cause Citicorp, with their formula for prime based on other money market rates, to raise prime again; which would lead the ologopolistic (which means almost a monopoly—only few suppliers and many users) bank industry to follow Citicorp for their own benefit; which will cause money market rates to rise again; and on and on.

oligopolistic

Let's look at another part of our economic problem—a growing industrial obsolescence leading to steady or declining efficiency in the face of competition from countries with more efficient industries. Investment in new and efficient plants requires additional equity dollars. Further, we know that small business has been far more productive of new ideas and efficiencies than has been big business. Small business, more than big business, relies on investors willing to take greater risks than is involved in stocks suitable for widows and trusts. Such equity money seldom comes from the big institutional money pools—pension plans, insurance companies, mutual funds and bank trust departments. It comes from individual investors and specialized venture capitol groups.

The individual investors have been hard hit three times in little over a decade—in the 1968-69 bust, the 1973 oil crisis followed by the recession and now in 1979. Each time fewer investors have come back into the stock market. Investing in real estate, gold and silver, jewelry and paintings, commodities or oil-drilling tax shelters does not add anything to the productivity of our economy. But why should investors return to equity investments where they will again be subject to catastrophic losses because of the single-mindedness of people like Mr. Volcker who are in positions of great power.

So what has been the result of Mr. Volcker's sneak Saturday morning attack (which ranks with the Sunday morning attack on Pearl Harbor and President Ford's Sunday morning pardon of his criminal predecessor)?

Big business will continue to borrow as required. Retailers who finance their receivables with borrowings will continue to finance them—with only minimal or no reduction in the extension of credit. This is because retailers do not make their profit on the spread between the cost of financing receivables and the finance charge income; they make their money off the gross margin on the merchandise sold on credit. Utilities will continue their expansion plans—because to put in fewer phones, power lines, water lines, or gas lines will lead to much more massive problems later—and the costs can be passed on.

Were there alternatives?

I think so.

Mr. Volcker was concerned about the rising amount of speculation. In most markets the government can control (indirectly, if not directly) the margin requirements. Yet Mr. Volcker has not seen fit to do that. Raising the margin requirement on stocks and doubling those on commodities would directly affect speculation without the problems related to a prime rate that has moved from 13½% to 15¼% and is headed toward 20%.

The amount of money created by banks is an inverse function of the reserve requirements on deposits. Mr. Volcker did make changes in these requirements but because of the simultaneous change in the interest rate we will not be able to determine what the increased reserve requirement might have accomplished without further action.

Mr. Volcker was concerned about the amount of money being borrowed for cash takeovers, an expenditure that does not increase the productive capacity or efficiency of the country. If the regulatory authorities do not have the power to restrict such borrowing, then the proper action would have been to seek from Congress the necessary legislation—not a broad power to control all lending, but the power to restrict lending that directly or indirectly provides funds for takeovers.

Finally, Mr. Volcker might have raised the question of the amount and nature of government spending. The deficit is not the only factor that affects inflation. More important are the expeditures for military hardware—the dollars paid to build military equipment which is not consumed by the people. This means that more dollars are available in the hands of workers to bid for the consumer goods that are manufactured.

Because this point is seldom mentioned, let me illustrate. Let gadgets represent all consumer goods and let widgets represent all military goods. If people are paid $1,000 to build 1,000 gadgets, then gadgets will sell for $1 each. But if we have other people paid $100 to build widgets, which are not sold to workers, then there is $1,100 available for the purchase of the 1,000 gadgets and gadgets will sell for $1.10 or 10% more.

RThought: The net effect of the greatly reduced number of investors and the resultant inability to provide private investment equity will be two-fold:

1. Our productivity will increase more slowly, if at all, because the creativeness of the small company entrepreneur will be limited.
2. Large companies will rely increasingly on debt—with rising debt to equity ratios—until balance sheets of major companies will look like those in Japan. Government will be as much involved in financing companies as is the Japanese government. Lockheed/Chrysler situations will arise with increasing frequency.

The net effect of primary emphasis on interest rates (rather than reserve requirements, margin requirements, etc.) could be a major depression. The Federal Reserve Board has already learned that they know how to cause a recession but not know how to cure one; they now appear intent on learning if they can cause a depression. One can be certain that they will not be able to cure a depression.

MISQUOTED ADVICE FROM ROBERT SAKOWITZ

For years I have read with great interest the **Boardroom Reports** (500 Fifth Avenue, NY, NY 10036, $39/year). In the October 30, 1979, issue they had a 2-column article under **"Marketing"** called **"Recession Strategy—Ideas From One of America's Leading Merchants.'** It was an interview with Robert T. Sakowitz, President of Sakowitz of Houston.

I was struck by the following paragraph:

> **"His advice**: Get loyal suppliers to make deals which will help pay for the cleanout of marked-down inventories. Suppliers, too, are anxious to keep people and machines busy. So the retailer has the option of passing the savings along to consumers to stimulate volume. **Caution**: Keep delayed payments to suppliers within the bounds of good business practice."

I called Mr. Sakowitz to ask him about his advice because I was startled by the two suggestions. As to the special deals from suppliers, I asked if he thought that he was entitled to something not proportionately available to other customers of

HOW BANKS KILL CUSTOMER CONFIDENCE IN EFTS

Banks apparently do not understand that the willingness of bank customers to accept a "less-paper" banking system based on electronic funds transfer systems (EFTS) depends largely on the intelligence they show in handling bank credit cards.

The handling of paper-based checking accounts is not a valid test. That procedure is simple—and has been relatively unchanged for about a century. A check is sent by you to a creditor, deposited by that creditor with his bank, transferred to your bank, deducted from your account and returned to you with your statement. **You make all the original entries and control the creation of the check.**

But life is not so simple with a credit card. The store or service vendor makes up the document—and may even change it after you have signed it. You do not have control over when the document is forwarded—and even more unfortunate, credits for returns are often not forwarded with the same promptness as the charge documents.

The banks handle their credit card collection by computer—into which they have programmed almost all stupidity known to man. Both my sister and I, as a result of our separate travels, have run into such systems.

In her case, she was in Europe for about 4 months. Her VISA card is with Wells Fargo. On a statement closing while she was between England and Sweden, it showed a payment in full of the opening balance and a $10.53 charge. A month later when in Bonn they sent a statement with a 15¢ service charge (probably the first they ever collected) with a computer imprint "Your account is past due. Please remit payment today." While in Siegen, Germany, they sent a "Notice of Past Due Account" saying "Please make your payment today."

The next monthly statement was dated while she was in Aachen and added another 15¢ service charge and said, "Your account is delinquent. Remit minimum payment today or call (415) 396-0000." One might note that this was postmarked 11 days after the closing date!

The next monthly statement was issued while she was on the sea, between Europe and the U.S. and included a London charge, another 15¢ service charge, and a 56¢ late charge. It said "Your account is seriously delinquent. Further delay cannot be tolerated. Call (415) 396-0000 for repayment instructions." This one was mailed November 29th and **the imposition by Wells Fargo of the finance and late charges was illegal** because the due date, December 9, 1978, was only 10 days after mailing. Wells Fargo apparently does not concern itself with legal operation of open-end credit accounts.

Now watch the dates carefully. Cycle closed November 14th. Statement was mailed November 29th. **Datapost** Electronic Message Service letter was sent December 1st saying "Your Wells Fargo VISA Account is closed and hereby declared in default. Unless your payment in full and your VISA Cards, cut in half, are sent to this office within 48 hours, your account may be assigned to a collection agency. (Note: The last statement said payment was due by December 9th—so this is a unilateral change in due date.) If you are unable to pay the outstanding balance, return the cards and call me immediately for arrangements at (415) 396-0000. In accordance with your cardholder agreement, you may be liable for legal, collection and attorney expenses."

At this point it might be well to point out that in addition to a checking and personal account with Wells Fargo she had a T-Bill account which requires a minimum amount of $10,000.

