DECEMBER 1996	B -	How Useful Are NRF Numbers?
	F -	Why I Worry About the CPI
		A - Sex Discrimination at Chevron Subsidiary How Important Is Gross Margin Per Square Foot to Company Profitability? Why Does The Times Continue to Publish Erroneous Information? Retailers Listed Among the 100 Largest Advertisers
JANUARY 1997	B -	By Patting Itself on its Back, the Federal Trade Commission Almost Broke its Arm!
	F -	Corrected Advertising of "Zero Interest" The Greater the Percentage of a Retailer's Stock Held by Institutions, the Less the Freedom of Management
		A - The IRS is Checking on the Use of LIFO Inventory Valuation For Those Who Think Casper Weinberger Knows What He is Writing About... Answering a Reporter's Questions Remember When the Smart Shopper Avoided Sales Tax by Shopping by Mail? Consumer Alert Who Holds the Greatest Financial Interest in Cigarettes? "Fill 'er Up"...with Electricity How to Save Time and Money The Latest Report from the FTC Why Wal*Mart Has Lower Advertising Expenses Working at Home Does Not Mean You're Self-Employed Everyone Has a Right to be Wrong, Although Few See the Light
FEBRUARY 1997	B -	Why Don't Continental U.S. Retailers Look More Closely at Hawaii and Guam?
	F -	Now That We All Know Christmas Was Not Up to Expectations, Let's Look at the Reason
		A - How to Measure the Soft Drink Business Around the World To Those Still Selling Cigarettes... Perspective It's Official: Retail Chains May Expense Preopening Expenses as Incurred What's Happening to the Office Supply Business? How Accurate are Scanners? Classifying Charitable Requests Continued Strategic Use of Weather Information

MARCH 1997

B - The Supermarket Industry Saves the American Way of Life!

F - none

A - "Mervyn's Really Big Sale" (3 1/2 pages in length)
Retailers Listed on Fortune's Most and Least Admired List
Some Companies Think Like Wal*Mart
How to Measure What a Retailer Has Accomplished
Forces Learns from its Mistakes
What Happened to the Retailers in an Earthquake Stricken Area

APRIL 1997

B - The Gross Tax Savings Resulting from Various Deductions

F - How Neiman-Marcus Would Have Broken Stanley Marcus' Heart on April 20, His 92nd Birthday (Roscoe)
How Did the Christmas Season Come Out?

A - My Mistake... (Feb. RT, re 2000 being a leap year)
The Spirit of Clarence Saunders Lives On!
Australia Is Getting Serious about Stopping Cigarette Sales to Minors
The Concern about Job Security
Will All Stores Have to Carry Penthouse Magazine?
Are Your Rules Posted Where Customers Can See Them?
An Expert Speaks: On-Line Versus Catalog Sales
Quoth the Banker: "Watch Cash Flow"
Not Quite Caller ID
Did Floyd Hall Know Something Others Didn't?
A Safety Slogan Anyone Can Use, Courtesy of McLane Co.
The Largest Mall Adjusts to the Times

MAY 1997

B - Abuse of Numbers

F - A Department Store Is Not A Department Store
...Not A Department Store
...Not A Department Store

A - What We Can Learn from Other Countries
The Increased Activity of NAAG
I Have, Reluctantly, Taken the Local Red Cross Off My Contribution List
ABC's Treatment of Food Lion
Which Retailers are Included in the S&P 500?
Perhaps the SAT Will Be Fair to Both Men and Women
Reaching in Desperation for Profits
Fine Names are No Protection
Why So Many Stores End in Bankruptcy

JUNE 1997

B - Do Your Part in Balancing the Federal Budget

F - "The Worst Crime Against Working People Is A Company Which Fails to Operate at Profit" (Samuel Gompers)

Mission Statements

A - 3 Separate Surveys...with Varying Results

Do Macy's Customers Lack That Much Intelligence?

Why Fight Debit Cards?

Neiman-Marcus' Reply to an Unhappy Customer

Canada Is "Acting" Like the United States

Commissaries Will be Easier Competition

...and Were the Parents Mad!

How Can Department Stores Be Fashion Leaders?

The Discount Department Store Industry

What More Retailers Should be Doing: Concentrating on Their Fields of Dominance

JULY 1997

B - Do Your Part in Balancing the Federal Budget...continued

F - Extracts from the Proposed Guides for U.S. Origin

All Department Stores Are Not the Same

A - Apologia (to Ames Dept. Strs.)

Can We Learn from the Australians?

Doing it...the U.S. Way

Projected Revenue Using the Internet

If You Offer Charge Accounts -- and Support Consumer Credit Counseling Agencies -- You Have a New Obligation

Can Macy's California Count?

Systems People Often Antagonize Customers: Do Yours?

It's Amazing What One Can Learn by Reading 10Ks

Try to Match This Safety in Your Parking Lot

What Does Nordstrom Mean by "Service"?

Insurance Information for Seniors, For You, and For Your Associates

The "Sears" of the Future

W - Words -- As Only Mark Twain Could Express

AUGUST 1997 B - "The *Harder* Side of Sears"
F - Two 100-Year-Old Chains: One Folds; The Other Survives
Take Caution When Reading Retail Articles in the *WSJ*
A - What to Do If You Hear of a "Stand Down '97" in Your Territory
Westpoint Stevens Pays $360,000 to FTC
An Answer for Those Who Criticize Free Enterprise
Should Credit Card Issuers Have Such Authority?
The Changing Rates of Marriage and Divorce
How an Article Stopped Me Dead in its Tracks
How Confused Will Our National Hiring Practices Be?

SEPTEMBER 1997 B - Size Doesn't Guarantee Honesty
F - Memories of 20 Years Ago: Talbots, Inc., Hingham, MA, and Nancy and Rudolph
Consumers Union's Ego Drives Me Crazy
A - Errata (percentage should have been 10.5%)
What Is A Customer?
Are You Familiar With the FCRA? You Need to Be
Mona Asks the Good Questions Like a CEO Should
Let's Hope Your Banker is Smarter Than a Quoted Michigan Banker
Report Takes Cheap Shot at Retailing
What New Zealand Retailers Are Told about U.S. Retailing
Words -- From a Poet (Edward Guest)

OCTOBER 1997 B - My Thoughts Between the Death and the Burial of Princess Di
F - If Congress Passes the Deal with Cigarette Makers, What Will It Mean to You?
Two Views of Safeway: What's Wrong with Retailing? Do You Listen to Your Customers Like Safeway Does?
A - What Happened to Retailing in the First 6 Months of 1997?
The Thoughts of Dan Cooper
1997 Fortune 500 List included 55 Retailers
Times Have Changes...Except for the Line at the Checkout
I Can't Imagine a Retail Magazine Offering These "Habits" as Inclusive
Back to School...More or Less
Are Freelancers Working within Your Company?
Words -- To Live By

NOVEMBER 1997 B - What Happens When a Good Merchant is Matched with a Good Source of Credit?

F - Women's Wear Daily Highlights What Most Retailing CEOs Don't Understand

A - Has Gambling Cut into Your Retail Sales?

When Is It Considered "Censorship" to Pull an Item From a Store Shelf?

Are Trade Publications Worth Reading?

Was Your Firm Recognized by Business Week as Being a Member of NOD?

A Day in America's Largest "Casino"

What's Your Impression of Bausch & Lomb?

Target's Good Deed

From Rotary International...

Who's Willing to Buy Eyeglasses for The Editors of Fortune?

Business Week's 1997 Global 1000

65-MPH Speed Limit Saves Lives

The Unusual Issuers of Bank Credit Cards

Being the First Is Not Everything

DECEMBER 1997 B - A Solution to Day Care

F - Who's Responsible for One Million Bankruptcies?

More Evidence That Casper Weinberger is Wrong About Oil

A - Errata (Frank Newman/drug stores)

Important Reasons Why You Should Be Reading Pacific Retailer

What Is the Most Important Number in Retailing?

Are You Interested in Airport Retailing?

Credit Card Offers of the Month

"Department Stores Must Renew to Stay Relevant"

My County's Transportation News Bulletin

Another Side of Category Management

W - Words -- From Jack Kahl of The Duck® Tape

RETAILING TODAY
ROBERT KAHN AND ASSOCIATES
A CORPORATION
BUSINESS COUNSELOR
P.O. Box 249, Lafayette, CA 94549
(510) 254-4434 — Fax (510) 284-5612

INVOICE

Date: 9/29/97

Invoice # 26928

Subscription to:

Beverly Bridwell
Admin. Assistant to David Glass
Wal*Mart Stores
Bentonville AR 72716

Thank you for the updated list. Enclosed are the names along with the addresses we have entered and/or continued. Let us know if any need addition or correction.

Subscription to RETAILING TODAY

54 subs @$40 thru October 1998 $2160.00

WAL-MART

WAL-MART STORES, INC.
CORPORATE OFFICES
BENTONVILLE, AR 72716-8071

David Glass
President and
Chief Executive Officer

August 18, 1997

AB- we got 64
fax

Mr. Robert Kahn
Retailing Today
P. O. Box 249
Lafayette, CA 94549

Dear Bob:

Please find attached an updated list of officers that should receive RETAILING TODAY beginning with the October renewal date. Other than the executive officers, we have limited the list to senior vice presidents and outside board members. There should be a total of 54 receiving the publication.

Sincerely,

Beverly Bridwell

Beverly Bridwell
Administrative Assistant

/bkb

WAL-MART ASSOCIATES:

J. R. Campbell - SR. VP - Merchandise
Don Cannon - SR VP - Food Merchandising, Supercenters
Paul Carter
Vanessa Castagna - SR. VP - Merchandise
Robert Connolly - SR. VP - Merchandise
Tom Coughlin
Henry Davis
Dave Dible
Mike Duke - SR. VP - Logistics
David Glass
Jay Fitzsimmons
Mark Hansen - President & CEO - Sam's Club
Don Harris - SR. VP - Merchandise
Jim Haworth - SR VP - Operations, Sam's Club
Paul Higham
Ray Hobbs - SR. VP - Merchandise
Dave Jackson - SR. VP - Operations
Jim Kent - SR VP - McLane Company
John Lupo - SR. VP - International
Neil McCarty
Terry McElroy
Bob Martin
John Menzer
Randy Mott - SR. VP - ISD
Ed Nagy - SR. VP - Operations
Pete Netzel - SR VP - Food Merchandising, International
Coleman Peterson
Charles Ratliffe
Robert Rhoads
Grady Rosier
John Ryan - SR VP - Merchandising, International
Leroy Schuetts - SR. VP - Operations
Kendall Schwindt - SR. VP - Operations
Lee Scott
Don Soderquist
Celia Swanson - SR VP - Membership/Marketing, Sam's Club
Ron Tiarks - SR. VP - Operations
Steve Tiernan - SR VP - Sam's Club International
Rob Voss - SR VP - Merchandising, Sam's Club
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Alice Walton
Jim Walton
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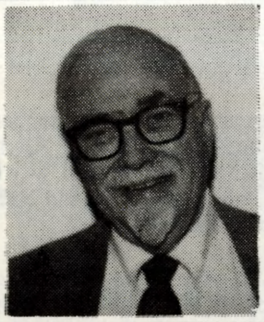

RETAILING TODAY

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ROUTE TO

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THE IRS IS CHECKING ON THE USE OF LIFO INVENTORY VALUATION

With the Internal Revenue Service recently issuing Letter Rulings 85356009 and 8535010, we should remind ourselves of the conformity rules as a condition of using the LIFO method:

1. No other inventory method can be used in determining income in financial statements.
2. The LIFO financial statements must ascertain income *for the taxable year.*
3. The LIFO financial statements must have been used to obtain credit.

The example given for the *improper* use of the LIFO method was that of a car dealer who submitted the dealership's monthly financial statements to the car manufacturer's credit subsidiary but *did not value the monthly inventory on the basis of LIFO.* Upon investigation, the IRS ruled that the monthly statements were in violation and that the 12 monthly statements constituted an annual statement. Thus, non-LIFO statements were used to obtain credit.

To the extent that these statements may have been provided to the company's stockholders, it may also have violated the provision that stockholders be provided only statements reflecting LIFO valuation.

RThought: LIFO, particularly for a multi-department retailer, is a complex computation; thus, many companies make a LIFO computation only once a year.

Perhaps there are two warnings:

1. If you are a public company using LIFO and issuing a quarterly public report, are you properly conforming with the requirement that quarterly inventories are valued on LIFO?
2. If you are *not* a public company but are using your monthly/quarterly reports to meet the requirements of your lenders, are you endangering the use of LIFO for tax purposes by using FIFO valuation of the inventory?

DOES CASPER WEINBERGER KNOW WHAT HE'S TALKING ABOUT?

Take the August 26, 1996, issue of *Forbes* and the statement that its chairman, Casper Weinberger, made in his "Commentary," under the title of "'Fixing' Social Security Again": "Without change, the *Social Security fund will be bankrupt* in the year 2029." [Emphasis added.] What a presumptuous statement!

It is obvious that Weinberger has never read the 1995 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. But, perhaps, he would not even have understood the report had he read its 180-plus pages! In any case, if you refer to the January 1996 issue of *Retailing Today*, you will have an accurate summary of the report and will know that the trustees have made 75-year forecasts, although no one has ever made *accurate* 75-year forecasts other than for the tides, the sunrise, the sunset, and the location of planets.

The report indicates that the trustees made three such forecasts: a low, a high, and a middle. It does not indicate which forecast is most likely to occur. One forecast indicates that the fund will be broke in 2018, the middle forecast indicates that the fund will go broke in 2030, and the third indicates that it will *never* go broke.

RThought: Take Weinberger with a grain of salt and remember that what he may state as a "positive" fact may be something about which he knows nothing.

BY PATTING ITSELF ON ITS BACK, THE FEDERAL TRADE COMMISSION ALMOST BROKE ITS ARM!

A headline of an item in the July 15, 1996, issue of *FTC News Notes*, reporting the conditions for Royal Ahold acquiring Stop & Shop Companies, read:

FTC NEGOTIATES SETTLEMENT IN AHOLD/STOP & SHOP MERGER TO KEEP SUPERMARKET PRICES LOW IN CONNECTICUT, RHODE ISLAND, AND MASSACHUSETTS AREAS

The article was almost shorter than the headline: "The FTC has negotiated an agreement with Ahold, USA, Inc., and its parent company [Royal Ahold] that would require Ahold to divest a total of 30 supermarkets in 14 communities."

Comment: A reporter from a Connecticut newspaper recently called me because she wanted to know what would happen if some of the divested Edwards Supermarket stores were to no longer sell at low prices. I replied that if the stores were to be operated as conventional stores, at higher prices, grocery prices would go up rather than remain at Edwards' level.

RThought: Requiring that stores be sold as a condition of an acquisition does not mean that price levels will stay the same nor does it mean that prices will go up or down. In an agreement with the California attorney general, when Federated Department Stores acquired Broadway Department Stores, Federated was to sell seven stores. Nobody mentioned, however, that the sale of these stores was conditioned on obtaining a satisfactory price. With no offers being high enough, Federated was able to keep the seven stores.

ANSWERING A REPORTER'S QUESTIONS

Before Christmas each year, I receive numerous telephone calls from reporters around the U.S. who are doing holiday-related stories. This year, one such reporter wondered if stores do any training of seasonal sales help — because the reporter had a friend with absolutely no experience who was hired and put on the floor of a store without training! At first, all I could say was that today many retailers are stressing better service. Since the reporter was from the Los Angeles area, I used The May Department Stores Company as an example. While on the phone with the reporter, I took out May's 1995 annual report to see what the company had to say about service. The index indicated that page 10 dealt with "Treating the Customer Right." I had a problem finding page 10, however, because the pages were not numbered! Searching through the report, I found two pages, headed "Treating the Customer Right," that reported on 18,000 "Diamond Stars" which were distributed to salespeople who "treated customers right," but neither page discussed what was being done to teach salespeople how to accomplish it.

Thirty-one May stores received "CEO cups" for customer service, but none of these were in Los Angeles. (The stores closest to Los Angeles were in Scottsdale and East Mesa, Arizona, and in Escondido and Bakersfield, California.)

RThought: After going through the portion of the annual report regarding service, the reporter and I both became aware of the rewards for good service but not what was being done to encourage, define, and deliver it. Thus, I was unable to answer her question.

REMEMBER WHEN THE SMART SHOPPER AVOIDED SALES TAX BY SHOPPING BY MAIL?

A reader of *RT* recently sent me an invoice from a leading retailer for a ribbed, long-sleeved, mock turtleneck listed at $59 in the company's catalog but charged on the invoice at $73.61! The shipment summary read:

Merchandise	$ 59.00
Tax	5.61
P & H	9.00
Total Shipment	$ 73.61

I thought the sales tax should have been 8.25%, but the amount shown was 9.5% of the merchandise cost.

My interest was piqued, so I called the California State Board of Equalization and found that sales tax is now charged on "H," which stands for "Handling," as in "P & H." A correct statement that the customer could reconcile should read:

Merchandise	$ 59.00
Handling	9.00
Subtotal	68.00
Sales tax at 8.25%	5.61
Total	$ 73.61

RThought: If the "P" stands for "Postage" in "P & H," then the sales tax should have been on a lesser amount (i.e., the sales tax was overstated by the amount of tax on the postage). Handling is subject to sales tax because it is provided by the store. Thus, not only is the sales tax overcharged but a profit on it probably was realized from the shipping room!

RThought: One would not have expected this type of overcharge from Neiman-Marcus.

CONSUMER ALERT

I have subscribed to and carried on a correspondence for a number of years with Barbara Keating-Edh, founder of Consumer Alert. She once asked me, if I disagreed with her as often as I did, why I continued to be a member. I said that I always want to read both sides of an issue so that I can make my own decision.

Now, with the organization in its 20th year, I have found a Consumer Alert cause I can really support, although Barbara is no longer president.

Consumer Alert has recently joined the lawsuit to end the federal peanut program which began during the depth of the Depression. Under the program, the government is able to set production quotas. A group of entrepreneurs has worked the law to its benefit, growing tremendously wealthy by buying up land which receives government quotas and having its crops subsidized.

As a result, American consumers, according to Consumer Alert economists, pay over $500 million more for peanuts than they would pay at world-market prices. For example, a family-sized jar of peanut butter costs about 85 cents more than if the peanuts were bought on the world market. It could cost even less, however, if American farmers decided they could make money growing peanuts to sell at world-market prices.

RThought: Barbara, wherever you are, this is one of my reasons for reading Consumer Alert's *Consumer Comments.*

WHO HOLDS THE GREATEST FINANCIAL INTEREST IN CIGARETTES?

In a telephone chat with Joe Belth, professor emeritus of insurance, and publisher/editor of the *Insurance Forum* newsletter, we began to wonder aloud who owned the cigarette companies. Following our conversation, I put together a table for Joe and thought my readers might find it of interest.

Who holds the greatest interest in cigarettes?

The institutions which include cigarette-company stock in their holdings ("institutions" include mutual funds) are:

Cigarette Company	Number of Institutions	Number of Shares Held (000)	Number of Shares Out (000)	Percentage Held by Institution
American Brands	601	89,126	177,389	50.2%
Philip Morris	1,649	491,826	839,752	59.3
RJR Nabisco	477	177,455	272,808	65.0
Lowe's*	449	56,465	117,833	47.9

*Owns Brown & Williamson

As you will note, this table does not include holdings by the British-American Tobacco Company which trades within the U.S. only in ADRs.

RThought: Institutions certainly have a keen interest in opposing laws which might save the lives of Americans — but at a reduction of their profit from the cigarette companies. No wonder the silence of the institutions is deafening.

CORRECTED ADVERTISING OF 'ZERO INTEREST'

The boxed item in the November 1996 issue of *Retailing Today* commented on the fines levied by the Federal Trade Commission after it and 23 state attorneys general conducted an investigation into four companies which failed to completely disclose their zero-interest credit plan terms.

Here is what three of the four companies now tell the reader:

CompUSA, Inc. (fined $175,000): "No payments for 6 months! No interest on everything we sell! No minimum purchases! Offer ends November 25, 1996. Must be paid in full within six months from date of purchase. Offer ends Monday, November 25, 1996. Subject to credit approval. Applies to purchases with the CompUSA credit card. Accrued finance charges will be assessed from the original date of purchase if balance is not paid in full within six months. Valid on any purchases made through Monday, November 25, 1996, only. As of October 14, 1996, the CompUSA credit card annual percentage rate (APR) is 22.05%. APR's may vary; minimum monthly finance charge 50 cents may apply. Credit is provided by Beneficial National Bank USA."

(Actual size)

Best Buy Company, Inc. (fined $175,000): I am unable to report on Best Buy's terms as I am not in its trading area.

Tandy Corporation (fined $300,000): "No interest for 90 days! (Interest accrues from date of purchase; $49.99 minimum purchase required.) With credit approval and appropriate credit card issued by Hurley State Bank. Interest (finance charges) will accrue from date of purchase on your special credit plan purchase during the deferred period and will be added to your account if qualifying purchases are not paid in full by the end of the deferred period; or if you fail to make required payment on your account when due, all accrued finance charges will be added to your account as of the date on which you fail to make a required payment. Minimum monthly payment required. As of September 9, 1996, APR: 22.65% best rate, 24.65% standard rate (rates may vary). Minimum finance charge 50 cents, except PR. See cardholder agreement for details. Offer is for individuals, not businesses. Credit offer valid through 11/23/96."

NO INTEREST FOR 90 DAYS!

(Interest accrues from date of purchase. $49.99 minimum purchase required.)
With Credit approval and appropriate credit card issued by Hurley State Bank. **Interest (Finance Charges) will accrue** from date of purchase on your special credit plan purchase during the deferred period and will be added to your account if qualifying purchases are not paid in full by the end of the deferred period; or if you fail to make any required payment on your account when due, all accrued **Finance Charges** will be added to your account as of the date on which you fail to make a required payment. **Minimum monthly payments required.** As of September 9, 1996, **APR:** 22.65% best rate, 24.65% standard rate (rates may vary). **Minimum Finance Charge 50¢**, except PR. See cardholder agreement for details. Offer is for individuals, not businesses. Credit offer valid through 11/23/96.

(Actual size)

Montgomery Ward & Company (fined $275,000): "*Excludes Super Buys and Exclusive Values. **Excludes Super Buys, Low Price Items and Special Purchases. 0 Interest: This is a same-as-cash offer, good only upon request at time of purchase through Nov. 23, 1996, on Montgomery Ward retail credit card purchases of above products [selected VCRs, $119 and up; TVs, home audio, Maytag and Whirlpool appliances, $399 and up; camcorders, $599 and up; computers, when purchased with monitor and printer]. If purchase is paid in full by May 31, 1997, then all related finance charges which are assessed from the date of purchase will be credited to the account. Excludes Y.E.S. Club Tuesday discount. See APR credit details on pages 18-19 [of tabloid]."

*** Excludes Super Buys and Exclusive Values. **Excludes Super Buys, Low Price Items and Special Purchases. 0 INTEREST: This is a same-as-cash offer, good only upon request at time of purchase through Nov. 23, 1996 on Montgomery Ward retail credit card purchases of above products. If purchase is paid in full by May 31, 1997, then all related finance charges which are assessed from the date of purchase will be credited to the account. Excludes Y.E.S. Club Tuesday discount. See APR credit details on pages 18-19.**

(Actual size)

RThought: If you fully understand such an offer, you probably would not accept it. With a national average APR of about 18%, APRs between 22% and 24% are high. But if you have reasonably good credit and want an APR of 14.48% apply for a Wal★Mart co-branded Mastercard from Chase Manhattan National Bank: its APR rate does not expire after a few days!

SHORT SHORTS

If penny-pinching works for the military, why won't it work for civilians? At the request of Admiral Joseph W. Prueher, commander-in-chief of the U.S. Pacific Command, the Army and Air Force Exchange Service and the commissaries have started rounding prices to the nearest nickel as of August 1, 1996, eliminating the need for pennies (and they don't have sales tax to worry about). The European exchanges and commissaries have been rounding their prices to the nearest nickel since 1980, eliminating the need to airlift pennies from the U.S. **RThought:** If my memory serves me correctly, Australia has eliminated pennies from its array of coins. (The majority of U.S. pennies are no longer in circulation.)

If you are even thinking about soliciting sales by sending "junk faxes" to a list of consumers obtained in any manner, think again. The Newsletter Publishers Association recently reminded its members of the Telephone Consumer Protection Act passed by Congress in 1991. Remember that faxes are transmitted by telephone lines; thus, faxes come under the act. If you should send such a fax, you could be liable for up to $500 per offense — more if the recipient can prove the loss. **RThought:** If one of your unsolicited faxes gets into the hands of an attorney who may see a potential fee from a class-action suit the fax could cost much more than the cost of the transmission.

FEATURE REPORT

THE GREATER THE PERCENTAGE OF A RETAILER'S STOCK HELD BY INSTITUTIONS, THE LESS THE FREEDOM OF MANAGEMENT

The following list shows the percentage of the outstanding stock of more actively traded retail stocks listed regularly in *Financial World.*

Company	Percentage of Shares Owned by Institutions	Company	Percentage of Shares Owned by Institutions
Barnes & Noble, Inc.	8	Duty Free International, Inc.	28
Hanover Direct, Inc.	8	Home Depot, Inc.	28
Fays, Inc.	11	Venture Stores, Inc.	28
Wal★Mart Stores, Inc.	11	Kmart Corporation	29
Winn-Dixie Stores	11	Toys "R" Us, Inc.	30
Lillian Vernon Corporation	13	Woolworth Corporation	30
Value City Department Stores	13	Service Merchandise Company	31
Neiman-Marcus Group	14	Ethan Allen Interiors	33
Avon Products	14	Fleming Companies, Inc.	33
Safeway, Inc.	15	Handleman Company	33
Talbots, Inc.	15	Harcourt General, Inc.	34
Hannaford Brothers, Inc.	16	Kroger Company	34
Hills Stores Company (1)	17	Claire's Stores, Inc.	35
Jan Bell Marketing, Inc.	17	Waban, Inc.	35
Lands' End, Inc.	17	American Stores Company	36
Petrie Stores Corporation	17	Circuit City Stores, Inc.	36
Smart & Final, Inc.	17	Musicland Stores Corporation	36
Smith's Food & Drug Centers	17	Pep Boys	36
AutoZone, Inc.	18	Hancock Fabrics, Inc.	37
CompUSA, Inc.	18	Lowe's Companies, Inc.	37
Giant Food, Inc. ("A")	18	CUC International, Inc.	38
Long's Drug Stores, Inc.	18	Bradlee's, Inc. (1)	39
Limited (The), Inc.	19	Office Depot, Inc. (2)	39
Burlington Coat Factory	20	Supervalu, Inc.	39
Penn Traffic Company	20	Jones Apparel Group, Inc.	40
Pier One Imports, Inc.	20	Kohl's Corporation	40
Shopko Stores, Inc. (2)	20	Best Buy Company, Inc.	41
Sports & Recreation, Inc.	20	Bombay Company, Inc.	41
Great Atlantic & Pacific Tea Co.	21	Penney (JC) Company, Inc.	41
Stop & Shop Companies, Inc. (3)	21	Dillard Department Stores	42
Albertson's, Inc.	22	US Shoe Corporation	42
Broadway Stores, Inc. (3)	22	May Department Stores	43
Edison Brothers Stores (1)	23	Ruddick Corporation	43
Home Shopping Network	23	Tandy Corporation	44
Mercantile Stores	23	Federated Department Stores	45

Company	Percentage of Shares Owned by Institutions	Company	Percentage of Shares Owned by Institutions
Fabri-Centers of America	24		
Gap (The), Inc.	25	Caldor Corporation (1)	46
MacFrugals Bargains	25	Dayton Hudson Corporation	46
Rex Stores Corporation	25	Rite Aid Corporation	46
Payless Cashways	26	TJX Companies, Inc.	46
		Melville Corporation (4)	47
Revco DS, Inc.	26		
Meyer (Fred), Inc.	27	Fingerhut Companies, Inc.	48
Vons Companies (1)	27	Heilig Meyers Company	51
Walgreen Company	27		
Ann Taylor Stores Corporation	28		

(1) Chapter 11
(2) Involved in merger
(3) Acquired
(4) Changed its name to CVS Corporation

There are several possible interpretations which can be placed on the percentage held by institutions. For example, a low percentage could indicate:

1. institutions believe the price of the company's stock is more likely to decline than advance;
2. the market is so thin that institutions would not be able to get out of the stock;
3. the stock is overpriced; or
4. a large block of stock may be owned by management.

A high percentage could indicate:

1. confidence in the management and the future of the company;
2. the company is a takeover target and an offer may be made at substantially above the market price; or
3. the institutions made an equity investment in the company when the company may not have been able to make an offering at a similar price.

RThought: Institutional holdings, because of their size, may cause price volatility, especially when earnings are reported significantly above or below what the market expected.

RThought: Don't forget that institutions are in a position to receive substantially more information from a company than a small stockholder would ever receive.

SHORT SHORTS

The economy of fax. In glancing over a bill for using fax as a means of communication, one page to San Francisco (about 20 miles away from my office) has a night rate of 7 cents and a day rate of 15 cents. To Palo Alto (about 50 miles), the day rate is 25 cents for 21 pages! The day rate to Los Angeles for one page is 7 cents and two pages costs 13 cents. Internationally, a one-page day rate to South Africa is 61 cents; 89 cents to Australia; and 83 cents to Poland. But three pages during the day to Germany costs $1.64. **RThought:** These rates are all less than what it would cost in postage (air mail plus an envelope) and I know the message has arrived when my copy comes out of the fax machine. I often wonder why people send me one- and two-page letters by mail when it can take three to five days to reach me. There is also an additional cost of making an extra copy of whatever is mailed so there is a file copy, whereas the original faxed copy suffices as a file copy.

Join the crowd that started with Harris Teeter and then spread to the Venture stores and then to the Kroger stores in the Houston area. What is it? Stork Parking! What does it mean? Special parking spaces near store entrances for "new mothers and mothers to be."

RThought: Be prepared for those who are ineligible for "Stork Parking" to complain of discrimination. However, check with the new mothers and the expectant mothers in your business as to what they think of the idea — and then make your own decision.

'FILL 'ER UP'...WITH ELECTRICITY

On August 20, 1996, a Half Moon Bay, California, man set a new world's speed record for a Class I (over 3,500 lbs.) electric car at 97.071 mph. You say, "So what?" I say, "You always said that electric cars would never arrive!"

The new world record was set in a 1986 Ford Taurus (one of the best-selling cars ever manufactured in the U.S.). The record was set at the Bonneville Salt Flats outside of Salt Lake City on a course which gives drivers two miles to accelerate, one mile to time the speed, and two miles to stop. However, in practice, as always, there were faster runs. Would you want your son driving at 120 or 111 mph? The electric car reached such speeds!

RThought: The car batteries of the future will need recharging at some time and at some place. Are you going to leave the "recharging business" to convenience stores? I know of only one large store to which a driver can now take his or her car for recharging and that's Wal★Mart's environmental store in the City of Industry, California.

HOW TO SAVE TIME AND MONEY

Don't waste your time or money on leadership books. Believe me, if there were a perfect answer, Dale Carnegie would have returned to earth to spread the word!

However, my longtime (over 55 years) friend and classmate, Bob Lear, who writes a monthly column in *Chief Executive*, wrote the following in the June 1996 issue:

> **There is not — and never will be — a single list of leadership qualities that apply to all CEOs. Each CEO is different, each has a unique set of natural talents and a variable family background, education, economic exposure, career path, and situational experiences. Yet each possesses — and does not possess — a number of the usual list of suspected attributes. The special qualities and the variety of permutations make the list for each CEO different from any other.**

RThought: With the money and the time you have saved by not buying or reading leadership books, you can take your family on a vacation!

THE LATEST REPORT FROM THE FTC

Home Shopping Network, Inc., and two of its subsidiaries have agreed to secure scientific evidence to back up claims that any food supplement or drug offered by it can treat a disease or affect a function of the body. **RThought:** In other words, tell the truth, all of the truth, and nothing but the truth — or else the FTC will smite HSN down. There will be no fine by the FTC this time, which, I'm sure, pleases HSN.

The FTC has also made final consent agreements with The May Department Stores Company regarding the gross error the company made when it merged Thalhimer customers into Hecht's accounts, resulting in illegally bringing forward out-of-date data. **RThought:** Every major credit executive knows that this type of credit-data merger should never have taken place — but most computer programmers know nothing about credit regulations.

WHY WAL★MART HAS LOWER ADVERTISING EXPENSES

Wal★Mart Stores, Inc., issues 13 tabloids a year: a tabloid on the first of each month plus one covering the Thanksgiving start to the holiday season. This year, the Thanksgiving tabloid included items with prices effective from November 16, 1996, to January 1, 1997. Fifty-six items were at "Every Day" prices; 11 were reductions in "Every Day" prices (and will remain at the new price for at least three months); one item was marked "Bonus"; and one item was a "Special Buy." During the same period, Kmart will probably insert 12 to 15 tabloids in local papers with many more prices and, often, reduced prices for just a few days. There is no waiting for a "Sale" at Wal★Mart, although Wal★Mart will reduce prices to meet local competition.

I don't know of another major general merchandise retailer whose "regular prices" are accepted as a fair price by its customers. I do recall, however, when customers would wait for the Emporium-Capwell department stores in the San Francisco Bay Area to have its "Big Sale" twice a year.

RThought: Today, customers pay little regard to sale ads, believing that the same items will be "on sale" at a lower price in three or four days, with each sale ad being described as "The Biggest Sale of the Year."

Besides Wal★Mart, can you name a single major retailer who attempts to re-establish consumer confidence with its price advertising?

WORKING AT HOME DOES NOT MEAN YOU'RE SELF-EMPLOYED

If we disregard agriculture, where self-employed means you own your own farm or have a machine which you operate and/or move from farm to farm, we are left with nonagricultural industries.

Let's look, however, at agriculture for a moment. In 1948, the self-employed in agriculture were 4,665,000 out of 7,629,000, or 61%. This figure dropped in 1994 to 1,645,000 out of 3,409,000, or 48%, but the total employment in agriculture dropped 55% in 46 years. Once, not too long ago, agriculture represented 40% of our labor-force jobs; now, it represents under 3%.

The nonagricultural industries, as shown in the following table (numbers in thousands), had a similar change:

Year	Total Employed	Self-employed	Percentage
1948	50,714	6,110	12.0%
1950	51,758	6,019	11.6
1955	55,722	5,851	10.5
1960	60,318	6,303	10.4
1965	66,726	6,097	9.1
1966	68,915	5,991	8.7
1967	70,527	5,174	7.3
1970	75,215	5,221	6.9
1975	82,438	5,705	6.9
1980	95,938	7,000	7.3
1985	103,971	7,811	7.5
1990	114,728	8,760	7.6
1993	116,232	9,003	7.7
1994	119,651	9,003*	7.5

*Not a duplication, as reported, which showed a different percentage

The number of self-employed during this period has increased by 47%, but the total employed has increased by 136%.

RThought: We have seen a similar decrease in retailing. The number of proprietor-owned small businesses has greatly diminished in the 46 years the table covers. Further, of the small businesses which remain, many have *incorporated* — the 100% owner, therefore, is *not* considered to be self-employed but the *owner of a corporation with one employee!*

Another somewhat similar change is the disappearance of the unpaid family workers. In agriculture, they have dropped from 1,317,000 in 1948 to 49,000 in 1994, or 96%; in nonagricultural industries, they have dropped from 384,000 to 131,000, or 66%.

At the same time, the number of paid employees who are working at home has increased but, to my knowledge, has not been subject of a study such as the one above.

EVERYONE HAS A RIGHT TO BE WRONG, ALTHOUGH FEW SEE THE LIGHT

The following letter to the editor was in the Center for Auto Safety's *Lemon Times*, Vol. 13, No. 1, in the year 1992:

> **I was one of the guys who really disliked what you (Ralph Nader) were doing years ago with the auto industry. I'm writing to you today to let you know that you are my hero. Poor slobs like me owe you a debt of gratitude for your unyielding stand on seat belts and airbags. I could have lost my son recently had it not been for the safety features you fought for in our behalf...I have often felt that if we had one mission in our lifetime it was to touch someone else's life in a positive way.**
>
> Michael Shapiro, Plano, TX

RThought: They're still growing big men in Texas.

And in the same issue there was this letter:

> **Today is my son's 24th birthday and he is alive to celebrate it thanks to your ongoing effort to have airbags installed in all cars. My firstborn's 1991 Mustang left the road and tumbled end over end down an embankment. Not only did he survive, he was able to walk to a friend's home and call me. The officer investigating the crash said it was unbelievable our son had survived — the car was totaled, with no glass windows or windshield remaining and it was squashed front, back, and both sides. Danny had some lacerations and a torn tendon in one finger — probably sustained when he crawled out of the car. But there was not a single mark on his face. As a mother, I thank you. As he looks to buy another car, one of his first requirements is that it have an airbag.**
>
> Susan Shapiro, Plano, TX

RThought: And some mighty nice lady Texans to go with them. (I should know — I married one!)

RThought: Spend a few minutes trying to think what cars would be like were Ralph Nader not persistent. Mandatory seat belts with shoulder harnesses, airbags, side braces, 5-mph bumpers, removal of objects within cars that could hurt people during accidents, safety recalls, and on and on. Highway deaths would probably be 5,000 to 15,000 higher a year. As Michael Shapiro wrote, "I have often felt that if we have one mission in our lifetime it was to touch someone else's life in a positive way." How about the 200,000-plus people who are alive today thanks to Ralph Nader's *Unsafe At Any Speed.*

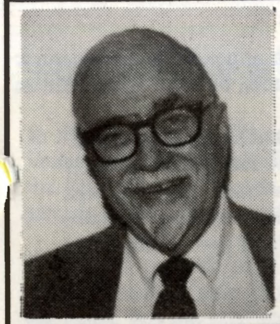
RThought: Those who have despised Ralph Nader but who are now having second thoughts might consider supporting the Center for Auto Safety in its drive to require a corporate average fuel economy of 45 miles per gallon. It is well worth the additional $500 or so per car as a major step in slowing global warming.

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

SIC Code	Category	SEPT. 1996	SEPT. 1995	Percentage Change	Year-to-Date 1996	Year-to-Date 1995	Percentage Change
52	*Bldg Matl Group	$11,467	$ 10,838	+ 5.8%	$ 99,638	$ 93,777	+ 6.2%
57	*Furniture Group	10,929	10,753	+ 1.6	96,399	90,685	+ 6.3
571	Furniture Stores	5,466	5,527	- 1.1	48,358	46,186	+ 4.7
572	Appl, TV, Radio Stores	4,636	4,376	+ 5.9	40,591	37,377	+ 8.6
5941	*Sporting Goods Stores	1,797	1,666	+ 7.9	16,593	14,916	+ 11.2
5942	*Book Stores	923	998	- 7.5	7,673	7,496	+ 2.4
5944	*Jewelry Stores	1,392	1,340	+ 3.9	12,927	11,547	+ 12.0
531Pt	Conventional Dept Stores	4,310	4,338	- 0.6	35,835	35,190	+ 1.8
531Pt	Natl Chain Dept Stores	3.042	3.089	- 1.5	26,488	27,424	- 3.4
	Subtotal	7,352	7,427	- 1.0	62,323	62,614	- 0.5
531Pt	Discount Stores	11,357	10,848	+ 4.7	102.277	94,863	+ 7.8
531	*Department Stores	18,709	18,275	+ 2.4	164,600	157,477	+ 4.5
539	*Misc General Mdse Stores	4,552	4,523	+ 0.6	41,496	40,509	+ 2.4
541	*Grocery Stores	32,343	32,146	+ 0.6	298,418	289,190	+ 3.2
56	*Apparel Stores	9,019	9,171	- 1.7	77,786	75,286	+ 3.3
561	Men's & Boys' Stores	777	782	- 0.6	6,717	6,720	- 0.0
562,3,8	Women's Stores	2,610	2,838	- 8.0	22,725	24,148	- 5.9
565	Family Clothing Stores	3,388	3,230	+ 4.9	28,427	25,349	+ 12.1
566	Shoe Stores	1,509	1,593	- 5.3	14,037	13,666	+ 2.7
591	*Drug Stores	7,006	6,711	+ 4.4	64,719	61,484	+ 5.3
596	*Nonstore Retail	5,731	5,749	- 0.3	48,619	47,645	+ 2.0
5961	Mail Order	3,782	3,736	+ 1.2	32,037	30,426	+ 5.3
	*Retailing Today Total Store Retailing†	103,868	102,170	+ 1.7	928,868	890,012	+ 4.4
	**GAF TOTAL	50,506	50,240	+ 0.5	445,035	422,946	+ 5.2

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information, contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.



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ROUTE TO

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HOW TO MEASURE POTENTIAL RETAIL BUSINESS AROUND THE WORLD

To measure how much the soft drink business affects retailing, one need only rearrange the pertinent data that appeared in the July/August 1996 issue of *Chief Executive*: data as to the number of 8 fluid ounces per serving of soft drinks consumed per capita per year.

The results are as follows:

Country	Servings Per Capita	Country	Servings Per Capita
United States	816	Romania	106
Mexico	585	Japan	103
Canada	456	Malaysia	90
Australia	424	Morocco	67
Germany	347	Turkey	62
Argentina	329	Egypt	47
Great Britain	327	Russia	44
Netherlands	327	Ukraine	34
Spain	318	Kenya	27
Belgium	280	Nigeria	27
Hungary	260	Sri Lanka	26
Portugal	260	Tanzania	19
Columbia	240	China	14
Saudi Arabia	240	Vietnam	14
Brazil	239	Pakistan	13
Czech Republic	210	Myanmar	10
Italy	175	Uganda	8
South Africa	165	Indonesia	6
Former Yugoslavia	132	Zaire	5
France	130	Bangladesh	3
Philippines	128	India	3
Peru	122		
Poland	114		
South Korea	114		
Thailand	112		

RThought: One could speculate that there is great potential in Bangladesh and India while others would say that the countries either having or wanting U.S.-type supermarkets and/or supercenters would be those now consuming 100 or more soft drinks per capita per year, or roughly two every week!

TO THOSE STILL SELLING CIGARETTES...

Do you buy the cigarette manufacturers' claim that they don't advertise to induce young people to smoke but merely to induce adults to switch brands? If so, you should know that manufacturers are not attaining their goal.

FAILURE NO. 1: Last year, *The New York Times* reported that a study published in the *Journal of Marketing* showed that 60% of teenagers prefer to smoke Marlboro cigarettes but only 22% of adults prefer that brand.

FAILURE NO. 2: Teenagers who prefer to smoke Camel cigarettes total 8.7%, but only 3.7% of adults prefer Camel.

RThought: If you sell cigarettes and, especially, if you display Marlboro and Camel ads, I suggest that you take some time to contemplate just what these figures mean: *you* are contributing to the early death of millions of young people. Ask yourself: Is the *profit I make* on cigarettes *worth their deaths*?

Please read the following true story that was told to me recently by the chief executive officer of Trader Joe's, a specialty food retailer which has spread from southern California to northern California and surrounding western states and which has just opened three stores in the Boston area.

Some years ago, Trader Joe's looked at all the cigarettes the stores carried and decided to measure whether the

WHY DON'T CONTINENTAL U.S. RETAILERS LOOK MORE CLOSELY AT HAWAII AND GUAM?

Although Sears, Roebuck and Co. and J. C. Penney Company, Inc., have stores in Hawaii, Hawaii's "main" department store is Liberty House. In fact, Liberty House is on every major Pacific island and it is about to build its third store on Guam, an American territory which now allows visitors from Japan, Korea, Taiwan, and China to enter without a visa (while Hawaii still does not). Most retailers on Guam are beginning to open branches on Saipan as well, because it is less expensive (shorter mileage) for Japanese, Koreans, and Taiwanese to travel to Guam and Saipan than to Honolulu. In addition, American goods wanted by tourists are becoming more and more available on both islands. Even Kmart has arrived!

RThought: There is a problem with resupply, but the more the stores, the less the problem, particularly if there is an adequate supply base in Hawaii.

If you want to keep in touch, subscribe to *The Pacific Trader.* Send $60 to *Retail Strategies*, 1210 Auhi Street, Suite 212, Honolulu, Hawaii 96814. You may also be able to fax your subscription at 808-597-8168. In either case, tell my friend, Doug Smoyer, the publisher, that Bob Kahn sent you. (Doug is a friend from the 1950s.)

company produced, by brand, enough gross margin to warrant the space they occupied, just as is done with all other items. The only cigarette to warrant such space was Marlboro. Not wanting to carry just one brand, Trader Joe's eliminated all cigarettes.

RThought: What would the answer be in your stores? You are supposed to make the tough business decisions, so make them! Consider all of the factors: the time it takes to get proof of age; running the risk of being entrapped by the police; and the number of cigarette packages/cartons stolen. Do you really make money?

PERSPECTIVE

Multinational Monitor, one of the publications founded by Ralph Nader, combined information from the World Bank and *Forbes* to produce a mixed list of countries by gross domestic product and corporations by sales. Here are the 40 largest (all figures are $ millions).

1. United States	$6,648,013	21. Sweden	$ 196,441
2. Japan	4,590,971	22. Mitsubishi	184,510
3. Germany	2,045,991	23. Mitsuland Co.	181,661
4. France	1,330,381	24. Indonesia	174,640
5. Italy	1,024,634	25. Itochu	169,300
6. United Kingdom	1,017,304	26. General Motors	168,829
7. Brazil	554,587	27. Sumitomo	167,662
8. Canada	542,954	28. Marubeni	161,184
9. China	522,172	29. Denmark	146,076
10. Spain	482,841	30. Thailand	143,209
11. Mexico	377,115	31. Ford Motor Co.	137,137
12. Russian Federation	376,655	32. Hong Kong	131,881
13. Korean Republic	376,605	33. Turkey	131,014
14. Australia	331,990	34. South Africa	121,888
15. Netherlands	329,768	35. Saudi Arabia	117,236
16. India	293,606	36. Toyota Motor Co.	111,139
17. Argentina	281,922	37. Norway	109,568
18. Switzerland	260,352	38. Royal Dutch/Shell	121,888
19. Belgium	227,550	39. Exxon	107,893
20. Austria	196,546	40. Nissho Iwai	97,963

RThought: The remaining countries in the top 100 are Finland, Poland, Ukraine, Portugal, Israel, Greece, Malaysia, Singapore, Columbia, Philippines, Iran, Venezuela, Ireland, Pakistan, Chile, New Zealand, Peru, Egypt, Algeria, and Hungary, respectively, with Hungary at $41,374.

The remaining corporations included only one retailer: Wal★Mart, whose 1996 sales will exceed $100 billion and will place it as the 40th largest "economy" on the 1997 list.

IT'S OFFICIAL: RETAIL CHAINS MAY EXPENSE PREOPENING EXPENSES AS INCURRED

In IRS Letter Ruling 9645002, the Internal Revenue Service's national office was on the taxpayer's side and *against* an IRS agent who wanted to apply the Supreme Court's INDOPCO decision and require capitalization of preopening expenses and amortization over 60 months. The national office, however, ruled that expenses for installing fixtures, stocking merchandise, and training new personnel are similar to expenses in established stores of a retail chain.