Mr. Cooley, Chief Executive Officer of Wells Fargo, didn't see any need to reply to her lengthy letter of complaint about the abusive language—**especially since she had mailed a check immediately on her return on November 20th and they received it at least 2 days before mailing the November statement and 4 days before the crude Datapost letter.**

Almost the same thing happened with my Master Charge account with United California Bank. The figures, however, were larger. I neglected to instruct my secretary to pay the Master Charge while I was away for 5 weeks. I returned from overseas on July 27th and on the next day, when going through about 3½ feet of mail, came across the Master Charge statement noting "Account is over the credit limit. Please include overlimit amount with next payment." I immediately sent a check for the balance in full—the statement was more than a month old. The next day I discovered the following month's bill and my secretary mailed a check on August 2nd for that balance. On the Monday following the mailing of the first check, I received a notice that my account was closed and was given an 800-number to call. I did—two or three times—before I was able to get the person named. I explained that I had already sent a check for the balance of the June statement and they should have it that day (they ultimately did deposit it that day) and that the July statement would be paid the following day.

As is customary with banks, they do not have current information. It has always been to their advantage, while using an average daily basis to determine finance charges, to take a few days extra in posting payments.

United California Bank's representative said to call back the following day to check if they had received payment—but that would be her last day. As of the 2nd day before changing to a new job, she did not know who would take her place! I tried twice to reach her but was unable to—and then dropped the matter, **assuming** that the payment would be posted and everything cleared up.

Not so. Twenty days later my son used the Master Charge and the auto dealer where I have done business for 4 years—was told to sieze and destroy the card!

The next monthly statement issued showed an account with a credit limit of $3,000, a balance of about $250, and **NO CREDIT AVAILABLE.**

RThought: It is apparent that EFT systems embody nothing beyond the collective intelligence of the banks that create them. In the case of Wells Fargo Bank, the system cannot distinguish the case of a customer with thousands of dollars on deposit with the bank and a relatively small balance (under $15 except for the bill not received at the time payment was mailed) and accounts that truly are a problem and warrant extreme action. Perhaps they are afraid to have a review made by a **living person** before sending out the demand letter—but then they know the intelligence of the people they have available much better than I do.

The same is true of United California Bank. Apparently a telephone call has no value. The computer system has no way of restoring an account from delinquent status when paid in full. And apparently their policy is to bring in replacement personnel without any contact with the person they replace,

(continued)

just to insure that anything in process at the time of change will be handled wrong.

RThought: Would you trust Wells Fargo or United California Bank on a "check-less" bank account? I don't think these two experiences are unusual. I could continue with stories from both of my secretaries, the only others who are familiar with these facts. They have had similar experiences, but with two other banks.

EFTS can replace paper checks only when banks are able to develop sound, logical computer programs with review by qualified humans at critical points.

A STATISTICAL SUPPLEMENT

CREDIT OFFICE RATING

This time it is the battle of the giants–Harrod's of London is reported for the first time and it shows just 2 days. But Macy's of New York is not be outdone–it also shows 2 days! Both are outstanding performances.

Generally, however, the performance was poorer than during the prior two-month period. The poorer performance comes at a time when many economists are worried about the consumer taking on too much debt. Good collection of receivables start with early distribution of the statements.

HONOR ROLL

Harrod's	2.0	Joseph Magnin's	3.0	B. Altman	4.0
Macy's NY	2.0	Liberty House No. Cal.	3.3	Grodin's	4.0
Rubenstein's	2.1	Gimbels, Phila.	3.6	Macy's California	4.0

CREDIT OFFICE RATING

Information From Reporters	AUG-SEPT 1979 No. of Reports	AUG-SEPT 1979 Days to Bill Average	AUG-SEPT 1979 Days to Bill Range	JUNE-JULY 1979 No. of Reports	JUNE-JULY 1979 Days to Bill Average	JUNE-JULY 1979 Days to Bill Range
B. Altman, (NY)	1	4.0	4	1	5.0	5
Bamberger's, (NY)	1	7.0	7	2	6.0	6
Bullock's, (S. CA)	1	6.0	6	--	---	--
Bullock's, (N. CA)	1	7.0	7	2	6.5	5-8
Capwell's, (N. CA)	6	5.1	3-6	9	5.1	4.6
B. Dalton, (S. CA)	1	10.0	10	--	--	--
Emporium, (N. CA)	1	10.0	10	2	7.0	7
Foleys, Houston	3	10.1	8-11	2	9.0	9
Gimbels, Philadelphia	3	3.3	3-4	--	--	--
Grodins, (N. CA)	1	4.0	4	--	--	--
Gumps, (N. CA)	2	12.0	8-16	--	--	--
Harrod's, Ltd., London	2	2.0	2	1	4.0	4
Liberty House, (N.CA)	3	3.3	2-4	2	2.0	2
Livingston's, (N. CA)	4	6.5	6-7	2	5.0	5
Lord & Taylor (NY)	1	6.0	6	--	--	--
Macy's, (NY)	1	2.0	2	1	2.0	2
Macy's, (N. CA)	6	4.0	3-5	7	4.0	4
I. Magnin's, (N. CA)	3	4.3	4-5	4	5.0	5
J. Magnin's, (N. CA)	1	3.0	3	2	3.0	3
McCaulou's, (N. CA)	1	7.0	7	--	---	--
Mervyn's, (N. CA)	1	4.0	4	2	4.0	4
Montgomery Ward, Hous.	2	4.5	4-5	--	--	--
Montgomery Ward, (N.CA)	3	7.0	4-11	--	--	--
Penney's, Houston	1	9.0	9	--	--	--
Penney's, Philadelphia	1	6.0	6	--	--	--
Sakowitz, Houston	1	6.0	6	1	5.0	5
Saks 5th Ave., (NY)	3	7.0	5-8	2	12.0	8-16
Sears, (S. CA)	1	6.0	6	1	5.0	5
Sears, (N.CA)	7	5.6	4-8	3	6.3	6-7
Sears, Spokane	1	7.0	7	--	--	--
Stern Bros., (NY)	1	6.0	6	--	--	--
J. Wanamaker, Phila.	1	5.0	5	--	--	--
Weinstock's, Sacramento	2	5.5	5-6	1	5.0	5
TOTALS	68	5.8	2-16	47	5.3	2-16

Information From Stores	AUG-SEPT 1979 No. of Reports	AUG-SEPT 1979 Days to Bill Average	AUG-SEPT 1979 Days to Bill Range	JUNE-JULY 1979 No. of Reports	JUNE-JULY 1979 Days to Bill Average	JUNE-JULY 1979 Days to Bill Range
Carlisles, Astabula	1	7.0	7	2	5.0	5
Gimbels, Philadelphia	36	3.6	3-5	18	3.5	3-4
Holman's, (N. CA)	11	6.8	5-9	9	5.0	2-7
Ivers, (S. CA)	5	6.6	5-8	10	6.3	5-8
Ivey's, Carolinas	20	5.5	3-8	20	2.6	2-6
Levy Bros., (N. CA)	8	4.2	3-7	8	3.6	3-4
Mervyn's, (N. CA)	20	4.1	4-5	20	3.9	3-4
Ross Stores, (N. CA)	4	5.3	4-7	3	4.0	4
Rubenstein's, Shreveport	6	2.1	2-3	8	3.3	2-3
Waldoff's, Hattiesburg	5	11.8	10-16	--	--	--
Wineman's, (S. CA)	2	6.5	5-8	1	6.0	[illegible]
TOTALS	118	4.9	2-16	98	3.9	[illegible]

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.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

the supplier and he indicated that when you are an important customer of a supplier that you are entitled to such "deals which will help pay for the cleanout of marked-down inventories." When I asked about the application of the Federal Trade Act he said they never ask for special advertising allowances.

I then asked how much one could delay payments to suppliers and still be "within the bounds of good business practices." He gave me examples of invoices with dates that did not agree with the actual shipping date or invoices that were received and the merchandise had not yet arrived. He advised me that all Sakowitz purchase orders state that terms are based on receipt of goods. I suggested that most people would not consider payment according to agreed terms (receipt of goods) "delayed payments" but prompt payments.

Mr. Sakowitz indicated that the article did not correctly convey the thoughts that he expressed during the interview. But he did not indicate that he was going to contact **Boardroom Reports** to ask them to correct the statements that caused me (and perhaps other readers) to feel that Mr. Sakowitz has advised retailers to get special deals (i.e., not offered to other retailers) to help them with markdowns and that it was all right to delay payments (while taking discounts) beyond due dates—but not too much.

RThought: In the June 1979 issue of **Texas Business** an article said "At 40, the dark-haired (Robert T.) Sakowitz no longer has to prove that he's as good a merchant prince as Stanley Marcus—a point that seemed to haunt him in the past." Perhaps Mr. Sakowitz should study Mr. Marcus' clarity of expression. I feel very strongly that on the points covered in the quoted paragraph, Mr. Marcus would never had said anything that could have caused such a misunderstanding on the part of the interviewer—but if it had happened, I believe Mr. Marcus would have instantly asked for a correction.

CHANGING HOUSEHOLD PATTERNS

The latest report in this area is based on March 1978 (Household and Family Characteristics: March 1978, Current Population Reports Series P-20, No. 340, issued July 1979, $4.75 Government Printing Office, Washington, D.C. 20402).

Here are the changing patterns as a percentage of all households:

	1960	1970	1978
Persons living alone	13.1%	17.1%	22.0%
Non-family households	1.6	1.7	3.1
Married without children	30.3	30.3	29.9
Married with children	44.1	40.3	32.4
One parent with child	4.4	5.0	7.3
Other family households	6.4	5.6	5.3
Total	100.0%	100.0%	100.0%

Many more people are living alone—almost a quarter of the household units. The non-family households (2 or more unrelated people) is rising but still is not significant. A growing proportion of the non-family households are "unmarried couples."

MERRILL LYNCH CHEATS CUSTOMERS

Cheating customers by using "remote" banks is an act of dishonest firms urged on by banks that show them how to cheat with the hopes of gaining a depositor. At a National Mass Retailing Institute convention several years ago, several Boston bankers told how to use remote banks in order to delay covering checks and thus increase the earnings from idle funds.

Those fine banks, among the 20 or 25 largest in the country, didn't mention what it might cost the person who received the "payment" but whose bank would not credit it immediately to his account. They didn't mention that banks had the right to accept such checks "for collection."

In October, a New York judge heard a case involving Merrill Lynch, Pierce, Fenner and Smith in a class action suit. The facts submitted indicated that Merrill Lynch settled with New York customers using checks drawn on California banks. In 28 months Merrill Lynch made an extra $417,858 on 365,254 checks totalling $1.25 billion.

The judge rejected a proposed settlement of the class action because it did not provide for restitution to the customers—Merrill Lynch was just going to keep the money.

RThought: One of the advantages of a class action is that it is the only way to stop big firms from stealing $1 or so per transaction from 365,000 people, no one of whom was damaged enough to warrant the legal expense of fighting it.

AMFAC PLAYS GAMES WITH GAAP

Quarterly reports to shareholders are still unaudited—although an increasing number contain a statement by the independent accountant that they have reviewed the figures. Because of this, quarterly reports still offer an opportunity for the type of "imaginative accounting" which has, over the years, eroded confidence in the ethical standards of business.

In the Amfac publicity release of October 23, 1979, showing the 3rd quarter results, the figures required a total of 27 lines of information spread over 4 columns (3rd quarter and 9 month figures for this year and last year). Despite adequate room for the disclosure, Amfac elected to combine "Interest and Income Taxes" as a single entry. (Note: The printed report received the day RT went to press does separate the figures.)

Disclosure of the income tax paid (if any) is important in the case of Amfac because they, as is true with most natural resource companies, have the ability to produce almost any dollar profit they want—as long as their natural resources hold out. Amfac, for example, has sold properties in Hawaii at capital gains in excess of **$1,000,000 per acre!** And they own thousands of acres of land at virtually no cost.

RThought: Integrity in business means making full disclosure to your shareholders every time you publish anything. I observed this in a small public company recently when the CEO, when reporting a 24% increase during the first 6 months for an identical unit (a second was added during the period) insisted that a statement be added that business was softening and an increase for the second half of the year in the range of 5% to 10% was expected. (Note: Apparently Deloitte Haskings & Sells who reviewed the actual report to shareholders would not approve the Amfac figures as presented in the press release.)

F.T.C. TOUTS CATALOG/SHOWROOMS

RT has reported several times on the bias demonstrated by the Federal Trade Commission in favor of catalog/showrooms over all other forms of retailing. An FTC speaker at the Mass Retailing Institute (before the name change) annual meeting in Washington several years ago was challenged from the floor on why they didn't enforce against catalog/showrooms the trade rules on comparative price claims in advertising. Most catalogs admit they make up most of the price comparisons out of thin air. The amount of their claimed savings is limited only by the conscience of the operator—and there is some question as to whether that conscience is always as strong as it should be.

The speaker's response was that FTC thought (but offered no proof) that catalog/showrooms sold merchandise cheaper than other retailers and therefore the FTC was not going to do anything to make it more difficult for them to move merchandise—like requiring them to obey the law!

The National Association oı Catalog/Showroom Merchandisers asked Jeffrey Harris of the FTC to speak at their Seminar '79. **Discount Store News** reports that he stole the show with comments like:

> "When a supplier's unilateral refusal to deal with catalog showrooms has the effect of creating price maintenance, let us know. We're all for price-cutters and discounters."

Thus we have the assistant director of consumer protection soliciting business—seeking to defeat the right granted by law, the courts, and the FTC to manufacturers to select which customers they wish to do business with.

All that Harris said in regard to dishonest advertising by the retailers that he addressed, **according to Discount Store News**, was to express concern about so-called "deceptive pricing " practices of catalogers.

RThought: It continues to be apparent to RT that the Federal Trade Commission is not particularly interested in evenhanded administration of the law—they prefer to modify the law to suit their particular prejudices. This is hardly what they are paid to do. And they add to the feeling of contempt for government which is a growing problem throughout America.

RT wrote to the Federal Trade Commission and they said they did not have a copy of Mr. Harris' talk. Yet if I want a copy of the talks given by other staff members, they are readily available. In fact, announcements are made of their availability through the FTC weekly News Summary.

Forbes (November 12, 1979) interviewed Aron Gordon of Gordon Jewelry in regard to jewelry carried in their catalog/showrooms and wrote "They carry jewelry similar to that in other stores. At a discount? Not really. This is what is called 'merchandising.' The customer sees a toaster selling at a discount from retail and figures that the diamond ring or the watch is, too." This admission probably will be disregarded by the F.T.C. in their continuing drive to protect the dishonesty in catalog/showroom advertising. This continues at the same time that the FTC is requiring firms such as Jaymar Ruby (part of Hart, Schaffner & Marx) to abandon suggested prices for the next three years.

SHORT SHORTS

Harrod's (of London) solves the high prime interest rate problem. Starting with October 1979 they increased their finance charge on credit accounts from 1.5% to 1.75%. Life is simpler under British rules.

Going out of business—with a knock for the neighbors. Mosher's Ltd. closed their location at the Stanford Barn adjacent to the Stanford Shopping Center in Palo Alto, California. Twice they describe their location as (across from Saks **4th** Avenue and Bullocks). Ouch!

Perhaps McGraw Hill was right about the standards at American Express—now that the Federal Trade Commission is investigating American Express ads for travellers' checks which create the strong impression that competitive checks cannot be replaced if lost. You may recall that one of the objections of Mr. McGraw was concern as to whether the ethical standards at American Express were compatible with those required for publishing magazines or issuing ratings on publicly traded securities.

A disproportionate number of retail stocks sell for less than working capital per share, per **Forbes** October 15 article. Among New York Stock Exchange companies, 11 of 26 were retailers. On the American Exchange it was 14 of 57 and Over-the-Counter it was 13 of 70 but among companies that have lost money for the past 12 months it was only 4 of 37.

Consumerism leads to a long life! F. J. Schlink continues to be listed as Technical Director of Consumers' Research, Inc., publishers of Consumer's Research magazine and has been so listed since the early 1930s—more than 45 years. A disagreement with Schlink led to the departure of a group that formed Consumers Union, publishers of Consumer Reports, in 1936. Colston E. Warne has been president of CU since then and will be until January 1980.

The food customer and the computer have gotten together in Florida, according to **Changing Times**. In the Miami-Ft. Lauderdale area they enter advertised grocery specials each week and then work out the least expensive balanced diets. This information goes to all the media, local libraries and even out on subscription. For food retailers who discounted the number of customers who went from store to store picking off the specials, what is your reaction to doing it with a computerized money-saving, health-improving road map?

Answers under the Internal Revenue Code will be quicker—and clearer—if congress passes S-1691. This would create a U.S. Court of Tax Appeals with exclusive jurisdiction over all appeals of civil tax cases from the Tax Court or any district court, eliminating the present Circuit Courts of Appeal and the Court of Claims jurisdiction in tax cases. No longer would the tax law mean one thing in one circuit and something different in another circuit with final clarification waiting many years until the Supreme Court accepts a case. After 67 years we might have a single tax law for the United States.