RThought: This ruling proves two points: 1) sometimes the national office of the IRS shows common sense and 2) the IRS does not *always* battle taxpayers to their last dollar.

IN RESPONSE TO MY CONCERN...

Bob Johnson of the Credit Research Center at Purdue University is aware of my constant concern regarding inadequate samples. Thus, Bob forwarded the following story which appeared in *Innumeracy: Mathematical Illiteracy and Its Consequences*, by John Allen Paulos:

> **A man who travels a lot was concerned about the possibility of a bomb on board his plane. He determined the probability of this, found it to be low but not low enough for him, so now he always travels with a bomb in his suitcase. He reasons that the probability of two bombs being on board would be infinitesimal.**

RThought: What more can I say!

WHAT'S HAPPENING TO THE OFFICE SUPPLY BUSINESS?

The following table, showing the shipments of office-supply manufacturers to various channels of distribution, appeared in *Club News* (published by Fairchild Publications, 7 West 34th Street, New York, NY 10001; telephone 212-630-4757). The term "superstores" refers essentially to OfficeMax and Staples. "Mass merchants" refer to stores such as Wal★Mart, Kmart, Target, Venture and Caldor. "Warehouse clubs" refer essentially to Sam's and PriceCostco. The next two categories, "Top 50 dealers" and "Small/medium dealers," refer to what used to be the stationery-store business but includes such mail-order companies as Quill, Accountants Supply House, Global Computer Supply, et al. The final category of "All other" includes variety stores, drug stores, college stores, etc.

Office-Supply Shipment Share

Category	1989	1990	1991	1992	1993
Superstores	4.3%	7.3%	10.2%	11.2%	13.1%
Mass merchants	10.4	10.2	7.6	11.4	11.6
Warehouse clubs	3.5	4.0	4.0	3.7	3.4
Top 50 dealers	21.9	23.7	22.9	22.7	22.6
Small/medium dealers	14.0	12.5	11.1	8.8	7.7
All other	45.9	42.3	45.0	42.2	41.6

RThought: The top 50 dealers have helped their percentage partially by acquiring other dealers. Essentially, the transfer has been from small/medium dealers to office-supply superstores. All other stores continue to take almost half of the business.

Note: This chart refers only to office supplies. It does not include the figures for computers, office machines, and equipment that many types of stores may carry in varying amounts.

HOW ACCURATE ARE SCANNERS?

During late October and early November of last year, most newspapers placed a major emphasis on a report released at that time relating to checkout scanners. Five percent of the prices scanned were incorrect: 2.58% of the prices scanned were *undercharged* and 2.24% were *overcharged*, for a net undercharge of 0.34% on the items. And in relating to the report, some newspapers carried stories about dishonest retailers.

At noon on October 22, 1996, the Federal Trade Commission issued a report headlined:

FTC-STATE STUDY: CHECKOUT SCANNER PRICING LARGELY ACCURATE, UNDERCHARGES OUTWEIGH OVERCHARGES

Study Also Finds Wide Variations in Price Error Levels Across Individual Stores, Store Types

NOW THAT WE ALL KNOW CHRISTMAS WAS NOT UP TO EXPECTATIONS, LET'S LOOK AT THE REASONS

In the December 1996 issue of *RT*, I said that the National Retail Federation's widely distributed projection of a 6% increase during the Christmas season was too high, even though it was based upon a sample survey conducted by a major accounting firm.

Soon after the release, I received telephone calls from reporters throughout the United States asking my view. I said that I believed the figure was too high and gave three reasons:

1. There were only 26 selling days between Thanksgiving and Christmas in 1996 compared to 31 days in 1995.
2. Consumers were attempting to decrease their outstanding credit card balances as compared to 1995, when they were increasing their credit debt.
3. It appeared that inventories were more realistic and that retailers, therefore, would not be holding the tremendous preseason closeouts that were reflected in 1995's volume.

When asked for my projection, I said that it would be 2% or less, a percentage figure much more in line with the rate of inflation.

I was taught to always look back at years with the same holiday pattern, whether it was Christmas or Easter, the two "roving" holidays!

The most recent years when Christmas was on a Wednesday were 1991 and 1985. In those years, there were the same number of shopping days between Thanksgiving and Christmas: 26.

The question to answer is how does one measure December sales, remembering that November's sales were already in and that they were very low?

It would be much too difficult to compare November and December by type of store: department, discount, apparel, department-type merchandise sold by mail order, drug, jewelry, book, and sporting goods. However, one could look at the GAF, or the total for general, apparel, and furniture sales, plus shopping types of retail (jewelry, book, sporting goods, etc.) as a single figure provided each month.

In the following table, the December GAF is shown as a percentage of the November GAF. As you will note, the range runs from 159.2% in 1982 down to 146.1% in 1979, or a range of 13.1 percentage points.

GAF Sales
($ millions)

November and December 1977 to 1995

Year	November Dollars*	December Dollars**	December as a Percentage of November
1977	$ 17,629	$ 27,059	153.5%
1978	19,979	30,504	152.7
1979	21,755	31,781	146.1
1980	22,641	34,558	152.6
1981	23,778	36,990	155.6
1982	24,927	39,312	155.7
1983	28,273	44,214	156.4
1984	31,475	47,240	150.1
1985	33,563	49,873	148.6
1986	35,016	54,163	154.7
1987	37,382	59,506	159.2
1988	41,597	65,589	157.7
1989	45,029	68,068	151.2
1990	45,458	67,604	148.7
1991	47,086	69,306	147.2
1992	$ 49,984	$ 77,120	154.3%
1993	53,822	81,745	151.9
1994	58,335	88,256	151.3
1995	61,382	90,250	147.0

*November has from 2 to 8 days between Thanksgiving and December.
**December always has 24 days before Christmas.

I next arranged the years under the day on which Christmas occurred. Note that the spread of percentages — the December GAF sales over the November GAF sales — is considerably less than the 12.9 percentage points shown in the first table. The percentages would actually be:

Sun. Yr. %	Mon. Yr. %	Tues. Yr. %	Wed. Yr. %	Thur. Yr. %	Fri. Yr. %	Sat. Yr. %
1977 153.5	1978 152.7	1979 146.1		1980 152.6	1981 155.6	1982 155.7
1983 156.4		1984 150.1	1985 148.6	1986 154.7	1987 159.2	
1988 157.7	1989 151.2	1990 148.7	1991 147.2		1992 154.3	1993 151.9
1994 151.3	1995 147.0					
			Average			
154.7%	150.3%	148.3%	147.9%	153.6%	156.4%	153.8%

The spread of percentage points for each day follows:

Sun.	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.
4.4 pts.	5.7 pts.	2.9 pts.	0.7 pts.	2.1 pts.	4.9 pts.	3.8 pts.

Upon arranging these figures, I was under the impression that I was making progress in forecasting December GAF sales based on the day on which Christmas falls because the range within the days on which the holiday falls was much smaller. However, because the sample of some days is very small, only 2 days each for Wednesday, Thursday, and Saturday, I thought I would undertake the task of locating GAF sales by months prior to 1977. Thus far, I have yet to accomplish this. If I find records for years prior to 1977, I will update this report.

I did, however, compute the average relationship of the December GAF to the November GAF by average day and found the following:

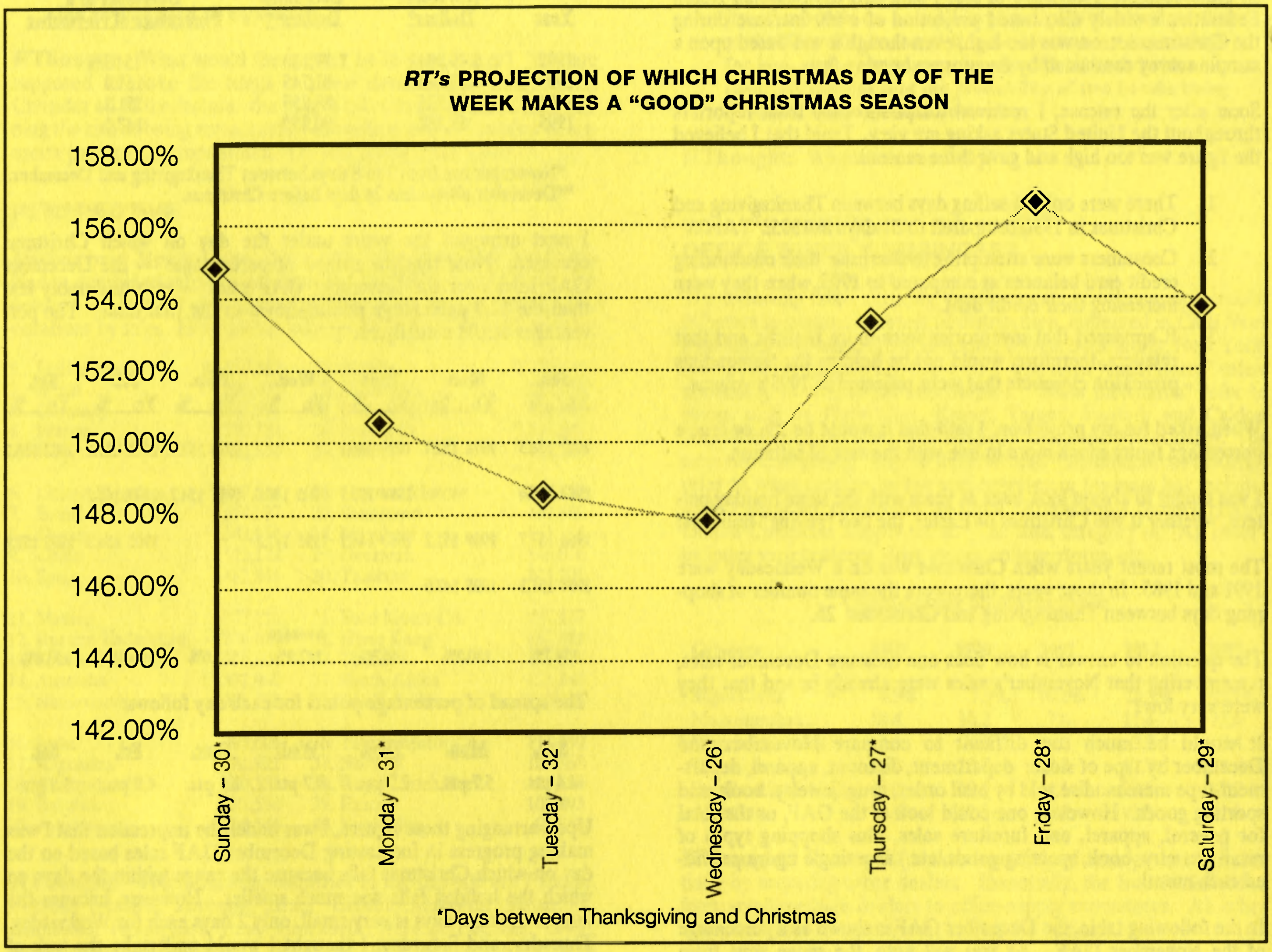
Christmas Day of the Week	Days Between Thanksgiving and Christmas	Average December GAF as a Percentage of November GAF
Sunday	30	154.7%
Monday	31	150.3
Tuesday	32	148.3
Wednesday	26	147.9
Thursday	27	153.6
Friday	28	156.4
Saturday	29	153.8

As I worked this table, I realized that the number of days in November that fell after Thanksgiving vary from 2 days on a Wednesday Christmas to 8 days on a Tuesday Christmas. This, of course, tends to increase November sales and, thus, would tend to make the December percentage lower. The highest December over November percentage comes when Christmas falls on a Friday, when there are only 4 shopping days in November.

FEATURE REPORT

NOW THAT WE ALL KNOW CHRISTMAS WAS NOT UP TO EXPECTATIONS, LET'S LOOK AT THE REASONS

(continued)



The above graph shows the ratio of December to November GAF increases, ranging from 147.9% for a Wednesday Christmas to 156.0% for a Friday Christmas. Note that it falls back to 148.3% when Christmas falls on a Tuesday. Inasmuch as there are only 2 Saturdays in my sample, I am almost certain that with a larger sample Saturday would fall in place between Friday and Sunday.

RThought: The consistency of the ratio of days, even with this small sample (2 to 4) for the 7 days of the week on which Christmas may fall, underlines the importance that a *retailer should look back* at the pattern of December in relation to November. Twice I had the luxury of playing with daily and monthly sales for periods of 40 to 50 years. The information contained herein just confirms what I recall from 1946-53 when I had these daily sales available.

RThought: If the Christmas season is all of November plus all of December, a Wednesday Christmas will always be a small gain over the prior year, but let's look ahead.

Christmas will fall as follows in the next seven years:

1997	Thursday
1998	Friday
1999	Saturday
2000*	Sunday
2001	Monday
2002	Tuesday
2003	Wednesday

*Not a leap year

SHORT SHORT

After reading a letter that appeared in the January 1997 issue of *Consumer Reports*, I believe you will react as I did:

> **After reading your [*Consumers Report*] October report on raincoats, I went out to buy one. I found the London Fog Ida 8891 at Filene's, but the price was $245. It was the right color and size, so I mentioned to the salesperson the $139 suggested price you listed in the ratings. After checking on the price "for the day," she sold the coat to me for $125 plus tax.**
>
> **Barbara Sweet**
> **Hyde Park, NY**

RThought: Unfortunately, Sweet did not make clear whether she had shopped at Filene's, the department store, or Filene's Basement, the off-price chain, which may have had a slow day and was going a little more "off price"!

The body of the FTC's article began:

> **By and large, grocery stores and other retail outlets using electronic price scanners are charging consumers the correct prices, and when scanned prices don't match the shelf or sale prices, consumers get the slightly better deal overall, according to a study released today by the staff of the Federal Trade Commission, the National Institute of Standards and Technology, and several state attorneys general and/or other state and local officials. The study did find wide variations in pricing accuracy from chain to chain and store to store, as well as among varying types of retailers, however, On average, food stores, which have used checkout scanners the longest, showed the lowest overall error rate (3.47%), and department stores had the highest (9.15%).**
>
> **"There's some good news for consumers in this study," said Jodie Bernstein, Director of the FTC's Bureau of Consumer Protection. "We've known for years that price scanner technology speeds up the checkout process, gives consumers detailed receipts showing what they bought and how much they paid, and *reduces overhead costs.* Today's study should give consumers some confidence that they're not being cheated. On the other hand, some individual stores and store types have work to do to push back a persistent swell of consumer mistrust in the technology. The organizations sponsoring this study have compiled data and material to help these retailers, and we encourage consumers to do a little pushing as well."**

The figures provided were based upon 17,000 randomly selected products. (You may recall that some months ago I reported on a study by the Michigan attorney general which *did not* use randomly selected products, although the National Institute of Standards and Technology had developed a simple process to make random selections, and that the attorney general's office was rather proud of the fact that it had no intention of selecting a random sample.) The samples for this new report were taken from 296 stores. (The U.S. Census Bureau showed that in 1992 there were approximately 1.4 million retail stores. Thus, if the 296 stores had not been a randomly selected sample, some of the figures could leave doubts.)

The report stated that the following types of stores were included: food, drug, home improvement, automotive, discount, department, and toy, averaging 50 stores of a type. These stores were located in Florida, Michigan (I'm sorry to see its participation), Missouri, Tennessee, Vermont, and Wisconsin.

The total amount and the total number of items on which there was a net overcharge: $147.05 on 17,298 items, or *.85 of 1 cent!*

RThought: Certainly, we, as responsible retailers, hope that eventually we will operate scanners that produce exact figures. Unfortunately, as long as stores are open long hours (in some cases, 24 hours a day), there will be a time delay between the price change on the shelf and the price change in the price lookup to which the scanner is connected.

Work is presently underway in the food industry to be able to change the PLU simultaneously with the change on the edge of the shelf.

If you wish to obtain a copy of the study, "Price Check: A Report on the Accuracy of Checkout Scanners," the industry brochure, "Good Pricing Practices? Scan Do, " and the consumer brochure, "Making Sure the Scanned Price is Right," you may do so on the Internet at the FTC's World Wide Web site at http://www.ftc.gov or contact the FTC's Public Reference Branch, Room 130, Sixth Street and Pennsylvania Avenue, N.W., Washington, D.C. 20580 (telephone 202-326-2502).

CLASSIFYING CHARITABLE REQUESTS

In determining whether I will contribute to organizations which appear to be charities, I quickly scan each letter of request. If only one person has signed the letter (either the president or the executive director) — and there are no other names listed (for example, names of directors) — I throw the material away. If the directors are listed on the letterhead and I recognize some of their names, I read the literature; however, if I recognize none of their names, I throw it away, unless I already know the organization.

If a request appears to be from a reputable organization, I check the organization's name with the National Charities Information Bureau's (NCIB) *Wise Giving Guide* quarterly. Its recent issue lists 219 organizations which meet all of the NCIB criteria, including many well-known organizations, such as the American Cancer Society, Boy Scouts of America, and the YMCA of the United States. It also lists little known organizations, such as Futures for Children and Volunteers in Technical Assistance. Most importantly, it lists 98 prominent organizations which do not meet its criteria and why these charities fall short, such as the Salvation Army (requests for information are unanswered) and Save-the-Redwoods League (regularly has net assets available at year-end equal to twice current year's budget or next year's, whichever is larger).

For a minimum gift of $35, you can become a NCIB member and receive four quarterly issues of *Wise Giving Guide* and up to three detailed reports by mail. For a minimum of $50, you can receive the quarterly reports plus special updates during the year. You may contact NCIB at 19 Union Square West, New York, NY 10003; telephone 212-929-6300; fax 212-463-7083.

RThought: If you are not a NCIB member, you are probably wasting some of your money by contributing to ineffective or inefficient organizations, perhaps ones which pass much of your contribution on to an executive director or his or her assistants and little or none to the proclaimed "good deeds" of the organization. In addition, if your tax return should be audited, you may find that some organizations are not 501(c)(3) and, therefore, money sent to them is not deductible as a contribution!

CONTINUED STRATEGIC USE OF WEATHER INFORMATION

Eastern Mountain Sports is a 71-store sporting goods and apparel chain. Being a client of Strategic Weather Service, you can well imagine that it was not very enthusiastic to learn that the long-range (one year in advance) forecast for 1996 included heavy spring rains. Many companies would, upon learning such a forecast, report that their sales were off because of unseasonable weather. However, Eastern Mountain Sports, together with the consultants from Strategic Weather Service, decided that the company should buy 20% more rain and outerwear than in the previous year. The rain came as forecast; the customers came as hoped for; and the company sold out of its "extra" rain and outerwear, realizing a 38% increase in same-store sales!

RThought: If you believe that usable weather forecasts could help you buy better and sell more, you would be wise to contact Strategic Weather Service by phone at 610-640-0485 or fax at 610-640-0147. Say that Bob Kahn of *Retailing Today* sent you. As many of you know, I have been recommending this long-range forecasting service since 1977 — yes, 1977! — and now more than 100 retailers are using it.

SHORT SHORTS

In a recent monthly bulletin of the American Institute for Economic Research, the issue was devoted to "Why the Income

Tax Will Always Need Reform and Why it is Beyond Reforming." It is the best article I have read on this subject, although it won't cheer you. **RThought:** Please write or fax *RT* to request a copy of it.

FTC continues its work: Laura Ashley paid a $60,000 civil penalty for violation of the FTC's Care Labeling Rule (File No. 932 3302; August 8, 1996). And if you buy from Tanzara International, a New York-based importer of women's sportswear, be aware that it paid a $10,000 civil penalty for improper care labels on certain rayon garments. If care instructions were followed as shown, significant shrinkage would occur. **RThought:** You may want to cancel or return the merchandise. Ask the FTC for File No. 962 3057; August 7, 1996.

When is a "giant sale" not a sale? When the mail-order company, National Wholesale Company, Inc., sends out its catalog marked "GIANT SALE." Here are some examples: a nylon half slip, regularly $14.95, now $13.95; a built-up shoulder slip, regularly $19.95, now $18.95; and a nylon tricot panty, regularly 6 pair for $14.95, now 6 pair for $13.95, or $26.95 per dozen. **RThought:** A company can call a sale anything it wants to call it, but mail-order customers are pretty sharp with their pencils!

I have a sad feeling when I watch the troubles being experienced by Levitz Furniture. Levitz was one of the early concept retailers, as unique in its time as the original Price Club, Home Depot, Petsmart, CompUSA, Incredible Universe, Staples, or Super Bookstore. And the market responded, treating Levitz stock the way technology stocks are treated today: selling at a price/earning ratio of 60. The Levitz family did not hoard the stock: the company kept selling stock so that the equity on the company's balance sheet was never stretched. **RThought:** Not all of the concept retailers since then have been so wise.

How will electronic shelf labels pay for themselves? Will it be $110,000 to $115,000 per store? Carlene Thissen, president of Retail Systems Consulting and editor of *In-Store*, the newsletter of in-store marketing and business, passes on an idea from Jack Clark, formerly of VideOcart: "During those hours that a supermarket is being used as a convenience store (perhaps 10:00 P.M. until 6:00 A.M.), selective prices could be raised." **RThought:** I presume this would eliminate some sale items by restoring them to their regular price. There is an ethical factor in making such a decision.

No wonder department stores do not have regular customers. A reader of *RT*, who is a buyer in the Los Angeles area, sent me an ad from a major department store. The headline read: "Weekend Sale and Clearance — Hurry In and Save 65% on Fashions for Her and Him." My reader, being a practical person, bought some shirts, originally $38, on sale for $9.99, marked them at $15, and sold them at one of his sample sales. **RThought:** To all ingenious merchants, you have a new vendor: it's none other than your local department store, offering 65% off, and you can obtain any quantity you want in the size mix you want! Hooray! for the "almost" free-enterprise system.

Are men's habits changing? Every one of the 10 best-selling men's fragrances (Old Spice, Skin Bracer, Brut, etc.) declined in sales during 1995, anywhere from 5% to almost 21%. But the top 10 men's fragrances still represented more than 60% of the market. **RThought:** Have men gone back to using just soap and water?

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

SIC Code	Category	OCT. 1996	OCT. 1995	Percentage Change	Year-to-Date Ten Months 1996	Year-to-Date Ten Months 1995	Percentage Change
52	*Bldg Matl Group	$12,148	$ 11,058	+ 9.9%	$ 111,827	$ 104,835	+ 6.7%
57	*Furniture Group	11,450	10,857	+ 5.5	107,910	101,542	+ 6.3
571	Furniture Stores	5,897	5,567	+ 5.9	54,307	51,753	+ 4.9
572	Appl, TV, Radio Stores	4,764	4,483	+ 6.3	45,382	41,860	+ 8.4
5941	*Sporting Goods Stores	1,629	1,490	+ 9.3	18,201	16,406	+ 10.9
5942	*Book Stores	780	675	+ 15.6	8,464	8,171	+ 3.6
5944	*Jewelry Stores	1,542	1,387	+ 11.2	14,458	12,934	+ 11.8
531Pt	Conventional Dept Stores	4,522	4,310	+ 4.9	40,356	39,500	+ 2.2
531Pt	Natl Chain Dept Stores	3.356	3.249	+ 3.3	29.844	30.673	- 2.7
	Subtotal	7,878	7,559	+ 4.2	70,200	70,173	+ 0.0
531Pt	Discount Stores	12.372	11.380	+ 8.7	114.655	106.243	+ 7.9
531	*Department Stores	20,250	18,939	+ 6.9	184,855	176,416	+ 4.8
539	*Misc General Mdse Stores	5,065	4,733	+ 7.0	46,570	45,242	+ 2.9
541	*Grocery Stores	33,649	31,837	+ 5.7	332,142	321,027	+ 3.5
56	*Apparel Stores	9,506	8,880	+ 7.0	87,281	84,166	+ 3.7
561	Men's & Boys' Stores	831	817	+ 1.7	7,548	7,537	+ 0.1
562,3,8	Women's Stores	2,745	2,784	- 1.4	25,458	26,932	- 5.5
565	Family Clothing Stores	3,741	3,207	+ 16.7	32,175	28,556	+ 12.7
566	Shoe Stores	1,475	1,430	+ 3.1	15,511	15,096	+ 2.7
591	*Drug Stores	7,542	6,922	+ 9.0	72,244	68,406	+ 5.6
596	*Nonstore Retail	6,723	6,567	+ 2.4	55,288	54,212	+ 2.0
5961	Mail Order	4,492	4,330	+ 3.7	36,463	34,756	+ 4.9
	**Retailing Today* Total Store Retailing†	110,284	103,345	+ 6.7	1,039,240	993,357	+ 4.6
	**GAF TOTAL	53,840	50,240	+ 7.2	498,944	473,186	+ 5.4

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information, contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.