Higher education in California is big. The 685,000 full-time students in the state system (universities, colleges and community colleges) exceeds the population of 5 of our states—North Dakota, Delaware, Wyoming, Nevada and Alaska. When one considers the 1.8 million full *and* part time students in public *and* private schools you can add 9 more states—Maine, New Hampshire, Rhode Island, Nebraska, Montana, Idaho, New Mexico, Utah and Hawaii *plus* the District of Columbia. Educated students are the "raw material" of California's high technology economy.

WORDS TO RUN A RETAIL BUSINESS BY

James Walton, of Touche Ross, put together the following guide for retailers. You may find it helpful:

R – Respect the Customer
E – Ethical Standards
T – Truthful in All Respects
A – Attitude of Service to Company and Customer
I – Integrity Must Be Manifest
L – Loyalty to Company and to Fellow Employees
I – Industrious/Innovative
N – Non-discriminatory/Treat All Equally and Without Bias
G – Goals for Self

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ROUTE TO

DECEMBER 1979 VOL. 14, NO. 12

MAY YOU BETTER THE WORLD AND MAY THE WORLD BETTER YOU IN 1980

We are ending 1979, as we have ended many years, facing problems in our world and our society.

Each country has fewer friends, and more and more countries have formed themselves into little groups seeking ways to do someone else in, rather than seeking ways that we can all live in friendship on this little globe. We do this despite the teachings of all of our religions – Judeo-Christian, Moslem, Hindu, Shinto, Taoist, Zoroastrian, Confucian or Buddhist.

This problem is compounded by two major errors in thinking. The first is that the individual does not count any more. To that I respond with the motto of The Christophers – "It is better to light one candle than to curse the darkness." The second is that this is an era of "Me," of indulging ourselves with no regard for others. To this I simply observe that this cannot be the end goal of hundreds of generations of evolution since the appearance of man on earth. Logic tells us that the very nature of life must have a higher meaning than self-indulgence.

So let me repeat my past suggestions for four resolutions for the New Year; resolutions that have stood me well for many years and which I hope will serve you well in 1980:

First, never go to bed mad. Think of the damage you do to yourself when you try to punish your loved ones by continuing your display of anger through the night and into the morning. Think of waking up and having to recall what angered you and then rekindling that anger. Make an agreement with your loved ones – someone must apologize before going to bed.

Second, make your marriage a 60-60 deal. Any time people consider marriage a 50-50 proposition they find that there is a big gap between where each thinks the mid-point is. But if each is committed to going that extra distance – beyond the mid-point – many problems will disappear.

Third, remember that there are 20 ways to do every job – and usually 5 are perfect. That's right – there are usually 20 ways to do a job: 5 are perfect, 10 are okay, and only 5 are wrong. So why spend time, energy and emotion trying to get people to do things the perfect way that you happen to have in mind when the other person may clearly see one of the other four perfect ways? More time is wasted on this form of dialogue and bickering than on any other thing in business.

And, finally, promise to spend each day the way you know you should spend it. Each night when you go to bed, when you put your head down on your pillow, you are the only person who knows exactly how you spent that day. I hope that each and every day in 1980 you will be able to say to yourself, "I spent this day the way I know I should."

THE TWO FACES OF THE NRMA

No one ever said that the National Retail Merchants Association had to be consistent. The November 1979 issue of PRIVACY JOURNAL (Box 8844, Washington, D.C. 20003, $49/yr) reports that an NRMA spokesman testified that the protection of the Fair Credit Reporting Act should be extended to business and specifically that business should have the right to a copy of any credit report filed on it.

PJ reported that in 1975 the NRMA, with their wonderful concern for their customers, testified, "We believe that it is unnecessary to furnish a copy of information in a consumer's file since the consumer is told what information is contained in the file."

When asked about the inconsistency, NRMA spokesman Sheldon Feldman said commercial reports are more important to small business than consumer reports are to individuals! Honest – that is what PJ reported him as saying.

RThought: This is completely consistent with retail policies in major chains requiring legal force (and damage to credit ratings) to collect amounts owed the store, but stealing millions from customers who happen to overpay. Someday, honest and ethical NRMA members will bring their organization back to their standards.

ERRATA AND CORRECTIONS

In the November 1979 RT I reported on "How Banks Kill Customer Confidence In EFTS" in which I report problems at Wells Fargo and United California Bank. My sister reminds me that she **did** receive a reply and apology in response to her letter to Richard Cooley, Chief Executive Officer of Wells Fargo Bank. She had provided me a copy separately from the balance of the file.

In the September 1979 RT I said, "Dayton-Hudson. . . alone, among major public retail companies, put 5% of their pre-tax profit" into charitable contributions. I am happy to report that I was wrong – Hechinger's of Washington, D.C., and Younkers of Des Moines both have followed this policy for many years.

RThought: If other firms are 5% contributors, RT would be happy to bring this information to the attention of your peers with the hopes that others will join you.

THE MISSING INDEX

We have succeeded in abusing ourselves beyond description through the simple process of worshipping at the shrine of an inaccurate, worthless monthly statistic called the Consumer Price Index (CPI). Every small change is heralded on the front page of every major newspaper – and Uncle Walter Cronkite uses his great doomsday voice to bring the news into millions of homes on the appropriate day of the month.

We have now reached the point where everyone who has had an increase in family income of 8% or 9%, in the face of the 13% increase reported for the CPI, feels that they have somehow suffered a major decline in their standard of living. They now answer every poll by reporting that inflation is our most serious national problem.

Fortune magazine (December 3, 1979) has, as the lead item in the "Business Roundup," a story ("The Double Digits Will Be Hard to Shake") explaining that the CPI tends to overstate inflation because it gives too much weight to new housing and to gasoline and fuel prices. They suggest that the Gross National Product Deflator, which deals only with domestic prices, is a better measure (8.5% v 13%) but probably understates inflation.

The fault with the entire system – is that neither index measures what people do.

Klaber– Thomas Riley Marshall VP under Wilson 1913–21

What this country needs, to paraphrase Will Rogers, is not a good 5¢ cigar, but **an index that measures the change in the cost of living for the prudent man.**

What does a prudent man do? Well, when the price of beef is up and chicken is down, he eats more chicken and less beef. When it looks like gasolines prices will be high permanently, he buys a car that gets better mileage. When the price of natural gas jumps and the President asks us to keep our homes at 68 degrees, he starts wearing sweaters again.

The list of changes that a prudent man makes in the ordinary course of living could go on and on. Most of them do not significantly affect his standard of living. In fact, sometimes they improve his health which may extend the number of years he has to enjoy his standard of living.

If such an index was (were) calculated today I suspect that it would show for the past year that the cost of a defined **standard** of living has gone up about 3% to 5% and family income about 8%, thus continuing the rising standard of living of most families.

But if we did have such an index, which we **should** have, then what will Uncle Walter have to report in his doomsday voice?

YOU CAN SEND JUNK MAIL–TO MOST PEOPLE

The Direct Mail/Marketing Association (DM/MA) has been running ads with two coupons – one says send LESS MAIL and the other says send MORE MAIL. If you mail in the first they will take your name off mailing lists of their members; and if you want more mail, you have a choice of 24 different subjects that you would like to receive.

The most recent report shows that 6,707 have asked that their names be taken off the lists – and 38,592 have asked that their names be added to lists!

MEN'S FASHION?

I quote from Bill Ullmann's "In depth report on **'Market Fashion Trends'** " for November 1979, sent to the members of Menswear Retailers of America:

"It has been 46 years since I wrote my first published fashion report and during that considerable period of time, I have seen styles that admired, styles that I abhorred and styles that caused me to chuckle. However, it was only a few weeks ago that I read about a style (?) that caused my gorge to rise. Reading about the goodies that were shown during the recent men's fashion shows in Europe, I ran across a story that mentioned 'harem pants' as one of the 'directional' items offered.

"Aside from eunuchs employed in seraglios, I tried to think of a man who wore baggy pantaloons gathered at the bottoms. Other than Douglas Fairbanks, Sr., when he played the Thief of Bagdad, the only ones that come to mind were the Zouaves who were members of regiments raised during the early days of the Civil War. . ."

RThought: If you want the rest of the story, write MRA, 390 National Press Building, Washington, D.C. 20045, and ask for a copy.

WHAT ARE YOU DRINKING?

Whatever you were drinking in 1970, it probably is not what you drank in 1978. The table below shows the gallons per capita, with the water consumption imputed to assume a half gallon per person per day.

	Gallons per capita		
Item	**1970**	**1978**	**Change**
Soft drinks	27.0	37.6	+39.3%
Coffee	35.7	27.8	- 22.2%
Milk	24.7	23.5	- 4.9%
Beer	18.5	23.2	+25.4%
Tea	6.9	7.8	+13.0%
Powdered drinks	NA	6.3	NA
Juices	5.2	6.1	+17.3%
Distilled spirits	1.8	2.0	+11.1%
Wine	1.3	2.0	+53.9%
Bottled water	NA	1.4	NA
Imputed Water consumption	61.4	44.8	- 27.0
Total (a) ½ gal./day	182.5	182.5	

RThought: Our training to drink milk has survived and our education about the problems of coffee are beginning to take effect. We are a long way from being in the French or Italian class as wine drinkers, but they aren't in our class when it comes to soft drinks.

Cutting out-of-the-tap water by 27% (this figure is the most suspect one published by Beverage Magazine) may reduce the possibility of accumulating rust internally!

THINGS I NEVER KNEW ABOUT U.S. RETAILING

INSIDE RETAILING (October 22, 1979, Australia's leading weekly newsletter – Philip Luker and Staff, Box 157 Kings Cross NSW 2001, Australia, $125/yr) reported what Jack Van Eaton and Mario de Bernardi of NCR were telling Australians about U.S. retailing.

Did you know that by 1984 40% of American homes will have some kind of computer terminal for ordering goods, installed at a cost of $100, plus $10 to $14 per month. More goods would be bought on credit and more teenagers would start using credit cards.

WHAT HAPPENED TO SALES IN YOUR STATE?

More retailers are frightened by statements about retail business that apply on a national scale but not a local scale than by almost any other single factor. And they are especially frightened by the monthly reports on "retail business" which cause the stock market to gyrate like a drunk trying to do a May Pole dance. Yet few realize that the largest components of "retail sales"—automobiles, gasoline stations and restaurants—are hardly what they, as store merchants, think of as "retail sales."

The Bureau of Census has completed the Census of Retailing for 1977 and the table shows, by states, the percentage change in sales between 1972 and 1977 by type of retail outlets.

The next time you read that the hardware store business is good and growing, remember that between 1972 and 1977 hardware business was up more than 100% in Idaho, Nevada, New Mexico, Utah and Washington, while it was up less than 40% in Connecticut, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island and Virginia!

It makes a lot of difference where your business is—when you consider how good business is.

PERCENTAGE CHANGE IN SALES 1972–77

STATE	Retail Trade	Building Materials	Hardware	Dept.	Variety	Grocery	Auto & Home	Men's & Boy's	Women's	Family	Shoe	Furniture	Drugs
Alabama	63.1	77.3	61.2	51.2	20.2	66.7	70.8	28.8	41.2	73.9	38.1	42.9	57.6
Alaska	137.9	152.3	97.1	78.6	40.2	142.0	214.1	79.8	(D)	227.3	(D)	147.5	143.7
Arizona	72.1	69.2	92.7	59.4	-27.1	84.2	100.1	28.7	62.9	52.9	62.4	75.9	59.4
Arkansas	63.6	78.1	53.3	131.9	-26.7	65.8	50.1	36.6	83.3	40.8	40.7	55.2	57.3
California	66.4	126.4	50.5	57.5	- 7.0	62.8	90.7	32.6	44.8	52.9	50.8	67.5	57.6
Colorado	68.2	70.9	61.5	58.1	-16.3	75.8	105.4	50.7	85.4	41.1	62.2	57.6	38.1
Connecticut	43.6	43.5	22.3	(D)	(D)	48.3	45.4	16.1	(D)	36.5	25.7	21.8	31.2
Delaware	45.0	69.2	40.5	40.2	-39.1	46.9	45.3	34.1	59.3	17.4	23.3	29.2	47.3
Dist. Columbia	16.2	(D)	(D)	-11.7	- 7.9	17.8	20.6	31.2	- 0.4	0.4	12.8	- 5.0	0.6
Florida	61.7	54.5	60.4	54.0	- 8.8	75.2	69.2	21.3	57.4	55.2	57.7	43.7	56.0
Georgia	53.3	46.3	49.6	52.4	8.6	67.3	48.1	5.0	39.7	33.5	34.0	28.5	49.5
Hawaii	77.1	128.8	65.4	74.5	47.7	55.6	128.5	50.4	(D)	84.7	(D)	41.6	93.3
Idaho	82.4	126.6	162.4	93.5	(D)	90.3	71.0	(D)	61.4	(NC)	36.4	85.8	27.9
Illinois	51.9	80.0	52.7	42.2	- 5.3	47.1	73.0	20.9	46.2	53.4	37.3	35.8	36.9
Indiana	59.6	64.5	77.9	50.9	-19.3	54.2	69.8	28.0	68.5	61.2	38.0	44.9	51.6
Iowa	68.2	114.9	70.8	74.9	9.1	61.5	71.4	35.7	62.1	63.5	35.3	73.1	43.2
Kansas	62.2	95.3	40.9	74.2	35.1	57.9	71.0	34.7	75.5	77.8	40.6	78.4	35.3
Kentucky	70.6	80.2	58.6	64.5	13.1	74.0	67.2	33.8	77.0	78.5	47.5	63.7	52.1
Louisiana	72.6	100.6	69.4	71.1	32.5	70.7	100.0	44.5	58.1	55.1	49.7	63.3	62.4
Maine	60.3	74.7	65.8	66.3	-28.4	60.4	72.7	22.5	63.1	91.3	34.6	40.4	70.4
Maryland	52.7	64.9	53.2	40.7	- 7.5	56.8	71.4	24.7	45.0	11.3	35.2	36.7	33.6
Massachusetts	39.1	(D)	31.8	27.8	-36.5	46.3	36.1	10.0	26.3	81.5	22.1	30.5	48.8
Michigan	55.3	52.8	53.6	55.8	- 5.7	39.1	68.8	30.6	49.6	95.5	43.7	44.8	39.7
Minnesota	63.1	105.3	59.3	54.5	23.5	58.6	70.7	51.7	50.1	89.1	50.9	40.8	51.5
Mississippi	56.6	54.3	46.9	88.7	31.7	63.7	65.2	33.7	51.7	18.5	37.5	40.2	54.8
Missouri	55.6	68.3	67.3	51.0	- 3.4	56.2	56.4	31.6	54.6	45.8	31.4	33.4	29.7
Montana	77.0	129.9	90.1	106.5	6.7	70.4	98.6	(D)	59.1	85.1	66.1	80.6	75.2
Nebraska	61,8	81.4	65.4	50.8	- 8.7	59.2	61.3	38.4	43.3	67.4	42.5	60.9	27.6
Nevada	92.4	105.8	208.7	79.3	(D)	82.0	117.1	27.1	67.1	36.2	57.8	67.1	162.8
New Hampshire	64.5	92.5	42.8	54.9	-52.2	67.5	89.6	38.6	38.7	99.1	47.8	63.3	78.9
New Jersey	44.6	49.8	8.2	28.1	-33.5	49.9	59.4	24.7	35.9	72.7	31.1	24.1	32.8
New Mexico	75.3	96.9	112.2	76.2	37.9	78.6	88.1	34.8	63.9	87.3	97.3	65.4	43.4
New York	30.0	40.0	23.3	17.6	-24.6	34.4	40.6	0.1	15.6	66.4	18.6	9.8	33.6
No. Carolina	58.5	62.1	51.0	58.2	36.4	66.9	60.4	20.3	66.2	30.5	37.2	39.2	54.7
No. Dakota	77.0	126.9	55.1	57.0	33.7	63.5	71.4	(D)	(D)	(NC)	66.9	61.6	53.4
Ohio	56.0	82.5	52.5	40.4	-17.6	56.9	68.6	24.1	49.0	70.9	26.5	37.8	50.5
Oklahoma	67.5	76.9	45.8	86.0	53.1	75.2	74.9	25.5	70.1	69.3	44.6	59.3	33.4
Oregon	80.8	109.9	90.1	133.3	22.4	50.4	87.0	41.6	97.2	104.4	48.2	98.5	78.5
Pennsylvania	48.8	67.2	35.1	49.2	-25.5	49.5	57.4	21.4	50.9	34.5	34.1	27.5	45.9
Rhode Island	37.9	33.0	38.4	17.7	-42.4	49.2	30.3	0.8	32.1	59.5	18.5	5.5	38.1
So. Carolina	61.9	63.8	44.2	67.5	29.2	69.9	53.0	39.6	66.4	46.9	45.0	34.1	64.8
So. Dakota	66.6	102.5	70.6	54.9	1.5	56.9	87.6	(D)	52.6	(NC)	39.1	65.1	49.0
Tennessee	62.2	60.4	80.8	50.9	19.0	65.1	64.1	22.5	63.2	45.6	35.2	45.5	52.0
Texas	78.0	96.2	53.3	74.9	31.6	76.2	66.7	38.1	66.7	80.3	61.6	66.6	69.7
Utah	75.9	93.9	164.3	105.3	11.1	75.3	150.1	27.6	59.3	(NC)	74.5	56.3	(NC)