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(314) 994-9900

CRAIG D. SCHNUCK
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

March 13, 1997

Mr. Robert Kahn
Robert Kahn and Associates
Box 249
Lafayette, CA 94549

Dear Bob:

I was intrigued by the article you had on the supermarket industry in your most recent issue of *Retailing Today*. I am writing to ask your permission to reprint this article in our quarterly publication that we send to all of our associates. One figure in the chart appears to be in error. Medical care is listed as 38.4% of disposable income in 1995 and I think the correct number should be 10.5% if the change in percentage points shown in the right-hand column of 6.7% is correct. I can easily make this correction before we reprint the article if my calculation is correct.

Please let me know if it's okay to reprint this article.

Sincerely,

Craig Schnuck

Craig D. Schnuck

3/24
Called his office. Will show in May issue

Gave permission to use article w/ correction

STOCK DATA

by RETAILING TODAY

Published Monthly by Robert Kahn and Associates, a Corporation
P.O. Box 249, Lafayette, CA 94549
$30.00 per year

STOCK DATA is published as a service to retailers and others interested in retail stores.

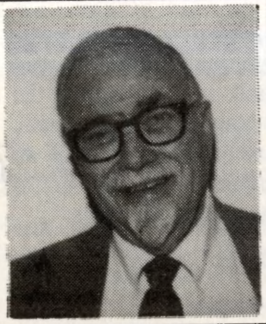
The criteria for activity is daily listing on a major exchange or NASDAQ national market.

Data for the New York, American and other stock exchanges, including most Over-the-Counter stocks, is extracted monthly from Standard & Poor's guide.

For Over-the-Counter stocks not found in Standard & Poor's guide, the prices are for the last trading day of the month.

Each issue will include all prior months so that previous issues can be thrown out when the following issue is received. If you keep the December issue, you will have a record of prices at the end of each month for the entire year.

EXCH	STOCK	DEC '96		JAN '97		FEB '97		MAR '97		APR '97		MAY '97		JUN '97		JUL '97		AUG '97		SEP '97		OCT '97		NOV '97		DEC '97	
		PE	$	PE	$	PE	$	PE	$	PE	$	PE	$	PE	$	PE	$	PE	$	PE	$	PE	$	PE	$	PE	$
O	Williams-Sonoma	61	36 3/8	42	31 5/8	34	25 1/8																				
N	Winn-Dixie Strs	19	31 5/8	20	30 1/2	21	31 7/8																				
A	Wolf (Howard B)	8	6 3/8	10	6 1/2	10	6 3/8																				
O	Wolohan Lumber	17	12 1/2	18	13	16	14 1/2																				
N	Wolverine World	26	29	28	30 7/8	31	35 1/2																				
N	Woolworth Corp	19	22	18	20 3/8	18	20 7/8																				
N	Zale Corp	17	19 1/4	14	16	14	18 1/2																				



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ROUTE TO

MARCH 1997

VOL. 32, NO. 3

'MERVYN'S REALLY BIG SALE'

I took this headline from an article that appeared Saturday, January 18, 1997, in the *San Francisco Chronicle.* Upon reading the article, which told of Dayton Hudson Corporation eliminating about 12% of its Mervyn's stores by selling 25 Mervyn's in Florida and Georgia, plus 10 loss operations elsewhere, it was as though a period of my life was coming to an end.

After school, World War II, and a short period of consulting with Dad, which ended when his doctor said he should not undertake the strain, I spent four happy years as controller of Smith's of California, a client of Dad's. When news of my recall for Korea spread, Sherwood Swan, another Oakland merchant, asked me to lunch and said, "When you return, please come in and see me." Upon my return, I began my career as a solo consultant — and Sherwood Swan Company was one of my first clients. When I was spending a half day a week with Sherwood, I suggested that I needed more than that amount of time to concentrate on his business. He replied, "The only way I want you is on a full-time basis."

I spent the next four years as vice president and treasurer of Sherwood Swan Company, until one day when Sherwood yelled at me — at five minutes to five in the afternoon — and then went home. At five o'clock, my resignation was on his desk. When I went home that evening, I told Patty what had happened and that I was going back into consulting, reassuring her that if the stock we had were to pay the same dividend it did the prior year we were assured of at least $600! Patty replied with the most wonderful words in the world, "If that is what you want to do, do it." For the next two years, Patty didn't have a new dress or a vacation — but we did adopt our second child.

In 1956, an acquaintance suggested that I see Merv Morris at Mervyn's. Knowing nothing of Mervyn's, not even the location of Merv's store, I made the first and only "cold call" in my life. And since that fateful day, I have often spoken to consultants about "40 years as a consultant with one cold call and no marketing plan."

For the next 21 years, on almost every Friday afternoon, I was with Merv talking about Mervyn's. That, however, ended when Mervyn's was acquired by Dayton Hudson in 1978.

I recall suggesting to Jack Kilmartin, when he was leaving Western Department Stores (our family was the landlord of Western's Oakland store), that he talk to Merv. Jack asked, "Is that the little department store in Hayward?" "No, Jack," I replied, "it's located in San Lorenzo." Jack then asked, "How would it look on my record if I went from a $65 million company to a $12 million company?" I replied, "If you ask that same question after you meet Merv, it's the wrong move." They met once, immediately liked each other, and the rest is history.

Continued

THE SUPERMARKET INDUSTRY SAVES THE AMERICAN WAY OF LIFE!

The January 1997 issue of *Consumer Research* provided a comparison of family expenditures in 1955 and in 1995. Approximately 90% of the families represented in the report are married couples with an average of 1.3 children per family. (The U.S. Bureau of Census definition of a family: Two or more related people living in the same residence.)

Two-Income Family Budget	1955	1995	Change in Percentage Points
Federal taxes	19.9%	26.7%	
State and local taxes	7.8	11.7	
Subtotal	27.7%	38.4%	+10.7%
Medical care	3.8%	~~38.4%~~ 10.5%	+ 6.7%
Transportation	8.3	6.4	- 1.9
Clothing	7.2	3.7	- 3.5
House and household	18.6	15.1	- 3.5
Recreation	3.8	4.7	+ 0.9
Savings	6.3	4.2	- 2.1
Food	18.6	9.2	- 9.4
Other	5.8	7.8	+ 2.0
Total	100.1%	100.0%	

It is common knowledge that family expenditures for taxes (federal, state, and local) and medical care have increased — taking 38.4% of a family's income in 1995 compared to 27.7% in 1955 — but what has decreased?

Somewhere, expenses must be going down. After all, most of us have only 100% to dispose of!

Other categories of expenditures show changes from +2.0% to -3.5%, except food expenditures. *There is a dramatic 50% drop in the portion of a family's income spent on purchasing food.*

We have often spoken of the supermarket industry as "the miracle of food distribution in the United States." However, much of the food available today is different from that sold in 1955. For example, a great percentage of our food may now be purchased either partially or completely prepared, resulting in a major reduction of time spent in the kitchen. This convenience, in turn, helps us to have the many two-income families we have today.

The extra 1995 expenditures on medicine have some benefits. Life expectancy at birth in 1955 was 69.5 years. In 1995, it was 75.8 years — an extra six years! (If Social Security is to be protected, as both Republicans and Democrats have promised, then you may even receive a higher percentage of your preretirement federal tax payments.)

The 3.5 points (or about 20% of the 18.6% 1955 expenditure) in savings from house and household expense probably reflects the greater percentage of homeowners today than in 1955.

RThought: With food savings nearly offsetting higher taxes and with home ownership costs down, it appears that people believe that they are secure enough to cut their savings rate by a third. I am not in any position to judge whether that is wise, voluntary, or forced upon them.

Gave Schnuck 1st to catch

Merv later recruited Jim Lundy, who had gone from Stanford Business School to Macy's training squad in San Francisco to chief executive officer.

I also recall Merv's disbelief when the accountants approved my plan to eliminate from taxable income the gross margin on our accounts receivable. Even though we were to save thousands of dollars in income tax, Merv believed it only when Sears did the same thing the following year!

We wouldn't extend the San Lorenzo lease, which had a radius clause, until a surveyor certified that a proposed shopping center in San Ramon (where we eventually built a store) was one-quarter of a mile *outside* the radius.

I also remember when Mervyn's bought a variety store in East San Jose, in an area where no retailer had ventured into because of a minority population. Within two short years, it was replaced with a larger and even more successful store!

It was during this time that we first turned down a store location in downtown San Francisco, telling the people we would get to San Francisco 30 miles at a time — through San Jose. (Had there been such a policy after Mervyn's was acquired, perhaps the stores in Florida and Georgia would not have been sold.)

Mervyn's went public on April 29, 1971, with 300,000 shares at $20.50. (I wanted $21, but Blyth & Co. would not budge.) At the due-diligence meetings before the public issue, Merv would say that any one of us — Merv, Jack, Jim, or I — could run the company. And he was correct. The stock never traded close to $20.50.

Long before Sam Walton and Procter & Gamble Company developed "partnering," Merv was partnering with his apparel resources in Southern California. (Later, when I was on the Wal★Mart board of directors, I brought Sam and Merv together, and they quickly became good friends.) Merv's vendors grew with Mervyn's and, in turn, provided much off-price merchandise (i.e., overruns, canceled goods, etc.).

Getting back to our plans for expansion, we opened *two* Mervyn's in Sacramento on the same day! It was an unusual move to open two because Sacramento didn't need even one Mervyn's at the time: it already had Weinstock's, Hale Brothers, Rhodes, Sears, J. C. Penney, Montgomery Ward, and several discount stores. But we knew that if they were successful we could then open stores in Southern California.

When we did expand into Southern California, the *Los Angeles Times* did not "zone" its advertising. As a result, Merv said that we would distribute our own tabs — and, lo and behold, the mighty *Los Angeles Times* started zoning.

When negotiations began with Dayton Hudson, I worked on the Mervyn's numbers while, on the other side, Jerry Gallagher worked on Dayton Hudson's. Jerry confessed one day that my figures were better but that the buyer always has the leverage. Jerry has since become a friend of mine.

On the day the merger was announced, one of the brokers at Hambrecht & Quist who was high on Mervyn's called Merv and said, "You can't do that!" — and then proceeded to bawl Merv out. The broker believed Mervyn's to be a better investment than Dayton Hudson!

If Merv didn't learn about brokers from that call, he had learned what vultures they can be when he gave a talk one November at the Bankers Club in San Francisco. When Merv made some frank statements about the uncertainty of December (which is always an uncertainty in November), the brokers rushed out of the room to make phone calls to their offices, telling them, "Sell Mervyn's."

The cover of *Financial World*, August 15, 1977, listed America's 10 top growth companies as:

Wang Laboratories
McDonald's
Church's Fried Chicken
Worthington Industries
Tandy
Sambo's
Digital Equipment
Wal★Mart
Mervyn's

Forbes, January 9, 1978, listed Mervyn's first in the department-store category, with a 28.4% return on equity (Mercantile Stores was second at 14.0%). The spread was almost as great on its return on capital: 28.0% (Dayton Hudson was second at 16.5%). Mervyn's was also first, at 40.6%, in five-year-average sales growth and first in five-year-average earnings per share growth, at 40.3%.

This is the company that Dayton Hudson is liquidating. *How very sad.*

When Mervyn's was a 15,000-square-foot single store, Merv and I had spread out all of the ledger cards for the accounts which had been written off one year to see if there was a common denominator. Eliminating the few who had died, divorced, or moved, we found the common denominator to be "new accounts," mainly those which had been with us under one year. What we learned was that most were good, reliable accounts. What we had to learn was how to screen and monitor the new accounts more carefully and to improve payment. Thus, Merv originated the "gentle reminder" letter when an account was only 30 days delinquent.

Over time, we established a procedure for opening a new store.

1. If the store was within 20 to 30 miles of a Mervyn's, our tabloid was circulated within the new trading area. We found that the volume realized on the new charge accounts paid for the distribution. It also meant that more customers knew us and would come to the opening.

2. We tried to open 5,000 to 8,000 charge accounts *before* a store opened. Many people have their charge accounts close to their maximum and cannot charge, for example, $200, without going over their limit. If we wanted a successful opening, we wanted people who were "open to buy." With 5,000 to 8,000 accounts at $200 to $400 limits (remember, in 1977, the dollar bought more), or from $1,000,000 to $3,000,000 open to buy, a great store opening was ensured. *We considered the loss on the new accounts to be part of "opening expense."*

Unfortunately, Dayton Hudson's vice president of credit held the responsibility for credit at Mervyn's. He wanted Mervyn's to reduce its bad debt at new stores to the level of the established department stores (Dayton's and Hudson's) which had few openings.

RETAILERS LISTED ON FORTUNE'S MOST AND LEAST ADMIRED LIST

The March 3, 1997, issue of *Fortune* listed 431 companies deemed the "most admired" (with a ranking of 300 or above) or the "least admired" (with a ranking of 301 or less).

Here are the retailers which were included on the list and their point scores (the maximum being 9.00).

Rank	Company	Score
14	Home Depot	7.99
42	Albertson's	7.41
57	Walgreen	7.30
63	Wal★Mart	7.24
76	CUC International	7.17
95	Nordstrom	7.06
100	Sears, Roebuck	7.05
115	Safeway	6.95
162	Dell Computer	6.70
173	May Department Stores	6.63
179	Circuit City	6.63
182	Office Depot	6.58
183	J. C. Penney	6.56
187	Toys "R" Us	6.54
207	Lowe's	6.44
242	Dayton Hudson	6.32
247	SuperValu	6.30
251	Avon Products	6.28
254	American Stores	6.25
277	Furniture Brands International	6.13
278	Winn-Dixie	6.13
279	Limited	6.13
297	Federated Department Stores	6.05
306	Food Lion	5.96
311	PriceCostco	5.92
316	Dillard Department Stores	5.86
367	Tandy	5.42
370	CVS Corporation (formerly Melville)	5.33
373	Fred Meyer	5.31
398	Southland	4.92
405	A & P	4.77
410	Woolworth	4.72
429	Kmart	3.82

The eight attributes upon which companies were rated were:

1. Innovativeness
2. Quality of management
3. Value as a long-term investment
4. Community and environmental responsibility
5. Ability to attract, develop, and keep talented people
6. Quality of products or services
7. Financial soundness
8. Use of corporate assets

The 1996 *Fortune* 1000 companies, which were based solely upon 1995 annual volume, was the starting point. With the companies divided into 49 industries, about 13,000 senior executives, outside directors, and security analysts were asked to rate 10 or fewer companies in their industry (i.e., their specialty). In addition, each rater was asked to rank their companies on a scale of 3.5 to 9.5 in relation to the eight characteristics. The composite score was then computed to two decimal places.

RThought: There were, of course, many good retailers and many not-so-good retailers which were not large enough to be included on the 1996 *Fortune* 1000 list.

SOME COMPANIES THINK LIKE WAL★MART

Last November, *The New York Times* carried a front-page story about Wal★Mart Stores *not selling* certain CDs because one included a line about "going down to Wal★Mart and buying a pistol," with the obvious intent of shooting someone, and not selling other CDs it deemed to have inappropriate covers. Giving editors around the country an opportunity to exorcise themselves, the media immediately picked up on the story. And because I have many friends in many states, they sent me editorials, along with their own comments which generally supported the position of Wal★Mart. In addition, most of my friends said, "Keep up the good work."

I suspect that the few newspapers that criticized Wal★Mart charging it with — horrors! — CENSORSHIP also have a list of X-rated movies that they will not advertise on their "honorable" pages. (In New York City, there are X-rated pictures that never appear in *The New York Times* on the list of movies available each night.)

People forget that Wal★Mart started in small towns and became the family store just as local newspapers have become family newspapers. A newspaper's excuse is often in its slogan — such as, "All the news that's fit to print." Perhaps Wal★Mart should have a sign on each of its stores — "All the merchandise that's fit to sell."

One publication, however, discussed DJs who would *not* play CDs that were sent to them free. *U.S. News and World Report*, November 11, 1996, also reported that one DJ returned some CDs to Tower Music because the covers gave out "bad vibes," even though they could not be seen over the radio.

RThought: I don't believe that Wal★Mart carries *U.S. News and World Report* in its stores, but it certainly should in the future. I am sure, however, that Wal★Mart doesn't carry the stodgy, old *New York Times* into small towns where people still go to church on Sunday.

HOW TO MEASURE WHAT A RETAILER HAS ACCOMPLISHED

The Wall Street Journal, February 7, 1997, listed a table of how the largest U.S. retailers did in 1996. In the table below, I have rounded the figures off to their nearest billion dollars, making it easier for you to remember.

Company	1996 Annual Sales
Kmart (1)	$ 30
Sears (2)	28
Dayton Hudson	25
J. C. Penney (3)	16
Federated (4)	15
May	12

Company	1996 Sales Increase
Wal★Mart (5)	$ 11

(1) Domestic discount stores
(2) Domestic stores
(3) Excludes catalog and drug stores
(4) Includes acquisitions
(5) Worldwide stores, with a $104 billion total volume that is equal to the second through fifth largest stores

RThought: People are often inclined to denigrate the 11% increase by Wal★Mart. But its increase was greater than the total sales of all but six U.S. general merchandise retailers. It has accomplished this feat while maintaining a profit (not yet announced) that should be proportionate to its sales increase.

When Sam Walton set a goal of $100 billion in sales at the June 1990 annual meeting, he hoped it would be attained by the June 2000 annual meeting. Sam's goal, however, will be reached three years early!

It appears that there is only one management team that can add volume in one year that is equal to or greater than all but six U.S. retailers — and do it while maintaining profitability. It took a team of over 700,000 associates (the largest U.S. team except for that of the U.S. government).

I hope I have put into perspective something I have never seen expressed elsewhere. The time is coming when only Kmart, Sears, and Dayton Hudson each will have annual sales greater than Wal★Mart's annual increase!

RThought: Think of the many fast-growing retailers who went broke because they could not profitably expand their retail business while (a) being in stock in many items in many locations, (b) adjusting the variety of merchandise offered in many locations (to say nothing of many locations in the world) on a profitable basis, and (c) offering associates who are noted for their friendliness.

FORBES LEARNS FROM ITS MISTAKES

In its February 10, 1997, issue, *Forbes* recalled that in the 1970s it wrote about catalogs the way people are now writing about retail sales on the Internet.

With Forrester Research predicting retail sales on the Internet of $7 billion by the year 2000, were my old professor, Malcolm McNair, still alive, I believe he would have put in a bid at $10 billion, and a few of my consultant friends now with major accounting firms would probably top him with at least $15 billion!

In the 1970s, catalogs appeared unstoppable. For example, the catalog sales for Sears were growing faster than its store sales. Sears' catalog is now gone, and its store sales exceed, by far, the combined total of store and catalog (some of which is due to inflation). The number of frequent catalog shoppers who shop at least every three months is dwindling.

RThought: Repeating what I have said before about catalogs, catalogs are geared towards women, but until electronic (or catalog) presentations can perfectly reproduce the color of a garment and until there are uniform women's sizes, neither selling by catalog nor the Internet will achieve the wondrous levels projected for them. Not in clothing, at least. Just one example is my wife. Patty, being petite, will take a garment in sizes 4, 6, and 8, if available, into a dressing room because she never knows which size will fit her. With mail orders, she guesses her dress size at just one size, but about 40% of the dresses must be returned, often for a smaller (seldom a larger) size. Patty's returns are apparently within an acceptable range because the retailers continue to send her catalogs.

WHAT HAPPENED TO THE RETAILERS IN AN EARTHQUAKE STRICKEN AREA

The Nikkei Weekly, January 20, 1997, reported on retailing in Kobe, Japan, a city of 1.5 million people, following the Great Hanshin Earthquake of January 17, 1996. The quake killed 5,400 people, injured 26,000, and left 300,000 homeless, making it Japan's worst quake since the collapse of Tokyo in 1923.

The results of a survey of retailers made in December 1996 found that Daimaru, a store of about 500,000 square feet, and Sogo, of about the same size, were rebuilt as 150,000-square-foot stores. Seven of Daiei's supermarkets were closed following the quake but have since been rebuilt. In addition, Daiei absorbed Chujitsuya Company as a move to preserve 10,000 jobs in the smaller, troubled chain. Japan's largest retailers sent senior officers to Kobe in order to oversee the reconstruction of their stores and to establish operating policies.

The survey of retailers, to which 87% of the 250 firms responded, produced the following results:

35% of the retailers were back in business within three months;
67% were back within six months;
90% were back by the end of nine months;
15% considered closing, with
66% being family businesses without anyone to take over;
55% said they have no plans to move or refurbish;
38% blamed the poor economy, while
33% blamed the fact that there are fewer stores;
17% said they could not rebuild because of regulations and negotiations; and
13% said they lack the capital.

SHORT SHORTS

Sometimes numbers surprise me. In a recent issue of *Afterburner*, I found that I was one of 600,000 Air Force retirees — a reservist for 39 years, with seven of those years on active duty — and that today the active strength of the Air Force is only 387,000! **RThought:** As the World Word II/Korean retirees disappear (a polite reference to their demise), will the budget be balanced? I would guess retirement pay runs between $17,000 and $60,000 per year, or perhaps an average of $10,000, but that is only a paltry $6 billion!

Is this a first? A Canadian postal stamp was recently unveiled in honor of Canadian Tire Corporation's 75th anniversary. The founders of the company, Alfred and John Billies, are featured on the stamp. **RThought:** Canadian Tire is a multibillion dollar chain of 430 stores and is one of the companies, along with Zellers, Kmart Canada, and Sears Canada, that was supposed to be seriously impacted when Wal★Mart acquired Canada's Woolco stores. Canadian Tire, however, has held most of its position, even though many of its stores are going through major facelifts. After modernization, the stores have shown 40% to 50% sales increases. (Note: Canadian Tire's current chief executive officer is an old acquaintance of mine from his days at Hechinger Company in Washington, D.C.)

I always wonder as I read *The Dealmakers*, partially because I enjoy the thoughts of my friend, Ted Kraus, and partially because I like to find which retailers are expanding and which are contracting. (You can enjoy the same with 51 issues a year, at $239, by contacting TKO Real Estate Advisory Group, Inc., P. O. Box 2630, Mercerville, NJ 08690-0630; telephone 609-587-6200; fax 609-587-4651.) There is, however, a third, secret reason for my reading this publication: I am always amazed at the sale of so many *"prime locations"* that are "subject to bankruptcy court approval." **RThought:** I guess we have reached that point in our free-enterprise system where we have more prime retail locations than we have prime retailers! When I was taught the free-enterprise system, I learned about the limited supply of labor and capital, but none of my econ instructors at Stanford University or my business instructors at Harvard Business School mentioned a shortage of "prime retailers" or entrepreneurs!

Further, Dayton Hudson used a special formula to measure return on investment, making Target Stores look great, because Target had no accounts receivable, but Dayton accounts could be used. (Mervyn's had receivables about equal to its inventory.)

I served for a year on the credit review committee at Mervyn's and tried my hardest to point out the fact that as long as Dayton Hudson used the same formula to measure Mervyn's and Target *it was going to limit the business realized by Mervyn's*. That formula, in turn, limited the volume done by Mervyn's for many years. A Dayton Hudson vice president and a Dayton Hudson family member who structured the formula had more power than did the logic of Bob Kahn. Thus, I did not prevail.

In many discussions with Merv, it has always been my impression that nothing positive was accomplished by adding "California" to the Mervyn's name because California may conjure up to some people an image of undesirable lifestyles. Did Mervyn's California have a positive or a negative impact on patronage of a store in, perhaps, Florida or Georgia?

With the probable liquidation of Mervyn's will come the end of Merv's dream that his grandchildren, of which he has about a dozen, could always say with pride, "My grandfather started that company."

In reporting the liquidation, a staff writer for the *Contra Costa Times* included these statements in the article:

> **Under a plan dictated by Minneapolis-based Dayton Hudson Corporation, Mervyn's will divest its 25 stores in Georgia and Florida....**
>
> **The reshuffling is the latest step in Dayton Hudson's efforts to turn around Mervyn's, which has, in recent years, become a corporate albatross.**
>
> **Some industry observers view Friday's move as a prelude to more wrenching overhaul that could lead to the sale or closure of the entire Mervyn's chain.**
>
> **"Our opinion is that [Dayton Hudson] is going to shut down or sell the entire chain within the next few years," said Saul Yarri, a retail analyst for Piper Jaffray in Minneapolis. "We think the same thing that happened in Florida and Georgia will occur throughout the entire chain."**
>
> **Alan Creech, an analyst with Olde Discount Corporation in Michigan, said, "I don't see any indication that [Dayton Hudson] is getting ready to sell [Mervyn's]. If Dayton Hudson wanted to get rid of Mervyn's, I think they would have kept the Florida and Georgia stores to make a more attractive package for potential buyers. I don't think Mervyn's employees in California have anything to be worried about."**
>
> **"If you asked 100 customers what Mervyn's stands for, you would probably get 100 different answers," Creech said. "People don't know much about Mervyn's except that Joe Montana (the star of the chain's ad campaign) shops there."**

The Dayton family members had been reared in a department-store environment, but the Dayton Hudson Corporation has been through some changes in management and some changes in objectives.

The Dayton Company went public in October 1967 (I have the "red herring" in my files). As of January 1967, it had some Target Stores, had started B. Dalton (for Bruce Dayton, although spelled with an "l") bookstores, and was doing $200 million with 14 stores. By January 1968, it had added Dayton Jewelers and did $265 million with 25 stores. By January 1969, The Dayton Company had merged with Hudson, a family-owned department store similar to Dayton, and had acquired Lechmere Tire and Sales, the Diamonds, Roberts Brothers, Lipman's Department Stores, and Pickwick Book Stores and did $435 million. By January 1971, Dayton Hudson had acquired Team Central (seller of consumer electronics), had added to its jewelry and discount stores, and was doing $970 million. By January 1972, it did $1,120 million in sales from 30 department stores, 34 discount stores, and 95 specialty stores. By January 1974, Dayton Hudson had added department stores in Oklahoma and did $1,400 million from 34 department stores, 50 discount stores, and 179 specialty stores.

Recently, Dayton Hudson acquired Marshall Field's, although some of the Field stores are in the process of being sold. And the book, jewelry, consumer electronic, and Lechmere stores are gone.

The company now consists of three department stores and their branches, Target and Mervyn's.

For the year ending January 1996, its volume was:

Target	$15,807 million
Mervyn's	4,516 million
Department stores	3,193 million

The market would be most pleased if the department stores and Mervyn's were disposed of and the company was renamed Target.

Dayton Hudson is headed by the former chief executive officer of the Target division. Besides being its chairman, he is the chief executive officer of Target and Mervyn's. And although he may be doing a very good job for Target, some Mervyn's now look more like discount stores. For example, some of the Mervyn's stores are using checkouts instead of area registers, a format I doubt many customers prefer. (I have often expressed the thought that Mervyn's would become a "Target with credit.")

I believe *Financial World* was correct in 1977 in forecasting Mervyn's potential, but that was at a time when its guidance was under Morris, Kilmartin, and Lundy, a team which always had *salespeople who were cared for by management and salespeople who, in turn, were dedicated to customer service.*

Back in the late 1970s and early 1980s, I would frequently compare the growth of Wal★Mart and Mervyn's. I would then provide the results to both Sam Walton and Merv. Both companies grew at about the same rate, with Wal*Mart doing twice the volume, needing only half the assets because it had no receivables.

The "old" Mervyn's management had a vice president whose job was to represent the customers. I sat in sessions where he would say, "You can't make customers go through that to cash a check!" or "That is too complicated a return procedure!" or "We need more people on the floor!"

When Mervyn's was acquired, there were several retailers on the Dayton Hudson board of directors, including one who understood Mervyn's: Merv Morris. Dayton Hudson's 1995 annual report reveals *only one retailer on the board:* its chairman and chief executive officer, who, as mentioned above, is also the chief executive officer of Target and Mervyn's. The remainder consists of nine chief executive officers of nonretailing companies, one college president, and one person who is a corporate vice president of an outside company.

RThought: With the end of Mervyn's, I will have nothing to show for 21 years of Friday afternoons — but I will continue to have and treasure the friendship of the world-renown retailer with whom I spent them.

RThought: I hope that Merv, upon reading this article, will remember what he wrote about me in his book, *Mervyn's with a "Y."*

> **It had been roughly 15 years earlier that Bob Kahn, a business consultant for the company, and I began talking about the time when Mervyn's would be publicly held. Kahn did have the ability to dream big dreams. His forecasts for the company's future were much more accurate than mine.**
>
> **Although Bob Kahn was paid to be a business consultant to Mervyn's, he was really much more to me. Kahn proved to be a dear friend, a mentor, and invaluable sounding board. While the "buck stopped with me," Bob made certain that I did not set my feet in concrete and encouraged me to strike a balance between prudence and daring that was essential to the company's development.**
>
> **Kahn has often heard me say that if I had never met him I would be worth far less than I am today, but that had I followed all of his advice I would have gone broke. I couldn't possibly have absorbed all of his ideas, but Mervyn's would not be what it is today without him.**

RThought: I am left with a key chain that Jack Kilmartin gave me and which I use every day. One side of the cast-bronze medallion says, "One Billion Dollar Team — Mervyn's," and the other:

I am a member of
the Billion Dollar Team
Arizona
California
Nevada
New Mexico
Oregon
Texas
Utah
Washington

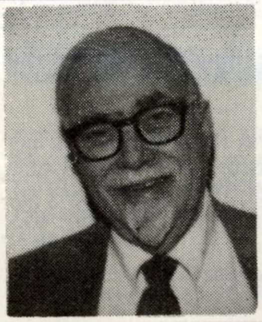
Note that the medallion does not mention Florida and Georgia!

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

SIC Code	Category	NOV. 1996	NOV. 1995	Percentage Change	Year-to-Date Eleven Months 1996	Year-to-Date Eleven Months 1995	Percentage Change
52	*Bldg Matl Group	$10,764	$ 10,213	+ 5.4%	$ 122,624	$ 115,048	+ 6.6%
57	*Furniture Group	12,806	12,485	+ 2.6	120,759	114,027	+ 5.9
571	Furniture Stores	6,491	6,255	+ 3.8	60,806	58,008	+ 4.8
572	Appl, TV, Radio Stores	5,405	5,255	+ 2.9	50,821	47,115	+ 7.9
5941	*Sporting Goods Stores	1,822	1,654	+ 10.2	20,018	18,060	+ 10.8
5942	*Book Stores	800	768	+ 4.2	9,288	8,939	+ 3.9
5944	*Jewelry Stores	1,835	1,891	- 3.0	16,269	14,825	+ 9.7
531Pt	Conventional Dept Stores	5,774	5,777	- 0.1	46,133	45,277	+ 1.9
531Pt	Natl Chain Dept Stores	4,206	4,325	- 2.8	34,050	34,998	- 2.7
	Subtotal	9,980	10,102	- 1.2	80,183	80,275	- 0.1
531Pt	Discount Stores	14,793	13,915	+ 6.3	129,472	120,158	+ 7.8
531	*Department Stores	24,773	24,017	+ 3.1	209,655	200,433	+ 4.6
539	*Misc General Mdse Stores	5,659	5,501	+ 2.9	52,214	50,743	+ 2.9
541	*Grocery Stores	34,109	32,481	+ 5.0	366,295	353,508	+ 3.6
56	*Apparel Stores	10,761	10,616	+ 1.4	98,058	94,782	+ 3.5
561	Men's & Boys' Stores	954	975	- 2.2	8,499	8,512	- 0.2
562,3,8	Women's Stores	2,985	3,111	- 4.1	28,458	30,043	- 5.3
565	Family Clothing Stores	4,470	4,189	+ 6.7	36,633	32,745	+ 11.9
566	Shoe Stores	1,595	1,618	- 1.4	17,122	16,714	+ 2.4
591	*Drug Stores	7,478	7,037	+ 6.3	79,760	75,443	+ 5.7
596	*Nonstore Retail	7,352	7,545	- 2.6	62,603	61,757	+ 1.4
5961	Mail Order	5,114	5,332	- 4.1	41,558	40,088	+ 3.7
	**Retailing Today* Total Store Retailing†	118,159	114,208	+ 3.5	1,157,543	1,107,565	+ 4.5
	**GAF TOTAL	63,466	61,382	+ 3.4	562,568	534,568	+ 5.2

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information. contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.



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MY MISTAKE...

Bert Nudelman, a fellow retail consultant who is based in Portland, Oregon, pointed out that the year 2000 will be a leap year and that I had the centennial years backwards in the February 1997 issue of *RT*. Bert's statement was supported by a photocopy of a page from an encyclopedia which explained that if 400 can be divided into a year it is a leap year. Thus, such years as 1700, 1800, 1900, and 2100 cannot be leap years. Oops!

THE SPIRIT OF CLARENCE SAUNDERS LIVES ON!

Just who was Clarence Saunders? The simple answer is that Saunders is the *only* retailer who ever received a patent on his method of retailing: On October 9, 1917, he was issued Patent 124872 which covered his *self-serving stores*. And although the Piggly Wiggly name continues today, the stores are not laid out as set forth in the patent.

When I was a kid, there was a Piggly Wiggly store a block and a half away at which I would frequently shop for Mother. That Piggly Wiggly, along with the McMarr and the Mutual chains, was merged to form what today is known as Safeway, Inc.

As for Saunders' patented layout, if you were to have entered one of his stores, you would have picked up a basket to the right of the cashier who was facing the door and would then have wandered (Piggly-Wiggly fashion) past every product in the store until, once again, you reached the cashier at the entrance of the store. The cashier would have rung up your purchases, taken your payment, and placed the basket to his or her right for another customer to use.

Thus, each of Saunders' stores was operated by one person!

When Saunders died, he was working on another type of self-serving store: the Keydoozle. Using this format, upon entering a store, you would have picked up a paper-tape machine to carry while you shopped. If you spotted an item you wished to purchase, you would have inserted the machine in a slot below the item. The item code would then be punched in the paper tape. If you wanted two of a particular item, you would insert the paper punch twice, etc. The cashier would then run the paper tape through a tape reader; and the reader, in turn, would activate a gravity feed which delivered the correct number of each item to the checkout while producing a sales check and computing the total owed.

Saunders' last chain in the 1930s in Northern California was called Clarence Saunders, Sole Owner of my Name. Such a sign was barely visible until recently, some 60 years later, on the back of a building on Telegraph Avenue in Berkeley, California, just outside the entrance to the University of California.

I know of only three copies of Patent 124872: one is in the patent office and the latter are in two copies of a book that I had bound, entitled *Piggly Wiggly from 1916.* John Roscoe — who is the

Continued

THE GROSS TAX SAVINGS RESULTING FROM VARIOUS DEDUCTIONS

The figures below represent the allowable savings on personal federal income tax returns due to various deductions. In theory, eliminating such deductions would produce a corresponding increase in tax revenue.

Deduction	Allowable Savings ($ billion)
Home-mortgage interest	$ 52
Employer-paid portion of health care	52
Employer-paid pension contributions	49
Stepped-up basis of capital gains at death	28
State and local income taxes	27
Accelerated depreciation on machinery and equipment	22
Untaxed Social Security benefits	16
Charitable contributions	14
Capital gains deferral on home sales	14
Interest on public purpose state and local debt	14
Income on life insurance	8
Capital gains (excluding agriculture, timber, iron, and coal)	7
Individual retirement accounts	6
Total	$309

This chart, which was originally produced by the Bipartisan Commission on Entitlement and Tax Reform, is based on 1994 foregone revenue. It appeared in the February 1995 issue of the *Journal of Accountancy.*

RThought: You may wish to clip out the chart so that you can evaluate additional revenue from proposals if certain deductions were to be terminated. For example, would a possible gain of $14 billion be a net gain if charitable deductions were to be eliminated? At an average tax rate of 25%, the item would represent $56 billion in contributions. If contributions were to be cut by 50% (some individuals will always contribute whether or not contributions are deductible), they would be reduced by $28 billion. Would that reduction in contributions result in an increased load on governmental agencies? Are the private welfare agencies more efficient than the government agencies?

RThought: If all Social Security benefits were taxed, would more people on Social Security be seeking aid from the government?

RThought: If home-mortgage interest were not deductible, would home building drop? (Certainly, home ownership would!) Would the value of existing homes drop because people could not pay as much mortgage interest? If the value of your home dropped 25%, would the value then be less than your present mortgage? Would you be broke? How close would you come?

RThought: It's so easy to throw numbers around and say it's not hard to balance the budget — *if you don't get hurt.* Ask your minister, priest, or rabbi what would happen to his or her outreach if contributions were not deductible. And how much of the good work in your community would be eliminated for lack of funds?

founder of the Customer Company and whose "mini-mass merchandising" stores, which are located mainly in Northern California, operate under the name of Cheaper! — lent the material to me in order to reproduce the copies.

Why all of the recollections of Clarence Saunders?

Automated convenience stores are now being spread throughout Japan by the AM/PM chain of convenience stores, a sister chain of AM/PM in the United States. By the end of 1997, it is expected to have 90 stores; and by the year 2000, 500 stores!

And the only employee who is working at each store is a security guard placed outside.

Each item of merchandise in an AM/PM store is displayed behind glass with a stock number shown. You must enter into a computerized console the stock number and the quantity of each item you wish to purchase. The console then instructs you to enter the required amount of money for your purchase (there is, of course, a change machine for your convenience). Then, a long mechanized arm picks out the requested items! Within a minute or so, a neat bundle of goods comes sliding down a delivery chute, along with a plastic carrying bag in which you are to pack the items.

There is no human contact.

For security, there are surveillance cameras throughout each store which are brightly lit and equipped with bullet-proof glass.

This type of setup eliminates the problem of hiring reliable help for a 24-hour-a-day operation and the problems associated with internal and external theft.

RThought: U.S. retailers will be watching this operation with interest. Japan now has about 50,000 conventional convenience stores. Trade estimates are that there will be 100,000 by the end of 2000 — including several hundred computerized AM/PM stores!

RThought: Now you understand why reading about the AM/PM convenience stores in Japan reminded me of Clarence Saunders.

AUSTRALIA IS GETTING SERIOUS ABOUT STOPPING CIGARETTE SALES TO MINORS

A draft of the Tobacco Products (Prevention of Supply to Children) Bill 1997 was recently released by the Queensland government. If passed, the legislation will raise the age of minors wishing to purchase cigarettes from 16 to 18 and will set fines for retailers who sell to persons under 18: A$1,000 (Australian dollars) for small stores and A$5,000 for large stores. In addition, an A$375 fine will be imposed upon the employee who sells cigarettes to a minor.

Australian retailers are objecting to fining only the seller: they believe that the underage purchaser should pay a fine, as well, since the buyer is also breaking the law.

The Queensland government is to meet with retailers and union officials before the final bill is passed, but there will definitely be a law in effect by July 1997.

RThought: Most world governments are willing to work with a controlled industry such as retailing, which is not the case with our federal or state governments.

THE CONCERN ABOUT JOB SECURITY

One reason given for poor retail sales is concern about job security. Yet, in recent years, there have been no massive (25,000, 50,000, etc.) job eliminations. Mergers, however, whether of drug chains or investment bankers or high-tech firms, usually produce some eliminations.

The Research Department of the Federal Reserve Bank of San Francisco (P. O. Box 7702, San Francisco, CA 94120) issued *Economic Letter 97-05*, dated February 21, 1997, summarizing job losses by reason and by major occupation from 1981-83 to 1993-95.

You can draw your own conclusion as to whether the concern is warranted.

Displacement rates by reason:

Plant closed or moved...generally declined from 4.3% of the labor force in 1981-83 to 2.9% in 1993-95.

Slack work...declined from 4.3% in 1981-83 to 3.0% in 1993-95.

Position or shift abolished...inclined from 1.0% in 1981-83 to 2.0% in 1993-95.

Displacement rates by major occupation:

Operators, fabricators, and laborers...declined from 20% of those displaced (rather than the total labor force) in 1981-83 to 12% in 1993-95.

Precision production, craft, and repair jobs...declined from 10% in 1981-83 to 5% in 1993-95.

Managerial and professional job losses...increased from 3% in 1981-83 to 5% in 1993-95.

All other terminations were voluntary, moved, retired, died, disabled, etc.

RThought: The concern about job security is probably overstated because the law now requires an employer of 50 people or more to announce any layoff 90 days in advance — and newspapers, especially those which are in the same locale, always want to be the "first" to shout the story from their rooftops.

It is my impression that not one of the publicly announced layoffs of 25,000 or 50,000 — or even 500 or 1,000 — people resulted in terminations of the magnitude projected and announced. However, the announcement and the treatment by newspapers causes unnecessary concern.

It is also my impression that prior to such a notice a company does not know how many people will elect to retire or how many will accept early retirement if they are offered credit for years of service in addition to those actually worked.

RThought: As a result of the legally required notice and the newspaper competition to print disheartening news, many employees fear termination beyond the actual risk.

WILL ALL STORES HAVE TO CARRY PENTHOUSE MAGAZINE?

The following item appeared in the February 1997 issue of *Military Market.*

> **U.S. District Judge Shira Scheindlin issued a permanent injunction against the government ban on the sale of "sexually explicit" materials in military exchanges, ruling that the law was unconstitutional. The ruling allows exchanges to continue the sale and rental of magazines and audio and video recordings depicting or describing nudity.**

HOW NEIMAN-MARCUS WOULD HAVE BROKEN STANLEY MARCUS' HEART ON APRIL 20, HIS 92ND BIRTHDAY

A reader of *RT* and his wife are frequent shoppers at Neiman-Marcus. In fact, they shop at Neiman-Marcus so often that in October of last year they qualified for a first-class, two-week trip to England — all expenses paid! (**Note:** This requires purchases of at least $125,000.)

Their itinerary read, in part:

> **Upon your arrival in London, a driver from the hotel will meet you outside customs holding a sign with your name on it. You will then be driven to the Lanesborough.**

And a letter from Neiman-Marcus read, in part:

> **Upon checking in, you will be given a list of selected theater shows from which you may choose. Please contact the hotel concierge to arrange for your two complimentary theater tickets and transportation.**

But that isn't the way their trip turned out.

First, there was no driver from the hotel to greet them at the airport. When they called the hotel to inquire, they were told to take a cab and that they would be reimbursed.

Second, they never received the two complimentary theater tickets.

However, at the end of their stay, they received a bill which reflected a charge of 40 pounds for the taxi from the airport and 90 pounds for the two theater tickets!

Upon their return, they were told by the Neiman-Marcus travel coordinator that they would receive a credit on their American Express card. By December 5, however, they had received two American Express bills and no credit. Again, they asked Neiman-Marcus for advice. As of March 1, they had not heard from the travel coordinator nor have they received a credit.

In addition, on February 11, my friends sent a letter to Burt Tansky, the chief executive officer of Neiman-Marcus Group, together with copies of all letters, the itinerary, and the hotel bill. As of March 1, Tansky apparently had not found the time to reply.

On February 24, they sent a letter to Richard A. Smith, the chairman and chief executive officer of Harcourt General, Inc., the company which owns the majority of Neiman-Marcus' stock and which consolidates the operation of Neiman-Marcus in its annual report. The letter was accompanied by page 22 of the Harcourt General annual report, the page which contains the "mission" statement and which relates to this incident:

> **We will maintain an uncompromising commitment to quality and the highest levels of customer service in all our businesses and endeavors. We will adhere to the highest levels of *integrity and ethical standards* in dealing with all constituencies, including *customers*, suppliers, and employees.** [Emphasis added.]

As of March 4, my friends had not received a reply.

RThought: I report this mishap not because I want to point out that even in companies normally offering outstanding service, such as Neiman-Marcus offers, things can and do go wrong. What I cannot understand is the conduct of the travel coordinator, and, in the case of the letters addressed to both Tansky and Smith, I suspect that they never saw them — probably their secretaries or their administrative assistants were trying to "protect" them from wasting their time on a "bedbug letter," as such letters were called long ago by the railroad companies, or someone, perhaps, wondered why the couple complained about 130 pounds when so much was free. The latter scenario is possibly what happened, because seldom has every employee in a company been properly indoctrinated as to what providing "good service" means. A competent secretary or administrative assistant would have had to read only half of the letter before taking action.

My readers are part of the trade in which I have spent over 65 years — and which I love. I am NOT giving you permission to use this article to embarrass Neiman-Marcus — but I would like to encourage you to use this incident as part of a training session on poor service, explaining what you would want every one of your associates to do if they were ever faced with a similar situation. They don't have to go to their boss with the situation, but they should immediately call the credit department to ascertain the writer's telephone number in order to make a call — to apologize — and to take action.

When I commit such a *faux pas* — and, believe me, I have my share — as soon as I find out, I send a box of See's candy. I also send a box to people who give me exceptional service. As you can well imagine, I always keep a box or two at hand!

Corrective action, along with, perhaps, a box of candy, often causes an upset customer to reconsider. It can also lead the customer to tell his or her friends about such a "great" company.

Late note: With no reply by the middle of March, my friends filed a complaint with and forwarded copies of all of their efforts to the Better Business Bureau of Dallas.

DID FLOYD HALL KNOW SOMETHING OTHERS DIDN'T?

When Kmart Corporation added The Pantry to its stores, many analysts wrote about it and questioned whether Kmart could expect to improve its gross margin by adding a 9,000- square-foot department with a lower gross margin. I have written many times that the important road to improved profitability is seldom by improving gross margin percentage but by improving gross margin dollars per square foot.

Are snack foods one path to improved gross margin per square foot? I believe so, especially if snack foods are a growth item.

I did not know until recently, however, that there is a Snack Food Association. In the association's State of the Snack Food Industry Report 1996, the growth in snack foods consumed per person per year were shown as follows:

Year	Dollar Amount Per Person
1989	$48.58
1990	51.49
1991	53.91
1992	54.78
1993	56.68
1994	57.10
1995	57.90

RThought: A growth of 19% in six years is enough to warrant looking at and asking, "How can we participate in that growth?" Simple. Put a pantry in your stores.