(Continued on Reverse)

WINNING THE BENEFIT AND LOSING THE COUNTRY

The National Mass Retailing Institute (NMRI) is very proud of their development of a Political Action Committee (PAC) through which they propose to buy a United States Congress that will vote their way.

They are not alone in trying to be a special interest group with a very narrow definition of what is good for them.

Looking just at recent elections for the House of Representatives, the 1974 contribution reports showed that 608 PACs contributed $8.4 million in the general elections (this does not include what was contributed in the primaries). By 1978 the number of PACs had increased to more than 2000 and contributions to the general elections (again excluding the primaries) had risen to $22.9 million.

Even the House of Representatives has become disgusted with the wholesale efforts of so many to buy it. It recently passed the Obey-Railsback bill by 217 to 189 to place some moderate limits on the amount of money that can be spent by a single PAC in buying a Congressman.

There will be a tough fight in the Senate where a bill can be filibustered to death. One would presume that the NMRI PAC will be lobbying to defend their right to buy Congress—if they can just raise enough money. Unfortunately, the advocates of discounting for the benefit of consumers may find that Congressmen who can be bought don't sell out for discount prices.

RThought: Once upon a time the people active in forming the NMRI PAC were taught that the principle on which our government was founded was "of the people, by the people and for the people." No one ever said it was "of the discounters, by the discounters and for the discounters."

Those active in the development of the NMRI PAC will argue that they are really out to protect the people of the United States. They will join with the oil companies in arguing that enhancing discounter profits is the way to benefit the people and the way to enhance those profits is to pass legislation favorable to discounters.

Money is the easy denominator. Yet the NMRI (and other retailers) showed proper commitment in 1978 in defeating a massive revision of the National Labor Relations Act. They were willing to spend their time educating their congressman. They persuaded on a factual basis that that particular bill was not desirable.

Apparently NMRI wants to avoid the inconvenience to major executives of participating in the democratic process by buying legislators in advance.

California had decades of such experience. Southern Pacific, known then as "The Octopus," for many years bought the candidate in both parties and let the public take its choice—until they found it was too expensive.

4000 PACs will not make the United States Congress twice as good as it is with 2000 PACs.

In fact, it may insure that the United States is no longer the country that our forefathers had in mind when they signed a document that said, in part:

> **"That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed—that whenever any Form of Government becomes destructive to these ends, it is the Right of the People to alter or to abolish it. . . "**

Ben Franklin, John Adams and Thomas Jefferson would cringe at the idea of Political Action Committees for special interests, and especially for those who profess to be the "purchasing agent of the Public."

RThought: There is nothing wrong with forming a PAC—it is only wrong to contribute money to it. Thinking discounters can bring about an early demise of the NMRI PAC.

Retailers should enter into the public debates directly so that they can say with pride: **I am a citizen and I do a citizen's job.**

RThought: If your suppliers formed a PAC to provide vacations for your buyers, you would (1) fire the buyer, (2) stop buying from the suppliers, and (3) sue both parties.

(Continued from Reverse)

PERCENTAGE CHANGE IN SALES 1972-77

	Retail Trade	Building Materials	Hardware	Dept.	Variety	Grocery	Auto & Home	Men's & Boy's	Women's	Family	Shoe	Furniture	Drugs
Vermont	50.1	48.2	48.8	51.5	-34.1	50.3	39.0	(D)	29.5	(NC)	52.4	30.9	48.1
Virginia	65.2	81.9	28.8	58.2	-15.6	66.4	71.7	37.7	63.4	38.6	43.1	47.0	43.3
Washington	80.9	142.8	122.9	59.7	- 1.9	66.4	109.1	35.5	100.6	115.2	41.1	96.1	77.3
W. Virginia	71.9	104.1	(D)	98.9	- 9.0	73.5	69.7	23.0	28.5	84.6	45.0	47.4	66.0
Wisconsin	61.3	84.6	58.8	47.2	17.0	55.7	72.4	14.2	34.3	(NC)	29.0	48.8	44.6
Wyoming	103.4	165.7	89.2	69.6	35.4	103.7	164.7	(D)	(D)	124.9	59.3	119.1	59.2
United States	58.1	77.1	53.8	50.6	- 3.4	58.3	70.5	24.3	47.2	63.5	38.7	44.5	48.7

Notes: Percentages are based on current dollars for both 1972 and 1977 with no adjustment for price increases.
D=Withheld to avoid disclosing data for individual companies.
Sales taxes & finance charges were included in 1972 but not in 1977.
(5)=Includes sales from catalog order desks.

WHY RT PUBLISHES ADDRESS AND SUBSCRIPTION COSTS: RT gets ideas from other publications and feels that readers may want to obtain the complete document. RT is always annoyed when a citation is given without an address and often spends hours tracing down the source. The publication quoted does not know that it is being cited and RT gets nothing beyond the good feeling that comes from plugging a good source for RT readers.

Mr. Van Eaton positively stated that thefts from retailers cost U.S. consumers 7¢ to 8¢ of every dollar spent; staff steals from 60% to 80% of the goods stolen from U.S. retailers; U.S. shopping centers average about one murder each per year.

RThought: If you really want to learn what is happening here, try Philip Luker's trial subscription – 7 weeks for $12 U.S., which includes airmail postage – ask for the October 22nd issue as one of them.

INOVISION–TRYING A NEW "CONCEPT" IN RETAILING

Electronic Data Systems, a Dallas-based computer service company, (New York Stock Exchange, rated B+) has applied their thinking cap to retailing and come up with the mail-order retailing of the future – they say. In their modest description of themselves the headline, in 1½" type, reads: "THE INOVISION CLUB," and, in ½" type, proclaims: "THERE'S NEVER BEEN A HOME ELECTRONICS RESOURCE LIKE IT."

Note that they make it harder to read by putting everything in capital letters – a weakness of copy writers who try to compensate for an inability to write challenging words.

The 32-page catalog offers home computers, TV and video recorders, movie cassettes, pocket calculators and gadgets. Their *modus operandi* is that you can either buy at the catalog prices or join INOVISION CLUB for $57.50 (this bargain rate ends February 15, 1980) and then buy at a (scientifically computed?) discount of 22.5% from the catalog prices!

In these days of FTC restraint on manufacturer controlled selling prices, claiming a discount off of anything is a risky business. RT checked a few items with other sources. For example, INOVISION offers the Sony Horizon Master, which they call "the world's most advanced radio" (it has 29 shortwave bands plus long wave, plus AM/FM) for just $1895.00. As a member you can take a discount of 22.5%, reducing the price to just $1468.63. Or you can buy it from Olympic Sales Company, Inc., which professes that their catalog is a "wholesale price list," without doing any arithmatic at $1399.95. Of course, $69 might not be important when buying a set like this. . .

On the other hand, INOVISION offers the Sony SL-3000 portable color video cassette recorder plus the TT2000 tuner/timer for $1795.00, less 22.5%, or $1391.13. Olympic's combination price is $1459.00, or $69 more.

When it comes to home computers, INOVISION clearly takes the lead. Olympic offers the Texas Instrument TI-99/4 for $1150.00 which INOVISION says is the list price from which members can take 22.5% of $258.75 (membership cost plus $200!) for a net price of $891.25.