HOW DID THE CHRISTMAS SEASON COME OUT?

The National Retail Federation projected a 6% increase for the 1996 Christmas season. From its published figures, it was apparent that the NRF was basing the increase on the "total retail volume" which included such non-Christmas items as building materials, automobiles and their accessories, gasoline, restaurants, heating fuel, etc.

Based on total retail sales, the 6% forecast was a good one; total sales for November and December 1996 versus November and December 1995 increased by 3.9%.

Here are the types of retailing which increased at or above +3.9%.

Building materials	+ 5.9%
Automobile dealers	+ 4.8
Sporting goods stores	+13.3
Book stores	+ 4.7
Jewelry stores	+ 4.2
Drug stores	+ 7.1
Miscellaneous shopping goods	+ 8.8

Department stores were up 4.0 %, but the NRF includes three kinds of department stores in its tally:

Conventional stores (Macy's, etc.)	+ 1.9%
National stores (Sears, etc.)	+ 0.2
Discount department stores (Target, etc.)	+ 6.5

The total sales of discount department stores was 40% larger than conventional and national stores combined!

The following are the changes in other sales for November and December 1996 versus November and December 1995:

Furniture, as a group	+ 1.4%
Furniture stores	+ 2.8
Appliance, radio, TV and computer stores	+ 0.9
Grocery stores	+ 2.2
Apparel stores	NC
Men's and boys' stores	- 4.7
Women's stores	- 4.5
Family apparel stores	+ 4.4
Shoe stores	- 1.7
Mail order	+ 0.3
Miscellaneous general merchandise	NC

The off-price women's stores, such as T J Maxx and Ross, are included in the family apparel category.

Part of the family apparel stores' showing is the result of women's stores adding men's apparel.

We are not conscious of family apparel stores because we insist on calling some of them "department stores" if they happen to be large, such as a 200,000-square-foot Nordstrom, an eight-story Bergdorf Goodman, or a 100,000-square-foot Mervyn's, the latter of which is primarily a family apparel store, as are most of the Mervyn's knockoffs.

An interesting "no change" situation is in the general merchandise category, a category wherein the U.S. Bureau of Census places warehouse clubs, such as Costco and Sam's.

A SAFETY SLOGAN ANYONE CAN USE, COURTESY OF Mc LANE COMPANY

McLane Company, a subsidiary of Wal★Mart Stores, Inc., which serves the convenience store industry, has always placed a major concentration on a safe operation, as is typical of any business which operates a warehouse or a number of warehouses with trucks, forklifts, and other equipment which can be dangerous if not properly handled.

Each year, McLane conducts a contest for a new safety slogan, and this year's winning slogan is clever and original:

Safety doesn't start with "S"; it starts with "U."

And the slogan is offered to all by Grady Rosier, McLane's chief executive officer.

RThought: The January-February 1997 issue of *Merit,* which is the periodical for McLane associates, not only announced the winning slogan but included some of its safety attainments, such as the Southern Division celebrating 200,000 work hours without any lost time due to accidents. In addition, other divisions reported record support of the United Way or the Children's Miracle Network, both organizations of which provide "safety" in many ways other than operating a business: they provide a "safe" life for persons who need help.

THE LARGEST MALL ADJUSTS TO THE TIMES

I hear little news about Canada's West Edmonton Mall, the largest mall in North America, but the five Ghermezian brothers who control it appear to be adjusting with the times.

And their battle cry appears to be "Entertain"!

When the Ghermezians opened the mall, they had about 800 stores, many of which were duplicates. Now, they are changing ratios: retail stores are being cut from 80% to 60% of the space and many of the duplicate stores are being eliminated. At the same time, food and entertainment are being increased from 20% to 40%.

For the mall's mainly blue-collar customers, a few of its busiest establishments are Hooters of America, Inc., the restaurant chain with its scantily clad waitresses; a new bowling "emporium"; and a casino which offers both card games and slot machines.

The mall attracted 20 million visitors in 1996!

RThought: Malls are only as good as the imagination and sensitivity of mall owners. West Edmonton Mall will bear watching.

WORDS — FROM CONFUCIUS' ANALECTS

What the superior man seeks, is in himself; what the ordinary man seeks, is in others.

The ruling comes after General Media Communications, Inc., publisher of *Penthouse* magazine, argued its case in a New York court December 31 to continue the sale of its magazine in military exchanges. In October, General Media successfully filed a civil action in which the judge issued a temporary injunction against the ban, which was to have taken effect December 22.

General Media lawyer Michael Bamberger said the law was a type of "viewpoint discrimination," while Assistant U.S. Attorney Daniel Alter said the material in *Penthouse* was not a viewpoint but merely "base and vulgar," Associated Press reported.

RThought: I contacted U.S. Attorney Alter in New York and was advised that the ruling applied only to a law applicable to a *government* commercial activity and not to a private commercial enterprise.

RThought: Thank goodness! And the retailers who reject *Penthouse* and other sexually explicit material may continue their practice.

ARE YOUR RULES POSTED WHERE CUSTOMERS CAN SEE THEM?

In the San Francisco Bay Area, there is a chain of restaurants called Max's Opera Cafe (because the servers sing to the customers) which has the following printed on every menu:

Max's Laws

1. This restaurant is run for the enjoyment and pleasure of our customers, not the convenience of the staff or the owners.
2. You get a free round of drinks if anyone on our staff comes up and says, "Is everything all right?" When we ask questions, they'll be good ones.
3. You must get your mustard and ketchup before your burger, sandwich, or fries.
4. We hate soggy fries. If yours aren't crisp, the way you like them — send them back — maybe the kitchen will get the message.
5. Corned beef and pastrami are good because they contain some fat; however, with today's dietary consciousness, our corned beef and pastrami are now extra lean. So ask for a little fat for that traditional taste. If you want something with no fat, how about our turkey or turkey pastrami.
6. The turkey is always fresh. Period.
7. Our iced tea is table brewed. Just pour it over a big glass of ice.
8. You'll love our breads and pastries. They are made fresh daily in Max's Bakery and Kitchen.
9. Warning: We bake our own sourdough as crusty as can be. If you like soft bread, eat the middle.
10. Our ice cream sauces are a point of pride. They're made in New York by a certified chocoholic who refuses therapy. They are simply the best in the country. And we don't boast idly.
11. We bring ice cream sauces from New York City. Eat here. Save the airfare.
12. This is a bad place for a diet and a good place for a diet.
13. Our desserts are excessive because nothing succeeds like excess. We encourage sharing if you're not super hungry.
14. Substitutions are okay by us; don't be bashful, you've got a mouth, use it.
15. We use cholesterol-free oil for frying and sauteing; anything can be grilled fat-free.
16. If you are a single diner and are greeted with the expression, "Just one?" dinner is on us.
17. We agree that the customer is always right. If there is a problem with your food or service, call for the manager — we'll fix it in a flash. But, if you finish your plate — it couldn't have been all that bad! Now, could it?

Who is Max? Max is my father,
If he were alive today
he'd probably love our corned beef
and maybe he'd be proud of
his boy for running restaurants
the best he knows how.

Patty and I have found the staff to be just as accommodating and friendly as Max would have wanted.

RThought: Most of the stores I visit do not have the wishes of management posted. However, James Cash Penney's rules, dating back to 1915, were found posted on the third floor of the J. C. Penney store in Concord, California, when I once went into the store and asked an employee on the main floor for a copy of Mr. Penney's rules. Having no idea what I was talking about, he sent me to the store's office on the third floor. The telephone operator, who also greeted visitors to the office, was unaware of Penney's rules. A passerby, however, overheard my request and was kind enough to point them out on the wall. There was a sign about 4 by 6 feet, *facing* the telephone operator! She apparently had never noticed them.

RThought: What good are rules if even just one of your associates is not aware of them? And how can an associate follow them if he or she can't find them? And, worse, of what good are they if an associate does not know they exist?

AN EXPERT SPEAKS: ON-LINE VERSUS CATALOG SALES

With all of the talk about on-line shopping, Maxwell Sroge is covering this form of retailing without even changing the name of his newsletter: *NSM Report.* For many years, *NSM,* or nonstore marketing, meant only catalogs which included direct marketing. Now, it includes on-line retailing.

Sroge's February 17, 1997, issue reported his belief that on-line shopping will cannibalize catalogs.

A recent survey conducted by NFO Research, Inc., indicated that a good part of on-line volume will transfer from traditional retail outlets and not as much from catalogs. I do not place great weight on these findings because the questionnaire was sent to a panel of 600 (method of selection not set forth), of which 271 responded. I would have preferred the results of a telephone survey of 1,000 selected on a random basis, of which at least 95% of the panel had responded — as Gallop takes its poll.

RThought: I recommend, again, that retailers subscribe to the *NSM Report*, 24 issues at $275/yr. ($320 overseas), by contacting Maxwell Sroge Publishing, Inc., 522 Forest Avenue, Evanston, IL 60202; fax 847-866-1899. Remember, it covers on-line as well as catalog sales.

QUOTH THE BANKER, 'WATCH CASH FLOW'

Once upon a midnight dreary as I pondered weak and weary
Over many a quaint and curious volume of accounting lore,
Seeking gimmicks (without scruple) to squeeze through some new tax loophole,
Suddenly I heard a knock upon my door,
Only this, and nothing more.

Then I felt a queasy tingling and I heard the cash a-jingling
As a fearsome banker entered whom I'd often seen before.
His face was money-green and in his eyes there could be seen
Dollar-signs that seemed to glitter as he reckoned up the score.
"Cash flow," the banker said, and nothing more.

I had always thought it fine to show a jet black bottom line.
But the banker sounded a resounding, "No,
Your receivables are high, mounting upward toward the sky;
Write-offs loom. What matters is cash flow."
He repeated, "Watch cash flow."

Then I tried to tell the story of our lovely inventory
Which, though large, is full of most delightful stuff.
But the banker saw its growth, and with a mighty oath
He waved his arms and shouted, "Stop! Enough!
Pay the interest, and don't give me any guff!"

Next I looked for noncash items which could add ad infinitum
To replace the ever-outward flow of cash,
But to keep my statement black I 'd held depreciation back,
and my banker said that I'd done something rash.
He quivered, and his teeth began to gnash.

When I asked him for a loan, he responded, with a groan,
That the interest rate would be just prime plus eight,
And to guarantee my purity he's insist on some security —
All my assets plus the scalp upon my pate.
Only this, a standard rate.

Though my bottom line is black, I am flat upon my back,
My cash flows out and customers pay slow.
The growth of my inventory is almost unbelievable;
The result is certain — unremitting woe!
And I hear the banker utter an ominous low mutter,
"Watch cash flow."

Herbert S. Baily, Jr.

RThought: I've never heard of Herbert S. Baily, Jr., and don't know if he is a banker or a poet, but his verse appeared in *Retail Management Advisor,* published by Gerald H. Smith, a longtime advisor to men's stores and small retailers. You may recall that Gerry put on a seminar entitled "Factoring Retail Accounts Receivable" at the 1997 NRF convention in New York. (**Note:** For those following the miseries of the suppliers to T. Eaton Co., Ltd., only the factored suppliers came out whole!)

NOT QUITE CALLER ID

Many of you have probably taken advantage of blocking Caller ID, if it is available in your state, as a reader of *Privacy Journal* did, but he was surprised to learn that his name and telephone number were known to the party at the other end of his 800 calls.

Bob Smith explained in the February 1997 issue of *Privacy Journal* that for many years the callers at the other end of 800, 880, or 900 numbers have had access to your number. It is called ANI, or automated number identification. The source of the call must be known so that the billing can be checked.

In theory, however, the law protects you. The recipient of your call may use your telephone number internally, but federal law prohibits, again, *in theory,* anyone from renting or selling his information — but only if caught!

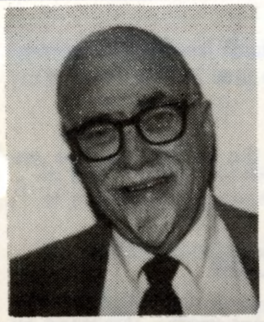
Privacy Journal, founded in 1974 (when *RT* was 18 years old), can be reached at P. O. Box 28577, Providence, RI 02908; telephone 401-274-7861; $109/yr. ($135/yr. overseas).

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

SIC Code	Category	DEC. 1996	N + D	DEC. 1995	Percentage Change	YTD 1996	YTD 1995	Percentage Change
52	*Bldg Matl Group	$10,186	20950	$ 9,578	+ 6.3%	$ 132,843	$ 124,626	+ 6.6%
57	*Furniture Group	15,968	28774	15,896	+ 0.5	136,719	129,923	+ 5.2
571	Furniture Stores	6,797	13283	6,676	+ 1.8	67,567	64,684	+ 4.5
572	Appl, TV, Radio Stores	7,511	12916	7,540	- 0.4	58,332	54,655	+ 6.7
5941	*Sporting Goods Stores	3,022	[illegible]	2,920	+ 3.5	23,021	20,980	+ 9.7
5942	*Book Stores	1,392	219[illegible]	1,325	+ 5.1	10,687	10,264	+ 4.1
5944	*Jewelry Stores	4,716	0391	4,526	+ 4.2	21,065	19,351	+ 8.9
531Pt	Conventional Dept Stores	9,300	15077	9,012	+ 3.2	55,427	54,298	+ 2.1
531Pt	Natl Chain Dept Stores	6.435	10641	6,295	+ 2.2	40,485	41,293	- 2.0
	Subtotal	15,735	25715	15,307	+ 2.8	95,912	95,582	+ 0.3
531Pt	Discount Stores	20.513	35306	19.234	+ 6.6	149,985	139,392	+ 7.6
531	*Department Stores	36,248	61021	34,541	+ 4.9	245,897	234,974	+ 4.6
539	*Misc General Mdse Stores	7,462	13031	7,610	- 1.9	59,663	58,353	+ 2.2
541	*Grocery Stores	35,474	69585	35,626	- 0.4	401,708	389,134	+ 3.2
56	*Apparel Stores	15,003	25764	15,180	- 1.2	113,027	109,962	+ 2.8
561	Men's & Boys' Stores	1,479	2433	1,579	- 6.3	9,984	10,091	- 1.1
562,3,8	Women's Stores	4,314	7299	4,533	- 4.8	32,783	34,576	- 5.2
565	Family Clothing Stores	6,296	10766	6,124	+ 2.8	42,880	38,869	+ 10.3
566	Shoe Stores	2,005	3600	2,044	- 1.9	19,134	18,758	+ 2.0
591	*Drug Stores	9,486	16964	8,797	+ 7.8	89,248	84,240	+ 5.9
596	*Nonstore Retail	8,457	15807	8,013	+ 5.5	71,085	69,770	+ 1.9
5961	Mail Order	6,209	11323	5,954	+ 4.3	47,855	46,042	+ 3.9
	**Retailing Today* Total Store Retailing†	147,414		144,012	+ 2.4	1,304,963	1,251,577	+ 4.3
	**GAF TOTAL	93,066	155327	90,250	+ 3.1	655,667	624,818	+ 4.9

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information, contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.



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WHAT WE CAN LEARN FROM OTHER COUNTRIES

From Australia, Jeans West, a specialty chain approaching A$100,000,000 in sales, just completed an A$150,000 consumer study. The company released only a portion of the results. However, implementation of the results should make customers out of visitors to the company's stores. One section dealt with its change rooms (i.e., dressing rooms):

1. There was a lack of privacy in shared change rooms.
2. The rooms were too small.
3. There was an unnecessary limit placed upon the number of items allowed in each room at one time.
4. The rooms often lacked seating.
5. The rooms often lacked shelving for personal belongings.

In addition, many of the people who responded, especially the young, stated that they are sensitive about their bodies; thus, inadequacies in change rooms make them less likely to try on clothes and less likely to buy them.

Jeans West is paying close attention to what its customers have told them. (Although it may be a mere coincidence, Just Jeans, a major competitor, had a poor Christmas season, while Jeans West had a very good one.)

I asked one of my associates, an experienced shopper, "Do the same problems exist in the U.S.?" Upon reading the results of the study, she replied, "They certainly do — I was delighted to read it."

Of course, most women's dressing rooms are designed and controlled by men, who would never think of asking their wives about how they could improve them and, at the same time, gain some loyal customers.

And, from a survey conducted in the United Kingdom, researchers have found that blond cashiers in the Somerfield supermarkets had up to 23% busier checkout lines than their dark-haired colleagues. Both men and women appeared to have preferred blondes, even when other checkouts nearby had no line. (Because I am only reporting what I read in *The Montreal Gazette*, February 10, 1997, please don't contact me regarding the results of the complete study and the apparent discrimination!)

THE INCREASED ACTIVITY OF NAAG

In more and more cases, top legal officers, through the National Association of Attorneys General (NAAG), are working together and accomplishing more with less effort.

For example, you are undoubtedly aware of the difficulty America OnLine, Inc. (AOL), subscribers had been experiencing in both trying to get online and being charged more than the agreed upon price. As a result, attorneys general from 43 states recently reached an agreement with AOL about the rendering of its refunds: subscribers who used the service *less* than two hours a day between December

Continued

ABUSE OF NUMBERS

In my continuing effort to expose what I believe are abuses of numbers, I must *once again* point to the University of Florida.

In the March 1997 issue of *Stores*, the official publication of the National Retail Federation, the university is quoted from its 1996 National Retail Security Survey as follows:

> **The survey found that retail chains experience an average of 1,658 bad check incidents per $100 million in sales. [Note: The survey indicates a sampling and not a summary of the total number of incidents for ALL stores of the type mentioned.] Those losses dwarf those reported for return fraud (148.5 incidents per $100 million in sales). [Note: There was no indication as to the amount per check or per return fraud. Can you guesstimate beyond a doubt the return frauds which have occurred in your stores?]**
>
> **As is true with other forms of fraud, some types of retail stores have a much larger bad check problem than do other segments. The biggest victims of the practice are recorded music and video stores, which experienced an astonishing 3,741 bad check incidents per $100 million in sales. [Note: Did the researchers obtain information from every "recorded music and video" store, or is the rate lower, for example, for Blockbuster, the largest chain in the industry? Did the researchers weight the reported information by the size of each responding company?]**

By using 3,741 — not 3,740 or 3,742 — the figure indicates an absolutely correct number, implying an accuracy of ±.02673082 of 1% (1 divided by 3,741).

Professorial knowledge most likely would have used 3,700, a figure which implies an accuracy of ± 50 checks per 3,700 checks, or 1.35% (50 divided by 3,700), and not an implied accuracy of ± less than one-half check per $100 million in sales.

Unfortunately, journalism schools, from which the editor of *Stores* may have graduated, to my knowledge, don't teach even rudimentary statistics.

RThought: I will continue to expose abuses of numbers until my readers are educated, even though professors and editors may not be knowledgeable in this subject. Just because a number is produced by using a desktop calculator does not mean that the number is accurate, especially when it is to be dumped upon the many retail executives who read *Stores*.

RThought: In 1939, Professor Gregg at Harvard Business School taught us well, even though we worked with a hand-driven rotary desk calculator — and we counted each turn, because turning one direction multiplied and turning the other divided.

1996 and January 1997 are entitled to a 100% refund, or $39.90; and subscribers who used the service for *more* than two hours, but *less* than four hours, or for *more* than four hours, but *less* than eight hours, are to receive reduced refunds.

In addition, AOL has agreed not to advertise for new accounts until it has hired and trained 600 additional support staff. AOL also agreed to spend $350 million in six months to expand its technology. The ads I have seen on TV make AOL appear to be spending the $350 million voluntarily. Not so.

In another settlement, 23 attorneys general reached an agreement with Circuit City Stores, Inc., to correct the deceptiveness of its ads about "zero interest" on purchases. Subsequently, Montgomery Ward & Co., Inc., Tandy Corporation, CompUSA, Inc., and Best Buy Co., Inc., have agreed to do a better job disclosing the details involved in "zero interest" financing offers.

RThought: Such companies knew beforehand that they were not being completely open — and they knew the small print would be difficult to read and understand. And just because small merchants can point to a large company which was being dishonest doesn't mean that they should be allowed to follow suit. The principals of a company would never accept that explanation from a child of theirs; so why would they think it an acceptable explanation by the company? You certainly wouldn't accept "All of the kids shoplift, so I thought it was OK" as an excuse.

To argue that company executives may not have known what the advertising department released is another alibi that doesn't hold water. It is their responsibility to have known — because responsibility is what they get paid for.

I HAVE, RELUCTANTLY, TAKEN THE LOCAL RED CROSS OFF MY CONTRIBUTION LIST

My wife, Patty, and I contribute to more than 100 organizations each year. For more than 40 years, we have contributed to the local chapter of the American Red Cross.

But that long-term relationship has ceased.

Why? Because the Red Cross is not only buying mailing lists but it has become demanding.

How do I know? A recent request, which was addressed to one of my associates at my business address, stated, "Contribution requested by 3/31/97."

Does one have to stand up and salute when the Red Cross issues such an order? Isn't one supposed to receive a warm feeling from giving, a feeling which is certainly negated by a deadline?

Patty and I first contributed to the local chapter of the Red Cross in Oakland — and I once served on its board. We then contributed to the San Francisco Bay Area chapter — and I reviewed its budget because I was on the Allocations Committee, the committee which determined the Red Cross allocation from the United Way of the Bay Area (now the United Bay Area Crusade).

RThought: Too many good organizations are landing in the hands of so-called "marketing experts." And I cannot help but believe that these "experts" are getting a percentage of the take (I believe it is also true of many political solicitations). I have my own rules, however, and, in more and more cases, the index card Patty and I keep on each organization to which we give is being marked "No More Contributions." Instead, we know, through active volunteers, many other local groups which provide direct service and which we find satisfaction in making contributions. And there are still many reputable organizations that are not demanding from which we receive solicitations.

RThought: Patty and I once lived on much less than the current amount of our contributions — and I also gave 20% or more of my time to volunteer organizations.

We want satisfaction from giving, not the feeling that we are responding to an order.

ABC's TREATMENT OF FOOD LION

I have read Reed Irvine's *AIM Report* for years. Published by Accuracy in Media, Inc.(4455 Connecticut Avenue, N.W., Suite 330, Washington, D.C. 20008; telephone 202-364-4401; fax 202-364-4098; e-mail ar@take.aim.org), this newsletter will often report on subjects not addressed elsewhere in the press.

For example, the January-B 1997 issue had this — and more — to say about the "PrimeTime Live" segment accusing Food Lion of unsanitary practices and selling spoiled food: ABC didn't mention that it had received help from the United Food and Commercial Workers Union (as it did in its attack on Wal★Mart Stores, Inc.) in arranging for ABC employees using false credentials to get Food Lion jobs while really working for ABC News. Had ABC done so, many of the millions of viewers would have wondered more about the accuracy of the story. Why? *Because the UFCW had been rejected by Food Lion employees.*

In addition, Food Lion claimed that videotapes were made by ABC employees, showing them "staging some of the improper practices that the program exposed." Had these facts been known to the public, Food Lion might not have lost millions of dollars in sales and in the market value of its stock. For example, the undercover producers took videotapes of dirty equipment in the Food Lion meat department that they, *as "employees,"* were responsible for cleaning. *They then used the same footage to falsely prove that Food Lion was lax on sanitation*! The ABC cameras also showed ABC agents touching food during handling, when such was strictly against Food Lion's rules, and most likely would not have happened with loyal Food Lion employees.

There was also a videotape of ABC agents selling food three days after the pull date, *a pull date which had been falsified*! In the court case, ABC was criticized for erasing or taping over some of the videotapes used.

ABC conveniently did not use the segment which showed an ABC undercover agent performing his task poorly, as would be expected since the undercover agent was incompetent in the first place and had secured the job on the basis of falsified experience and credentials.