RThought: Electronic Data Systems is a $250 million a year company and should be able to adequately finance INOVISION until they know whether their concept works. RT wonders how many initial purchases will be for $255.56 or more, the price at which a 22.5% savings offsets the cost of membership. But EDS is the company founded by H. Ross Perot–and if he can rescue his employees from Iran, he may well be able to develop a new "concept" in retailing.

THE CHANGING PATTERN OF RETAIL EXPENDITURES

The California State Borad of Equalization (Box 1799, Sacramento, CA 95808) publishes an excellent quarterly and annual report on "Taxable Sales in California." In addition to basic information, they include supplemental information of considerable interest. The report for the First Quarter of 1979 included the following table showing the distribution of expenditures between types of outlets for the years 1974 (depression), 1978 (depression coming) and 1979 (still coming):

Type of Retail Store	Share of Retail Store Dollar 1974	1978	1979
Apparel Stores	5.0%	4.7%	4.6%
General Mdse (excl. drugs)	13.9	11.9	11.3
Grocery (1)	9.3	9.3	9.0
Packaged Liquor	2.8	2.4	2.1
Restaurants & Bars	12.2	12.6	12.5
Furniture & Appliances	4.8	4.8	4.9
Building Mtls. & Hardware	5.6	6.2	6.6
New & Used Cars	14.4	17.2	17.4
Service Stations (2)	18.9	12.5	13.0
Other Retail Stores (3)	13.1	18.4	18.6
Total	100.0%	100.0%	100.0%

(1) Does not include food sold for consumption off- premises.
(2) Gasoline and oil are subject to tax, labor is not.
(3) Includes sporting goods, musical instruments, stationery and books, jewelry, office supplies, farm implements, farm & garden supply, trailers, boats and airplanes plus many smaller types of stores.

RThought: Eating out is not growing as fast in California as national surveys would indicate. General merchandise stores (which include discount stores) are losing position, primarily to car sales. More attention is paid to homes as shown by the steady level of sales in furniture and appliance stores and the rising proportion spent in building material and hardware stores (part of building and materials sales represents new house construction).

But of great significance, especially to those people who, before they got stuck with their own long gasoline lines, accused California of wasteful use of gasoline, is the declining proportion of income spent at service stations. This is partially a result of the tremendous shift to fuel-efficient imports which represent about 50% of new car sales in California.

THE RIGHTS OF CORPORATIONS

In the August RT article, "Ethics in Retailing," it was pointed out that corporations enjoy a limited grant of power from the people. The article continued, "We have just recently given corporations some limited rights of free speech under the Constitution."

Milton Woll, management consultant and for years head of Retail Services for Booz, Allen and Hamilton, points out that other rights were given up long ago. In the **Sinking Fund Cases** 99 US 700 (1879), the Supreme Court explicitly declared that the United States "equally with the States . . . are prohibited from depriving persons or **corporations** of property without due process of law." (Emphasis added.) This followed an earlier case, **Munn v Illinois** 94 US 113 (1877), which did not question the right of a corporation to invoke the due process clause.

The limited rights of corporations was clearly recognized in **Northern Securities v United States** 193 US 197 (1904) in which the Court said, "a corporation. . . is not endowed with the inalienable rights of a natural person."

RThought: The basic truth remains—corporations enjoy most of their rights and powers as grants from the people and those rights and powers can be modified, expanded, reduced or eliminated by legislators responsive to the wishes of the people.

RETAILERS MAY BE SUBJECT TO ANTITRUST TRIPLE DAMAGE SUITS

The Supreme Court recently handed down a decision in **Reiter v Sonotone** (June 11, 1979) which will open the door to actions by customers of retailers against vendors to retailers who are party to price fixing acts. Two years ago in **Illinois Brick Co. v Illinois** the same court held that parties that were not direct purchasers of the price-fixed goods could not sue. In the new case the plaintiff bought from a retailer who, in turn, bought from one of 5 manufacturers who committed price-fixing acts. Thus the plaintiff had no direct dealing with the firm that was involved in price-fixing. The court held that the provision of the Clayton Act that says, "any person who shall be injured in his business or **property** by reasons of anything forbidden" (emphasis added) granted to the ultimate purchaser the right to bring action for triple damages.

Since the ultimate purchaser may not know whether the retailer was also involved in the price-fixing, the suits probably will name the retailer as well as the manufacturer.

FTC AND RETAILERS:

Sears, Roebuck and Co.: It is with sadness that we report a finding by an administrative judge that Sears did not have a sound basis for claiming that the Kenmore and Lady Kenmore dishwashers would handle all dishes, pots and pans without prior rinsing or scraping. If the finding is not appealed to the full commission, then Sears will be under lawful order to make claims for major appliances only when based on tests that are "competent and reliable." (**RThought:** Sears private label appliances are good enough to stand on their own merits—without excessive claims.)

COMMERCIAL BRIBERY

Ritepoint Pens: If you carry, or your office uses, Embassy ball-point pens, ask who got the shoes. Their offer was a choice of four styles of Roblee shoes for an eligible order of 500 or more Embassy Pens received prior to September 30, 1979, for shipment by October 31st, with an additional pair for additional orders. They claimed a value of $57 per pair and must have embarrassed Brown Shoe Company by mentioning Brown's name.

Kingston Corp.: They call their ball point "Gold Bond PP-72" and for 4000 at 36¢ each ($1440.00) someone in your organization could get an RCA XL-100 19" Color TV. 2500 pens brought a Whirlpool Microwave Oven and 1000 an RCA Black and White 12" TV. It appears that the pens are worth about 26¢ each with you paying the extra 10¢ to permit Kingston Corp. to have the money to bribe your employee.

RThought: Both ads appeared in the same issue of Specialty Advertising BUSINESS—which apparently will take any ad. But it shows how "competition" develops between vendors of like products. If you file criminal charges against your employees who use your money for their own gain you may find you can (1) keep the goods without paying for them, (2) stick Ritepoint or Kingston for the salary paid your employee that they suborned, and (3) recover the premium given your employee. If you have such a situation, RT would be happy to provide the name of an attorney who specializes in this field.

SHORT SHORTS

Want to appear smart? Be honest! I recently read the talk given by Professor Lewis M. Terman at the first Walter Van Dyke Bingham Lecture in 1954. His subject was "The Discovery and Encouragement of Exceptional Talent." Dr. Terman reported on his study of gifted children and briefly summarized what he had learned about 1500 children with IQs above 140: "In general, appreciably superior to unselected children in physique, health, social adjustment; **markedly superior in moral attitudes as measured either by character tests or by trait ratings**; and vastly superior in their mastery of school subjects as shown by a three-hour battery of achievement tests." (Emphasis added.) If you have a good physique, are healthy and socially adjusted, you can make people think you are a genius by having a "markedly superior" moral attitude.

High oil prices mean higher gasoline prices with full service. The authoritative Lundberg Letter reports the following changes in service offered by stations from fall-winter 1978-9 to October 1979:

Type of Station	Fall/Winter 1978-9	October 1979
Combined full/self service	41%	25%
Full Service only	32%	45%
Self Service only	27%	30%

I always wondered about the erratic profit pattern of Pier 1, including a big loss in their March 1976 year. I think I know what happened—based on receiving on November 26th the "Passport" Catalog containing wonderful discount coupons—that expired 5 days earlier!

The computer salesman probably said "Sure, we can write your program." My experience with a program for a small mail order firm indicates that the salesman didn't understand retailing and the mail order firm didn't know what to tell him. When they were unable to fill my one-item-plus-delivery-charge order, the computer promptly wrote a refund check—without the $1.75 delivery charge! The response to my letter said, "This error occurred due to a mistake in the programming of our computer." **RThought:** If it pulled 1¢ off each order and wrote a refund to the programmer, would the company have caught it?

WORDS TO JUDGE SOCIETY BY

Harold M. Williams, Chairman of the Securities and Exchange Commission, addressed the Legal Aid Society of New York at the time they awarded their second "Servant of Justice" Award—it went to Whitney North Seymour. Mr. Williams chose as his subject "The Role of Law in Society." In it he gave us a way of measuring our moral health:

> **In my view, a good measure of the health and strength of a society could be read from a graph depicting two variables. One line on the graph would reflect the level of values and ethical behavior. The second line would reflect the conduct to which the law compels adherence. When the values and ethics line is significantly higher than the law line—that is, when concepts of acceptable behavior are significantly higher than the standards which the law imposes—the society enjoys good moral health. If, however, the gap between the two lines narrows, it reflects a greater dependency on the law and a decline in moral vigor.**

The chart, of course, has days, weeks, months and years across the bottom. You can chart one—for yourself, for your business, for your industry. The most important one, of course, is the one for yourself.