The results might have been different had Food Lion sued for libel rather than fraud, but a case of fraud was a much easier case to win.

RThought: Order the January-B 1997 *AIM Report* today and read the story for yourself, or pass it along to your legal department, because ABC may have placed undercover people *in your business now*. As far as I know, ABC has not sued Accuracy in Media, Inc.

RThought: Speaking of the *AIM Report*, it is the only publication I have read which insists that Vince Foster, once an attorney on President Clinton's staff, was murdered someplace else and brought to Fort Marcy Park. If you will recall, authorities were satisfied that he had committed suicide in the park.

WHICH RETAILERS ARE INCLUDED IN THE S&P 500?

Business Week, March 24, 1997, rated 500 companies (*Fortune* could rate the same companies but come out with a different rating). Such an index as the S&P 500 is made available to produce a single num-

A DEPARTMENT STORE IS NOT A DEPARTMENT STORE ...NOT A DEPARTMENT STORE ...NOT A DEPARTMENT STORE

In 1987, the U.S. Census Bureau split the department store section of general merchandise stores into three subcategories:

Conventional department stores (Dayton's, Macy's, etc.)

National department stores (Montgomery Ward, J. C. Penney, and Sears)

Discount department stores (Kmart, Target, and Wal★Mart)

Shortly thereafter, when Associated Dry Goods acquired L. S. Ayres, Inc., which consisted of both conventional department stores and discount stores (AyrWay), the court upheld the "new store" classifications. Because Associated already owned Stewart Dry Goods Co. in Louisville, Kentucky, a condition to the acquisition by the Federal Trade Commission was that Associated must dispose of either the Stewart Dry Goods department stores in Louisville or the newly acquired AyrWay stores which were also located in Louisville. (The AyrWay stores were acquired by Target.)

The court held that a discount store met the definition of a department store in the Standard Industrial Classification (SIC) Code, because of its size, number of employees, formation of departments, etc. The only difference was that conventional and national department stores had charge accounts, while virtually no discount stores did, with the exception of Target (whose customers were permitted to use their Dayton Hudson charge card in certain areas of the country).

Each month, the Census Bureau releases two reports on retail sales: the Advance Monthly Sales Report and the Monthly Retail Trade Report.

The Advance Monthly Sales Report shows a figure that combines all three types of department stores into a single figure. In addition, it shows the figures for each type of department store, as well as the total.

The Advance Monthly Sales Report is released to the media. The media, not knowing where it is going half of the time, then reports to the public each month the story of what has happened to department stores, without mentioning the fact that discount stores are included. As a result, customers do not consider discount stores to be department stores because they are unaware of the fact, unfortunately, that discount department stores are classified as department stores in the advance monthly report.

According to these reports, let's look at what has happened during the past 10 years.

Conventional department stores have increased sales from $47,401 million in 1987 to $55,427 million in 1996, or 16%, which is under 1.5% per year, or less than inflation.

National chain department stores have increased from $35,744 to $40,485, or even less at 11%, barely 1% per year, or much below inflation. In 1990, 1991, and 1996, the national chains experienced a *decline* in sales!

Discount department stores increased from $64,332 to $149,985, or 133%!!!

A most important line on the table below shows that from 1987 to 1996 the percentage of department store sales done by discount department stores increased from 43% to 61% of the total sales of department stores. When news media talks about "the change in department store sales," it is really talking about *discount department store sales.*

Yearly Retail Trade by Department Stores
($ Millions)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1987-96
Conventional Department Stores	$ 47,761	$ 48,937	$ 51,379	$ 51,173	$50,648	$ 51,301	$ 51,695	$ 53,596	$ 54,289	$ 55,427	
Percentage Change		+ 2.5%	+ 5.0%	+ 0.6%	+ 1.0%	+ 1.3%	+ 0.8%	+ 3.7%	+ 1.3%	+ 2.1%	+16.0%
National Chain Department Stores	36,562	35,744	35,912	35,148	34,526	36,083	38,264	40,921	41,293	40,485	
Percentage Change		- 2.2	+ 0.2	- 1.9	- 1.8	+ 4.5	+ 6.0	+ 6.9	+ 0.9	- 2.0	+ 11.0
Discount Department Stores	64,332	71,507	77,602	84,308	92,123	103,431	114,814	128,475	138,392	149,985	
Percentage Change		+11.2	+ 8.5	+ 8.6	+ 9.3	+12.3	+11.0	+11.9	+ 8.5	+ 7.6	+133.0
Total Sales	$148,655	$156.188	$164,893	$170,629	$177,297	$190,785	$204.773	$222,992	$234,974	$245,897	
Total Percentage Change	+ 6.6%	+ 5.1%	+ 5.6%	+ 3.5%	+ 4.1%	+ 7.6%	+ 7.3%	+ 8.9%	+ 5.4%	+ 4.6%	+ 65.0%
Discount Percentage	43.3%	45.3%	47.1%	49.4%	52.0%	54.2%	56.1%	57.6%	59.3%	61.0%	

WHY SO MANY STORES END UP IN BANKRUPTCY

T. Eaton's, a 125-year-plus, family-owned department store, is in the equivalent of our Chapter 11, and its sad story is front-page news throughout Canada. Almost every Canadian citizen knows that Eaton's owes $180 million to two banks and $150 million to trade creditors and that just before filing it declared, from a related company, a $10 million dividend to family members which ultimately was returned.

An associate of mine was in Canada at the height of this publicity and brought back a newspaper column by Catherine Ford, which was published in the March 11, 1997, *Montreal Gazette*, because she believed it applied to many of the bankruptcies here in the U.S.

Some of the more notable excerpts which would apply to such bankruptcies read:

> **Everyone, that is, but the one class of people who could have told Eaton's years ago it was on this road to destruction — customers.**
>
> **It doesn't take a business degree to figure out that the combination of stores people didn't want to shop in, merchandise they didn't want to buy, and what seemed to be nonexistent service would eventually lead to ruin.**
>
> **Experts blame debt, discounters, and declining sales for Eaton's troubles.**
>
> **It all comes down to the customer walking away. It takes real effort to drive us off, but once vanquished, we are hard to lure back. If the men who run such companies listened to their customers, they would have learned years ago what seems too painfully obvious now: customers will go for service or price — both if given a choice; price if they feel they have no option.**

The column then continued, pointing out that eliminating the training of sales people and reducing the staff on the floor may be beneficial to the stockholders — for a while — until the customers leave. This statement reminded me of a front page editorial in a Canadian newspaper that thanked Wal*Mart Stores, which took over 120 Woolco (Woolworth Corp.) stores, for improving service throughout the broader spectrum of Canadian stores — and "forcing" them all to improve their service!

Canadians are aware of the good service found in Nordstrom, Saks Fifth Avenue, Neiman-Marcus, etc., and that poor service does not have to be the standard. They also know which stores manage to stay in stock of the merchandise they wish to buy.

RThought: It's the same problem that exists for the solo, small-store operators who claim that they have been put out of business because Wal★Mart, Target, or Kmart entered their town. If a local newspaper wanted to be honest in its reporting of the stores which were put out of business, the article would point out that the small stores may not have provided good service, may have been messy, may not have been painted for the past 20 years, may have carried a poor assortment, may not have been open convenient hours, may not have provided adequate parking, etc. In other words, they may not have merited the patronage of the community.

SHORT SHORTS

Changing times. A recent article from *Retail Asia* stated that only the luxury segment of U.S. retailing has thrived in the 1990s and that general merchandise had its ups and downs — with "downs" prevailing! Another article sent to me by a reader related to sales of major stores for February and March. Upon reading the two articles, I wondered about the general merchandise market of which Wal★Mart Stores is a member. *Wal★Mart's total sales for February and March of $18 billion were slightly less than the combined total sales* of Kmart, Dayton Hudson, Sears, Federated, May Company, and Dillard's (domestic stores only)! **RThought:** Maybe so many general merchandise retailers in the U.S. do so poorly because that general merchandiser, Wal★Mart, is doing so well? As an example, for the first two months of 1997, Wal★Mart *reported an increase in sales* of $2,091 million, while Dillard's *total sales* were $1,101 million and Federated's *total sales* were $1,748 million. Perhaps Wal★Mart is doing something right!

Most retailers could have told the Library of Congress that its shrinkage would be about 2%. The three buildings which constitute the Library of Congress hold 17 million books, 48 million manuscripts, including almost 400 issues of *Retailing Today*, 4.4 million maps, 2.3 million tapes, records, and audio discs, and 13.7 million photographs, films, prints, and drawings. Even though parts of the library are not open to the public, about 2% of the books/documents are missing each year (some show up in the back of stacks and other hidden places). But the library has high-class shoplifters, not people with booster bags! In 1992, three men were convicted (after being traced by the FBI) of stealing from the library: a doctor, a government lawyer, and a book dealer. Now the stacks are closed even to people who do research for Congress! **RThought:** If Librarian James H. Billington were to raise the question of how many books a year would be shoplifted, retailers would most likely say about 2%, with some returned for exchange!

More and more companies are "announcing" their quarterly sales and profits. After reading the definition of "announce," I believe the companies should be "reporting." My dictionary gives the following for "announce": "1. to make known publicly; proclaim (announced their engagement); 2. a. to give notice of the arrival, presence, or readiness (announce dinner) b. indicate beforehand: foretell; 3. to serve as an announcer. To declare one's candidacy; to give one's political support." On the other hand, "report" is defined as: "1. a. to give an account of; b. to describe as being in a specified state (reported him much improved); 2. a. to serve as carrier of a message...." **RThought:** I could go on about the differences between the two words, but "report" seems a more appropriate word than "announce" to head the press releases setting forth a company's sales and earnings.

Leadership is necessary for a successful retail business. The advice of General H. Norman Schwarzkopf of Gulf War fame is helpful: "Leadership is a potent combination of strategy and character. But if you must be without one, be without the strategy." **RThought:** With more character, there would be fewer law suits, many of which involve retailers and many of which involve discrimination in hiring and promotion, sexual harassment, and not paying for time worked or misconduct. Character can be developed by ideas that most retail executives have been exposed to: observing the Boy Scout or Girl Scout laws. Oftentimes, I repeat the Boy Scout Laws when a discussion involves ethics (character): "A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean, and reverent." I learned these words more than 67 years ago, and they have always stood me in good stead. I commend them to anyone. Join me.

ber which will give a measure of all publicly held companies. You know if your company is listed in the S&P 500, but others do not know, except when the list is published.

The following are the retail companies placed in the order in which *Business Week* ranked them:

Rank	Company
3	Dell Computer Corp.*
55	TJX Cos.
61	The Gap
98	Home Depot
117	Walgreen Co.
123	Avon Products**
143	Sherwin-Williams***
149	Dayton Hudson Corp.
193	Rite Aid
194	Sears, Roebuck
196	Lowe's Cos.
220	AutoZone
223	Wal★Mart Stores
228	Costco
240	American Stores
244	Kroger Co.
252	Federated Department Sotres
271	Circuit City Stores
278	Pep Boys
285	May Department Stores
318	CVS Corp.
324	The Limited
342	Longs Drug Stores
365	Winn-Dixie Stores
370	Great Atlantic & Pacific Tea Co.
380	Giant Food
399	J. C. Penney Co.
402	Dillard Department Stores
406	SuperValu
412	Tandy Corporation
420	Mercantile Stores
421	Nordstrom
428	Kmart Corp.
454	Woolworth Corp.
491	Charming Shoppes

* Sells direct, but considered a retailer, as is Avon
** Considered consumer products
*** More than half of its sales is retail paint

RThought: The question you might ask yourself is not whether the relative ratings are valid but whether the companies listed are a good sampling of retail companies. Woolworth, for example, which was once a major retail company, is still listed on the S&P 500 but has been replaced by Wal★Mart Stores in the Dow Jones Industrial Average.

PERHAPS THE SAT WILL BE FAIR TO BOTH MEN AND WOMEN

RT has reported several times about the bias experienced against women taking the SAT test. One minor improvement, however, has been made: SAT now stands for Scholastic Assessment Test instead of Scholastic Aptitude Test.

For years, the test's known bias against women rendered it unable to measure "aptitude." If the test had truly measured aptitude, why has it always been true that women received lower SAT scores than men but higher grades in school?

No one has ever indicated that professors are biased toward women in distributing grades at college level. And I have never heard the case made that because more college professors are men (I believe this still to be true) they harbor a bias in favor of women. It may be the fact that women are attractive to the the opposite sex; they don't miss as many classes because of participation in intercollegiate sports or because of illness; or their handwriting is better, making it easier to grade their papers. But I still don't believe it.

Getting back to the SAT, here are some important facts.

The Center for Women Policy Studies in Washington, D.C., has now taken up the SAT cudgel, reporting that women have scored 4 points lower on the verbal test than men (if you are a man, do you win many arguments with women?) and 35 points lower on the math test. As a result, 56% of the Merit Scholarship applicants (for which the preliminary SAT is taken) are women, but only 40% receive a scholarship.

As mentioned above, women continue to receive higher grades, but I have been unable to locate any figures regarding their grades, since the figures apparently are not collected on as broad a scale as the SAT results.

Also mentioned above is the fact that women score 4 points lower on the verbal test. You may not be aware of the fact that women used to score higher on the verbal test. The test, however, was *rewritten* in 1972 so that men would score higher. In 1994, the test was once again rewritten because there appeared to be a bias in favor of women. However, it now appears that the test once again favors men — and there is no indication that it will be rewritten.

If you are sufficiently concerned, especially if you have daughters who have yet to enter college, call 1-800-SEX-BIAS for a kit on how you can help.

RThought: *Why do I devote so much attention to the bias between sexes in the SAT test?*

Most importantly, with many *RT* readers having college-age children or grandchildren, a significant number of colleges are still using the SAT results as a key factor in granting admission, but an increasing number of colleges are using a prospective student's high-school performance. The latter should be of benefit to women.

RThought: More and more retailers are using tests for their employees, tests which deal with honesty, selling, ability, etc. Such tests are less "tested" than the SAT, which is taken by millions of students each year, and the SAT is still subject to bias. And most of the tests used by retailers have far less validation in measuring what they purport to measure.

I can just picture the day in this litigious society when an applicant is turned down for employment as a result of an honesty test. The applicant then hires an attorney who points out that his or her client 1) has never had any contact with the law, 2) was a top-ranking Boy Scout or Girl Scout and, perhaps, is now a Scout leader, 3) has handled the church's Sunday collection for the past 10 years, etc., etc.

Such a case could possibly put your company's name on the front page of every newspaper in every town in which you have a branch.

It is imperative that your tests have been well tested.

REACHING IN DESPERATION FOR PROFITS

After reading a notice that the finance charge on J. C. Penney Company accounts would be raised from 1.65% per month (19.8% APR) to 1.75% (21%), I sensed a feeling of desperation at Penney.

The Federal Reserve Board raises its rates by one-quarter of 1%, but Penney raised its rate by 1.2%, almost five times the raise by the government's increase!

But what bothered me most was contained in the following statement:

> Explanation of Late Payment Fee
>
> We may assess a late payment of $10 if we do not receive a required payment within two consecutive billing periods. **You will not be assessed a late fee if you make your payments on time or if you do not have a balance.**

RThought: Was Penney considering a $10 fee if one had no balance on an account?

Is Penney that desperate?

FINE NAMES ARE NO PROTECTION

If I said Bloomingdale's, Macy's, and Burdines, you would say, three fine stores. You would then be as surprised (and, perhaps, as disappointed) as I was to learn that Florida's Attorney General Robert A. Butterworth challenged all three companies because their advertising misled Florida customers. Thus, each company has signed a separate agreement to enhance its pricing disclosure.

What was the challenge?

It was the "regular prices" claimed in their ads, prices each company claimed were regular, even though they never, Never, NEVER sold any of the merchandise at the so-called "regular prices"!

I believe Bloomingdale's, Macy's, and Burdines may have driven away hundreds of customers who do not believe the "regular prices" claimed in their ads.

All three have agreed to include the statement, "Savings are not necessarily based on actual sales," and will limit discount claims to those furniture items which have been offered for sale at a legitimate regular price for a "reasonable" (not defined) amount of time.

RThought: *RT* reported in 1990 a similar action brought by the attorney general of Colorado against May Department Stores Company, which was doing business as May D&F in that state. It has always been my fond hope that the readers of these cases will remember them and avoid similar conduct.

RThought: In fulfilling their agreement, the three companies have also paid a total of $300,000 with which to fund a program for the attorney general to investigate such ads.

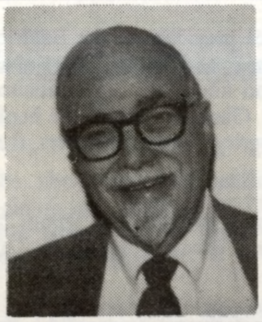
RThought: With Bloomingdale's, Macy's, and Burdines all being part of Federated Department Stores, I hope that Federated has stressed to its other subsidiaries that central management *does not want any more adverse publicity on the honesty of its price comparisons.*

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

SIC Code	Category	JAN. 1996	JAN. 1995	Percentage Change
52	*Bldg Matl Group	$ 8,746	$ 7,983	+10.0%
57	*Furniture Group	10,621	10,153	+ 5.0
571	Furniture Stores	5,286	4,826	+ 10.0
572	Appl, TV, Radio Stores	4,566	4,531	+ 1.0
5941	*Sporting Goods Stores	1,517	1,441	+ 5.0
5942	*Book Stores	1,339	1,243	+ 8.0
5944	*Jewelry Stores	1,137	1,072	+ 6.0
531Pt	Conventional Dept Stores	3,116	2,803	+ 11.0
531Pt	Natl Chain Dept Stores	2,572	2,379	+ 8.0
	Subtotal	5,688	5,182	+ 10.0
531Pt	Discount Stores	10,309	9,231	+ 12.0
531	*Department Stores	15,997	14,413	+ 11.0
539	*Misc General Mdse Stores	4,208	3,912	+ 8.0
541	*Grocery Stores	33,503	32,054	+ 5.0
56	*Apparel Stores	6,906	6,472	+ 7.0
561	Men's & Boys' Stores	746	675	+ 11.0
562,3,8	Women's Stores	1,982	1,892	+ 5.0
565	Family Clothing Stores	2,512	2,272	+ 11.0
566	Shoe Stores	1,148	1,129	+ 2.0
591	*Drug Stores	7,733	6,995	+ 11.0
596	*Nonstore Retail	5,464	5,276	+ 4.0
5961	Mail Order	3,785	3,716	+ 2.0
	**Retailing Today* Total Store Retailing†	107,023	100,371	+ 7.0
	**GAF TOTAL	44,517	41,171	+ 8.0

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information, contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.



RETAILING TODAY

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3 SEPARATE SURVEYS...WITH VARYING RESULTS

Value Retail News (April 1997) published three surveys by three different firms in an effort to measure the "typical outlet shopper."

The interview base for the Horizon Group's survey was not reported, but Prime Retail Centers used 1,000 telephone surveys and 500 "intercept" surveys in five of its markets, for a survey total of 3,500, and Tanger Outlet Centers, a real estate investment trust, interviewed 10,000 consumers at 22 of its centers.

The following table shows the results:

	Horizon	Prime	Tanger	Variance
Median number in household	3.1	2.8	2.0	Significant
Median household income	$50,530	$51,400	$50,923	Insignificant
Median age	43 years	43.2 years	62 years	Insignificant
Married	63%	71%	67%	Insignificant
Retired	15%	18%	16%	Insignificant
Employed full time	59%	53%	58%	Insignificant
Professional/executive	33%	26%	39%	Significant
Average travel time	45 minutes	29 minutes	65 minutes	Significant
Average length of stay	2.5 hours	62 minutes	75 minutes	Significant
Tourists	28%	22%	33%	Marginal
Repeat visitors	58%	60%	67%	Marginal
Number of visits last year	4.2	4.3	3.8	Marginal
Rate shopping visits on 1-5 scale	4.2	4.3	3.8	Insignificant
Estimated savings	—	24%	20-30%	Insignificant
Anticipate returning	98%	91%	88%	Insignificant

RThought: The above results are close enough to conclude that the studies measured the same universe of people. The only significant variances found were the median household, which varied from 2.0 to 3.1, or over 50%; the average travel time, which varied 29 minutes to 65 minutes (I would suspect that the distance from the nearest major city would match the travel time); and the professional/executive, which varied from 26% to 39%, or 50%, and which is probably due to demographics. As for the length of stay, from 62 minutes to 150 minutes, the variance may relate to the size of a center.

RThought: Essentially, the three surveys reinforce each other.

DO MACY'S CUSTOMERS LACK THAT MUCH INTELLIGENCE?

Macy's can't give much credence to the intelligence of its customers! The proof: Macy's San Francisco, as well as Macy's Los Angeles and, perhaps, elsewhere, recently mailed a 36-page, full-color tabloid to its account holders in the area. The headline on the cover:

OUR ONLY ONE-DAY
SALE OF THE SEASON
SATURDAY ONLY, MAY 3

Continued

DO YOUR PART IN BALANCING THE FEDERAL BUDGET

We all want to see a balanced budget — because what we really want is the promised tax cut.

One of the ways in which to obtain a balanced budget is to reduce the U.S. Defense Department allocation. It doesn't take much of an IQ to realize that this reduction will mean fewer people in the active armed forces. Yet, U.S. troops must continue to aid those in need in any part of the world — as we have done since the end of World War II when we became "THE major power." Thus, our major backup strength will be derived from the 2,045,000 people who are in the Army, Navy, Air Force, and Marine reserves and the National Guard. (Our active strength of 3,546,000 in September 1968 was reduced to 1,492,000 in June 1996.)

It will be the same for these reserve troops as it was in 1951 when I was recalled while working for a private business (I had remained in the Air Force Reserve because I thought we had cut back too fast in our defense).

On a Saturday morning in January around 9:00 A.M., I was conducting a meeting of all of the employees — about 100 — in the men's department at Smith's of California, a men's and boys' store, when the telephone rang at the Will Call desk. The attendant who answered the phone called across the room, "Mr. Kahn, it's for you." I replied, "Tell them I'll call back," and proceeded with the meeting. In less than a minute, the attendant once again called across the room, "It's General Jones, and he says that you will answer the phone right now!" With those words, every associate at Smith's knew that I was being recalled. Yes, I answered the phone and, yes, General Junius W. Jones gave me a brief order: "Captain Kahn, you will be in my office, in uniform, by 1200." And he hung up. I had just enough time to drive home, change, and drive the 70 miles to nis office.

Because I was a captain, married but without children, Patty and I could get along on my military pay; but the many reservists who were either corporals or buck sergeants, married and with children, didn't find it so easy. Oftentimes, they were excused from recall because of hardship.

Our tour was 21 months: We opened an air depot at Nouasseur, French Morocco, to support three B-52 groups which could reach Russia from French Morocco in case the Russians decided to take on Eastern Europe. Many of the National Guard and the reservists in infantry and artillery were recalled and sent to South Korea. And a large number did not come home.

NOW COMES YOUR PART IN BALANCING THE BUDGET, IF YOU HEAD A BUSINESS AND PROBABLY WILL NOT BE CALLED.

It is time for you to rethink your responsibility to your associates who may be called, leaving a spouse, children, or aging parents behind. You will benefit from a balanced budget and, perhaps, from a tax cut.

What is your responsibility to loyal associates — loyal both to you and to their country? Should you be sure their dependents receive health care? Should their life insurance continue? Should you make up the difference in pay so that the family will not have to accept welfare? Wnat happens if the spouse is an immigrant and, thus, is ineligible for welfare? What happens if the spouse goes back to work but cannot earn enough to support the children and/or parents with day care (a problem which did not exist when the reservist/National Guard member was at home)?