Put w/ 12/79 RT

January 11, 1980

Mr. Sheldon Feldman
WEIL, GOTSHAL & MANGES
1101 Connecticut Avenue NW
Washington, D.C. 20036

Dear Sheldon---

I am enclosing copies of RETAILING TODAY for January, March, April and May 1971 showing the degree of attention that I was showing at that date about the question of stealing credit balances.

Please tell me if there is any word more accurate than "stealing" to apply to this practice of major retailers?

On the question of "stealing" you may be interested in the enclosed series of newspaper columns on "HOW BANKS STEAL" which led to prosecution by the Attorney General in California. All banks have agreed to change their policy---except the Bank of America. I appear Monday as as a witness against the Bank of America at a trial on this matter.

I might mention that I bank with the B of A as do a number of my clients and my working relationship with the bank is as good as with any other bank (perhaps the people I deal with do not know of this other activity).

However, the Bank is wrong in this case. The Attorney General says so, and so far the courts have said so. Some $35 million has eschmated to the State of California and their general record is that 40%-50% is ultimately returned to the rightful owner.

If someone at NRMA gets excited about something I write--just give me a call. If I have a factual error (or, as in this case, do not have all the information) I will include it under ERRATA in the next possible issue. ERRATA always appears at the top of the left hand column on the first page---the most prominent possible location.

Returning to the question that prompted this letter, I think you will now agree that well before the FTC started on their case, I was causing retailers to change their policy.

Please note that I was doing it without passing new legislation and without incurring major legal expenses for retailers.

As I wrote that I realize that I should include the December 1971 issue in which I reported how I changed the policy at Amfac and at Union Oil Company of California. You will note that two different methods were used.

I am determined to raise the ethical standards in retailing. My family has been in retailing for much more than 200 years, more than 150 years in the United States. I am reflecting the standards followed within my family--and by many other families.

I would much prefer to work with the NRMA (as I do successfully with Menswear Retailers of America, National Mass Retailing Institute, National Association of College Stores, Retail Traders Association of New South Wales and of Victora) than work against NRMA.

As a final item of interest, I am enclosing a letter from MRA inviting me to address their 1980 meeting in Las Vegas.

Sincerely,

Robert Kahn

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January 3, 1980

Mr. Robert Kahn
Editor
Robert Kahn and Associates
P.O. Box 343
Lafayette, CA 94549

Dear Mr. Kahn:

Your December 1979 issue of Retailing Today has just come to my attention. I believe that a response to your article entitled "The Two Faces of NRMA" is warranted.

Your article was factually correct, but was incomplete and therefore misleading. As counsel to NRMA I recently testified before the Senate Small Business Committee on behalf of NRMA. At that time, NRMA did advocate legislation which would permit a business to receive a copy of its file maintained by a commercial reporting agency. In 1975 NRMA did not support legislation which would have afforded the same right to consumers. Two comments are offered in explanation for this apparent inconsistency. First, since 1971 the Fair Credit Reporting Act has afforded consumers substantial access to their files, among other rights, whereas a business has no such legal rights. Second, when the opportunity to address this issue next arises, it is anticipated that NRMA will not oppose granting consumers the right to receive a copy of their file from the consumer reporting agency. There is thus no inconsistency, but rather a change in position after the passage of four years.

As your article noted, I did mention to the Privacy Journal that an adverse commercial report can have a greater impact upon a business than upon a consumer. This is because of the fact that consumers have extensive access and dispute rights under FCRA, and also because the adverse consequences for the business (*i.e.*, a denial of credit) can be ruinous whereas that is not generally the case when a consumer is denied credit. I also pointed out, but the Privacy Journal failed to print, that NRMA no longer opposes the consumer's access to a copy of the report from the consumer reporting agency under the FCRA.

I hope that you will see fit to print this clarification in your next issue of Retailing Today.

Very truly yours,

Sheldon Feldman

SF/ip

RETAILING TODAY

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Pgs 1(2x), 2a,b Corp
Pgs 1 - Rosen
Pg 1 - Feldman
Pg 1, 2b - VOF
FYI
FROM (VID)

DECEMBER 1979 VOL. 14, NO. 12

MAY YOU BETTER THE WORLD AND MAY THE WORLD BETTER YOU IN 1980

We are ending 1979, as we have ended many years, facing problems in our world and our society.

Each country has fewer friends, and more and more countries have formed themselves into little groups seeking ways to do someone else in, rather than seeking ways that we can all live in friendship on this little globe. We do this despite the teachings of all of our religions – Judeo-Christian, Moslem, Hindu, Shinto, Taoist, Zoroastrian, Confucian or Buddhist.

This problem is compounded by two major errors in thinking. The first is that the individual does not count any more. To that I respond with the motto of The Christophers – "It is better to light one candle than to curse the darkness." The second is that this is an era of "Me," of indulging ourselves with no regard for others. To this I simply observe that this cannot be the end goal of hundreds of generations of evolution [illegible] the appearance of man on earth. Logic tells us that the [illegible] nature of life must have a higher meaning than self-indulgence.

So let me repeat my past suggestions for four resolutions for the New Year; resolutions that have stood me well for many years and which I hope will serve you well in 1980:

First, never go to bed mad. Think of the damage you do to yourself when you try to punish your loved ones by continuing your display of anger through the night and into the morning. Think of waking up and having to recall what angered you and then rekindling that anger. Make an agreement with your loved ones – someone must apologize before going to bed.

Second, make your marriage a 60-60 deal. Any time people consider marriage a 50-50 proposition they find that there is a big gap between where each thinks the mid-point is. But if each is committed to going that extra distance – beyond the mid-point – many problems will disappear.

Third, remember that there are 20 ways to do every job – and usually 5 are perfect. That's right – there are usually 20 ways to do a job: 5 are perfect, 10 are okay, and only 5 are wrong. So why spend time, energy and emotion trying to get people to do things the perfect way that you happen to have in mind when the other person may clearly see one of the other four perfect ways? More time is wasted on this form of dialogue and bickering than on any other thing in business.

And, finally, promise to spend each day the way you know you should spend it. Each night when you go to bed, when you put your head down on your pillow, you are the only person who knows exactly how you spent that day. I hope that each and every day in 1980 you will be able to say to yourself, "I spent this day the way I know I should."

THE TWO FACES OF THE NRMA

No one ever said that the National Retail Merchants Association had to be consistent. The November 1979 issue of PRIVACY JOURNAL (Box 8844, Washington, D.C. 20003, $49/yr) reports that an NRMA spokesman testified that the protection of the Fair Credit Reporting Act should be extended to business and specifically that business should have the right to a copy of any credit report filed on it.

PJ reported that in 1975 the NRMA, with their wonderful concern for their customers, testified, "We believe that it is unnecessary to furnish a copy of information in a consumer's file since the consumer is told what information is contained in the file."

When asked about the inconsistency, NRMA spokesman Sheldon Feldman said commercial reports are more important to small business than consumer reports are to individuals! Honest – that is what PJ reported him as saying.

RThought: This is completely consistent with retail policies in major chains requiring legal force (and damage to credit ratings) to collect amounts owed the store, but stealing millions from customers who happen to overpay. Someday, honest and ethical NRMA members will bring their organization back to their standards.

ERRATA AND CORRECTIONS

In the November 1979 RT I reported on "How Banks Kill Customer Confidence In EFTS" in which I report problems at Wells Fargo and United California Bank. My sister reminds me that she did receive a reply and apology in response to her letter to Richard Cooley, Chief Executive Officer of Wells Fargo Bank. She had provided me a copy separately from the balance of the file.

In the September 1979 RT I said, "Dayton-Hudson... alone, among major public retail companies, put 5% of their pre-tax profit" into charitable contributions. I am happy to report that I was wrong – Hechinger's of Washington, D.C., and Younkers of Des Moines both have followed this policy for many years.

RThought: If other firms are 5% contributors, RT would be happy to bring this information to the attention of your peers with the hopes that others will join you.