If you haven't any answers, you can find help by writing to *Retailing Today* to learn what some other companies are doing. Or contact the National Committee for Employer Support of the Guard and Reserve in Arlington, Virginia (telephone 800-336-4590; fax 703-696-1411). Be aware of your competitors' policies.

But the top of the page read, in smaller print:

Shop one day early, Friday, May 2. All stores open 9 A.M.*
Public Sale is Saturday, May 3. Open early at 8 A.M.!*
All stores open Friday and Saturday 'til 10 P.M.!*

The asterisks on the cover were left unexplained; but the same information was repeated on the back cover — this time, however, with an explanation:

Home Stores open regular hours.

Also, in small print on the back cover was the price information:

Prices in effect Friday and Saturday, May 2-3, 1997, unless otherwise noted. Sale merchandise is from specially selected groups unless identified as "all." Sale prices may include reductions taken from regular stock, plus clearance items. Merchandise and selections may vary by store. Stock on hand only. Intermediate markdowns may have been taken. "Regular" and "original" prices may not have resulted in actual sales. Advertised items may be offered in future sales events. Sorry, no mail or phone orders. Clearance merchandise available while quantities last.

The tabloid included six pages of items marked "Saturday Only" and 23 pages of items with no restriction.

RThought: The expression, "'regular' and 'original' prices may not have resulted in actual sales" may be a lesson learned from a $300,000 fine paid to the Florida attorney general by three subsidiaries of Federated Department Stores.

RThought: Would you consider this a one-day sale? Or is this another step to weaken the confidence of the department-store customer in retail advertising?

RThought: One of my associates, who passed through a Macy's during the sale, reported a grossly inadequate staff of salespeople. She wondered why Macy's would be so foolish during its "sale of the season."

WHY FIGHT DEBIT CARDS?

Spence Nilson, in his *Nilson Report*, Issue 641. April 1997 (300 Esplanada Drive, Suite 1790, Oxnard, CA 93030; phone 805-983-0448; fax 805-983-0792) reported that debit-card transactions have increased from fewer than 200 million in 1991 to more than 1.2 billion in 1996 and that banks charge much more for their use than they do on credit-card transactions or bank checks. (Banks have not yet found a way to charge merchants on cash transactions, but you can rest assured that they are working on it!)

Patty and I have had an account with the Bank of America for over 50 years. Some 25 years ago, we converted it over to a Senior Account when the bank promised "no service charge — ever!" We also have a Versatel card which we use solely in lieu of writing checks for cash at either the local supermarket or the bank. We haven't written a "cash" check, as far as I know, since we received the Versatel card, and we seldom use our BankAmerica card since we received an AAmerican (American Airlines) Visa card from Citicorp, because all charges convert to American Airlines mileage.

Although we are pleased with the Versatel card, which produces no income for the Bank of America, the bank wants to now make some money off of us: We received a letter from the bank stating that it had *canceled, without consent*, our Versatel card and was sending us something "much better," a combination Versatel and debit card. Upon receiving this news, I called the bank to tell them how much I disapproved of its arbitrary act, whereupon it consented to send us a new Versatel-only card.

In the mid-1920s, my father was the vice president of the Bank of Italy (the Bank of America's original name) and was in charge of all of its banks in the East Bay (the Oakland side of the San Francisco Bay). It was during the time when A. P. Gianmini headed the bank, a time when the bank showed great integrity. Today, however, that integrity is gone.

In fact, because A.P. was willing to back industrialists whom he believed had skill and integrity, California is what it is today — an industrial state. How fortunate.

RThought: No wonder the National Retail Federation, the International Mass Retailers Association, Circuit City, The Limited, Safeway, Sears, Wal★Mart (and most likely a few others of which I am unaware) have started a class-action suit against Visa and MasterCard — the stores are charged more on a debit transaction than on a credit card, while there is no charge for processing a check.

NEIMAN-MARCUS' REPLY TO AN UNHAPPY CUSTOMER

In the April 1997 issue of *RT*, I reported on a reader and his wife who are frequent shoppers at Neiman-Marcus and who, in fact, had qualified for a first-class, two-week trip to England — all expenses paid! All of the promised expenses were not paid, however, and the couple has had a difficult time being reimbursed for out-of-pocket money.

My reader did not inform me of what finally triggered action, but they received a telephone call from the Neiman-Marcus director of customer programs. It is my suspicion that Neiman-Marcus placed the telephone call after a call from the Better Business Bureau of Dallas, the most recent complaint filed by the couple. I can just imagine the director of the BBB saying, "I don't know what to do with this. In 80 years, we have never before had a complaint against Neiman-Marcus."

Although the call from the director of customer programs was five months late, my reader was informed that he and his wife are receiving a $210 credit on their account.

By way of an apology, the director followed up by sending a letter which stated that Neiman-Marcus is adding two days to a Scottsdale trip they plan to take with their 1996 points. And, at last, the couple was given the direct telephone number of the director! The letter also indicated that copies were sent to the chief executive officer and two other responsible people within the company.

RThought: If I were the CEO of a company which had an unhappy $125,000-a-year customer, *I would want to be the one who apologized rather than having someone else do so.* I would also be inclined to add more than two days to the Scottsdale trip — perhaps a week!

CANADA IS "ACTING" LIKE THE UNITED STATES

An article in the *Ottawa Citizen*, April 8, 1997, presented the following facts, according to Kubas Consultants estimates.

Canada has three major department store companies: The Bay, which is owned by the Hudson Bay Company; T. Eaton's, a 125-year-plus, family-owned department store; and Sears Canada, which is controlled by Sears U.S. In the period 1994-96, combined sales for the three chains declined by 6.4%.

Canada also has three discount chains: Zeller's, which is owned by The Hudson Bay Company; Kmart Canada, which is owned by Kmart Corporation U.S.; and Wal★Mart Canada, which is owned by Wal★Mart Stores, Inc., U.S. In the 1994-96 period, total sales for

'THE WORST CRIME AGAINST WORKING PEOPLE IS A COMPANY WHICH FAILS TO OPERATE AT PROFIT'

Samuel Gompers, Founder
American Federation of Labor

The above was the heading of an article by my friend, Bob Keiningham, publisher of *The Furniture Forum*. The November 15, 1996, issue included Bob's comments, which are reproduced here with his permission.

THE QUOTE FROM THAT OLD LABOR LEADER that I chose to use in our masthead this issue serves to describe a perplexing problem I encounter in my work from time to time, as well as the reason I've fallen so far behind on writing this publication once again.

SINCE NOVEMBER, I've been deeply involved in analyzing the purchase and reorganization of a business that could be acquired by the group I'm advising...for about fifty percent of its depreciated fixed assets.

IT'S NOT A FURNITURE STORE; it's a golf club that was first constructed by the world-famous Fazio Company in 1980 at a cost of ten million dollars, and after losing its original members a ton of money, was sold to a major corporation in 1986 that proceeded to put another ten million dollars into a fabulous clubhouse and other improvements while losing millions operationally.

THIS GOLF CLUB, which includes enough surplus land for a development of six hundred homesites, is virtually a "steal" at the asking price of eight million dollars, but my analysis of the deal has revealed a problem with those who propose to buy it that I find very similar to the most common problem I encounter with some of our clients in the furniture business.

IN A NUTSHELL, their business plan is based on INCREASING REVENUES to cover existing operating costs and debt service instead of DECREASING COSTS to match EXISTING REVENUES.

I COULD GO INTO GREATER DETAIL, but the point is this...that club is losing money, but it has sufficient revenue to make money and service the debt required to purchase it by simply terminating a group of employees who are either superfluous to the club's needs or whose compensation has been increased over the years to much higher levels than are needed to get their particular job done.

IT'S ACTUALLY kind of a "no-brainer," but the resistance to making those payroll adjustments is enormous among the club members who are about to put their money up to buy the place. They're good people, and they want to do "what's right" while enjoying ownership of their club at that "fire-sale" price, but my advice to them had to be... "DON'T DO IT!" ...unless they were prepared to live by old Samuel Gompers' observation concerning the first rule of loyalty to their workers.

I WONDER HOW MANY FORUM READERS have entered 1997 with hope in their hearts towards achieving more sales and increased revenues to shore up a losing operating profit or one that is just marginally profitable.

I WONDER HOW MANY OF YOU are "looking the other way" relative to hard decisions you need to make relative to the kind of tough-minded leadership that produces profits and thus insures the future of employees who are willing to contribute to the business at productive levels of compensation.

IN OTHER WORDS, I wonder how many of you are forcing your costs to fit known revenues instead of trying to push revenues up to meet existing costs to avoid making changes?

AND, I WONDER how many of you who need to reduce costs recognize that you can pour over those P & L's all you wish to, but until you overcome your basic human nature and attack the payroll and wages section of those documents, you're not really going to get much done. Nuf Sed...

THERE IS ANOTHER PROBLEM I encounter almost as frequently as misguided loyalty to nonproductive employees in our industry that demands even greater "tough love" from those who feel responsible to their workers.

THAT IS OUR CURIOUS HABIT of handing over the reins of a sound retail business or manufacturing firm to a new generation of management, then "looking the other way" in the belief that we must "allow them to make their mistakes."

QUITE OFTEN, the result is the destruction of a great company, and it can happen a hell of a lot quicker than most people think!

IT'S A DANGEROUS RATIONALE that I think leads to Mr. Gompers' "worst crime against workers" more often than any other. The successful transition of management from one generation to the next is, in my opinion, the last great challenge and responsibility of any business leader.

IF THAT TRANSITION is pursued with anything less than the same levels of determination, personal commitment, concern, and attention to detail that he or she employed to build the business, they are abandoning their responsibility to the workers, customers, and associates who contributed to their success.

LET'S FACE IT, if an individual is genuinely committed to the ongoing success of a business after they have ceased active participation in its leadership, they need to plan any attempt at a management transition while they are still capable of stepping back into the thing if their plan doesn't work.

IT MAY REQUIRE SEVERAL such attempts before the job is done. That's what I mean about sincere commitment and determination! Anything less is just operating on hope in place of reality.

A LOT OF GREAT BUSINESSES have been lost to nepotism or confused loyalties because the retiring owner or executive involved failed to recognize the shortcomings of a relative or dear associate and put them into a position they simply couldn't handle.

MORE OFTEN THAN NOT, their decision (or lack of decision) that puts someone in "over their head" results in a much worse battering to the ego, self-esteem, and happiness...of the very individual they want to protect or favor... than arranging more effective leadership for the company would have inflicted on them in the first place.

FRANKLY, I BELIEVE THAT SAME REALITY exists in the day-to-day operation of a successful business.

I'M SURE MANY OF YOU have shared my experience of hiring a dear relative or friend into your business because you were excited about helping them enjoy greater success, only to discover that their aptitude, attitude, and capabilities simply didn't fit into any of the "slots" in your operation.

THE RESULTING STRAIN on the relationship, your pocketbook, other members of your organization, and the unhappiness of your relative or friend, can create a most unpleasant circumstance for everyone involved.

MY ANSWER TO IT has become pretty cut and dried over the years...Yes, I've done it more than once...and so have most of you...I try to recognize the problem faster and arrange whatever financial or other support is required to help my friend or relative relocate into something they can enjoy before we destroy our relationship.

IN OTHER WORDS, I'd rather pay them to go find something they enjoy, than to pay them to be a negative influence on myself, members of my organization, or themselves. It's the only method I've found for dealing with my mistakes in judgment relative to folks I love, while maintaining our corporate standards.

RThought: After reading Bob's thoughts, I recalled the many retail companies which are no longer with us. For example:

Ben Franklin Stores
Best Products
Central Hardware Co.
Chess King
Color Tile
Cornet Shops
Drug Fair
Edison Brothers' many subsidiaries
Ernst Home Centers
Jamesway
John Wanamaker
B. Altman's

I could go on with hundreds of names — at least one hundred of these would be discount stores which are no longer with us but which, at one time, were larger than Wal★Mart. Had they sought Bob's advice — and followed it — the retail scene would be much different today.

RThought: As I've said, in Canada, T. Eaton's is in the equivalent to Chapter 11. But, at the same time, it has announced a C$25 million program to find additional salespeople and train them. Eaton's apparently did not recognize in time that one of the reasons it was losing sales was that it was not providing the service that its customers wanted. Thus, many people stopped buying. It's a case wherein management thought that the volume would come while the store saved money for the family stockholders. Volume is not automatic just because it has been entered on the business plan for the coming month, quarter, or year.

Note: If you like the way Bob Keiningham thinks, you can subscribe to *The Furniture Forum* ($180/yr.; 24 issues) by calling 800-227-6152. Credit cards are accepted. Say that Bob Kahn sent you!

MISSION STATEMENTS

Not every retailer has a mission statement. And not every mission statement is, from my perspective, a good one. As a result of this situation, I believe it would be helpful to all *RT* readers if I passed on a couple of good retail statements.

I will begin with Jacobson's Stores, a company with stores grouped in Michigan and Florida. Jacobson's statement must be well accepted by its associates because the company operates within it.

Mission Statement

At every level of the organization, Jacobson's associates will recognize THE CUSTOMER as our primary focus. Reflecting the fact that we share this common priority, our corporate offices and distribution centers will serve our stores, which, in turn, serve our customers.

Our Customers will know the Jacobson's points of difference:
- **A commitment to highly responsive service**
- **Distinctive merchandise of the best quality at a fair price**
- **A visually appealing and immaculate setting**

Our Customers will appreciate our time-tested heritage of mutual respect, personal integrity, and professionalism.

Our Associates will be proud to be part of the Jacobson's team and will be individually recognized, respected, and rewarded.

Our Associates will have a strong sense of empowerment, accountability, and opportunity within the Company, fostered by open and frequent communication.

Our Shareholders will view a stake in Jacobson's as a sound, long-term investment, providing a consistent and meaningful return to investors.

Our Vendors will adhere to defined standards and high ethics.

Our Communities will view Jacobson's as a leading corporate citizen and a responsible employer.

YES WE CAN!
...at Jacobson's

RThought: I like the fact that the duty to the "customer" is set forth first. Without the customer, there would be no retailer. I also like the last thought: a retailer has an obligation to be "a leading corporate citizen and responsible employer."

RThought: Another example of "a leading corporate citizen and responsible employer," who is, I am proud to say, a longtime reader of *RT,* is summarized in the following excerpts from his letter regarding the spring flood which hit Fargo, North Dakota:

> **We thought we were high and dry, even though the river came right up to our house — but the city had to turn off the electricity and gas, so we were told to leave (at 2 A.M.). And when the electricity went off, our sump pump stopped, and the drain tile water came in and filled our basement to the ceiling.... It's quite a mess.**
>
> **We are very thankful we're not really "ruined" like many of our neighbors, and the whole city of Grand Forks. Government help has been real good, as was our industry's. St. Croix called and sent 600 sweaters, Jockey and Enro sent many shirts and shorts, and others, too, I imagine.**
>
> **How's business? Off 40% is all. Our fellows (some call them "associates") came down and moved all the clothing to a higher rack. Didn't need to, but felt better because of it.**
>
> **We're giving a 35% clothes discount for flood victims.**

RThought: Many trade-publication and newspaper reporters — from *The Wall Street Journal, The New York Times, The Los Angeles Times, The Dallas Times, USA Today, Business Week, Money Magazine,* the Associated Press, the Bloomberg Business News, the Green Bay Press, the Mass Market Retailers, and many more — receive *Retailing Today.* So far, all of them have missed the big story in the retail industry: what individual retailers did for their customers, when they didn't even know if their own homes were safe, and what vendors did to assist their customers, the retailer.

After reading about what was accomplished in Fargo, I became even prouder of being in the retail industry!

all three chains increased by 24.0%, mainly because Wal★Mart Canada improved on the former operator, Woolworth Corporation.

Zeller's and Wal★Mart Canada are tied, each with about 44% of the discount-store market.

RThought: These figures may change.

Paul Walters, who was Zeller's chief executive officer during the first two years of Wal★Mart's presence in Canada, held Zeller's volume (although not the profit). Now, Walters is the head of Sears Canada, and Eaton's is in our equivalent of Chapter 11 (see *RT's* "Why So Many Stores End Up in Bankruptcy," May 1997).

From my contacts with Walters, I expect Sears Canada to increase its share of department-store sales. Its share, however, may be somewhat less if Eaton's is acquired by Federal Department Stores or May Department Stores, of which there is some indication in the press.

COMMISSARIES WILL BE EASIER COMPETITION

Prices in the military commissaries are, by law, set at "cost plus 5%." But that will change on cigarettes with the government's 1998 fiscal year (starting October 1, 1997).

The U.S. Department of Defense Inspector General recently reported that the department spent $930 million in fiscal year 1995 on health care and lost productivity from health problems related to smoking. Congress has required cigarettes to be priced at the same prices as in the exchanges, where markup is 20-30% instead of 5%. The additional profit will be used for morale, welfare, and recreation of military personnel, as is a portion of the profit produced by the exchanges, and will provide additional funds for construction in lieu of using appropriated funds.

Consideration is also being given to modification of the law requiring commissaries to sell all of their items at cost plus 5%.

RThought: No estimate has been made of the Department of Defense savings on care of personnel with tobacco-related health problems as a result of higher prices.

RThought: The proposed change appears to be a good method of contributing to a balanced budget.

...AND WERE THE PARENTS MAD!

Zeller's, Canada's second largest discount chain, has filed a $125 suit for "civil damages" against a 13-year-old boy who was caught stealing a candy bar. The boy was not charged with a crime, but Zeller's has claimed that each person caught shoplifting can cost up to $900 (no breakdown was given), according to the *Toronto Star*, April 18, 1997.

The parents, who were especially angry because the store got the candy bar back, have refused to pay, citing a similar 1996 Manitoba case wherein the court ruled that parents are not liable for damages for crimes committed by children without the parents' knowledge, sanction, or consent. The boy's mother likened Zeller's demand to "blackmail or extortion."

The Hudson Bay Company, which operates Zeller's and The Bay department stores, for a total of 400 stores, arrests between 50,000 and 70,000 people a year. And Canada's retail industry reports that it loses up to $7 million a day! (Source not given.)

RThought: In the U.S., many state governments have helped retailers by enforcing penalties against those who issue bad checks. And in some states, we have juvenile courts where peers issue judgment on the young people who have committed offenses.

Shoplifting appears to be the type of offense wherein the juvenile court could require the offender to put in six to eight hours on a weekend, for example, of helping to clean a town park.

Does your town show such imagination?

Should you provide some leadership?

HOW CAN DEPARTMENT STORES BE FASHION LEADERS?

Department stores would be fashion leaders if they didn't run ads like the ones sent to me by a reader who happens to be a buying-office owner. Two of the ads stressed fashions for larger women. The first ad, headed "Clothes that make the women," featured models wearing garments available in sizes 1X, 2X, 3X but with *horizontal, black-and-white stripes.* The other ad, headed "Macy Woman," showed one model in reasonable attire, but the other model was attired in shorts and a top with *large, horizontal stripes, this time, at the waist*, making her look as if she were a defense guard for the 49ers.

RThought: Macy's is doing a good job of convincing large women that they will find nothing at its department stores that will help them to look attractive. On the other hand, May-Robinson, Nordstrom, and others must be wondering how they can thank Macy's for the influx of new large customers. Such stores continue to be fashion leaders because they make a special effort to help women look attractive — and not like defensive guards.

THE DISCOUNT DEPARTMENT STORE INDUSTRY

Women's Wear Daily, April 23, 1997, published a "snapshot" of discount stores:

Company	Number of U.S. Stores
Wal★Mart	2,304
Kmart	2,134
Target	752
Ames	291
Hills	165
Caldor	161
ShopKo	130
Venture	113
Bradlees	109

RThought: While Wal★Mart and Kmart have a combined total of 4,438 stores, note that the next seven — combined — total 1,721! And of the seven "other chains," five are in or are working out of financial troubles.

WHAT MORE RETAILERS SHOULD BE DOING: CONCENTRATING ON THEIR FIELDS OF DOMINANCE

A recent Service Merchandise Company, Inc., press release read, in part:

> **Service Merchandise today announced that it will be exiting the personal computer business beginning May 4. The decision stems from a rigorous analysis of the company's product lines and *evaluations of customer attitudes* of areas in which the company has a competitive advantage. [Emphasis added.]**
>
> **"It is clear from our recent comprehensive customer evaluations that customers give us the 'authority to compete' — that is, a compelling reason to buy from Service Merchandise as a dominant source — in a number of categories," said Gary Witkin, CEO of Service Merchandise. "Personal computers is not one of those areas."**
>
> **"The combination of relevance to the customer, the enormously competitive market, and the slim margins we see from personal computers all contribute to the view that we are better off expanding our offerings of merchandise in which we have demonstrated strong competitiveness," added Witkin. "This is all part of a dynamic, ongoing and basic process to match our offerings to the customers' expectations. At the same time, we seek to maintain dominant category selections which provide returns that exceed the company's cost of capital."**
>
> **Service Merchandise offers an extensive array of fine jewelry and a broad selection of name-brand products for the home. The company operates 400 stores in 36 states....**

RThought: How many retailers have made "comprehensive customer evaluations"? It appears that Service Merchandise has a better knowledge about what its customers expect it to carry, the fields it expects to dominate, and to have competitive prices. Too many retailers have gone into merchandising fields with which they are unfamiliar and often find out — the hard way — that it was a mistake. For example, Meijer's went into the membership warehouse business and then right out of it. Edison Brothers was successful as a shoe retailer, although I don't believe it ever had great success in the menswear business (Zeidler & Zeidler, etc.), and created the first "IBM card in a shoe box system," where every pair of shoes sent from the distribution center to an Edison Brothers' store had an IBM card containing all pertinent information on that particular shoe. When the pair of shoes was sold, the IBM card was mailed back to the distribution center, where a replacement was sent.

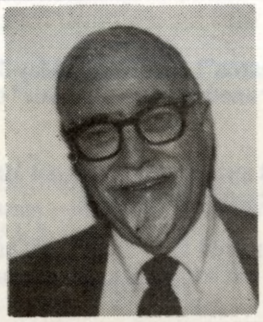
Another example of concentrating in one's field would be that of a successful retail manager: he would not necessarily be successful in another merchandise field.

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

SIC Code	Category	MARCH 1997	MARCH 1996	Percentage Change	Three Months YTD 1997	Three Months YTD 1996	Percentage Change
52	*Bldg Matl Group	$ 11,014	$ 9,776	+12.7%	$ 28,743	$ 26,070	+ 10.3%
57	*Furniture Group	10,929	10,617	+ 2.9	31,252	30,162	+ 3.6
571	Furniture Stores	5,567	5,347	+ 4.1	15,794	14,868	+ 6.2
572	Appl, TV, Radio Stores	4,529	4,396	+ 3.0	13,106	12,817	+ 2.3
5941	*Sporting Goods Stores	1,777	1,732	+ 2.6	4,701	4,492	+ 4.7
5942	*Book Stores	733	726	+ 1.0	2,991	2,805	+ 6.6
5944	*Jewelry Stores	1,244	1,296	- 4.0	3,775	3,742	+ 0.9
531Pt	Conventional Dept Stores	4,416	4,203	+ 5.1	11,205	10,663	+ 5.1
531Pt	Natl Chain Dept Stores	3.148	3.034	+ 3.8	8.388	8.079	+ 3.8
	Subtotal	7,564	7,237	+ 4.5	19,593	18,742	+ 4.5
531Pt	Discount Stores	12,842	11,277	+ 13.9	33,873	30,487	+ 11.1
531	*Department Stores	20,406	18,514	+ 10.2	53,466	49,229	+ 8.6
539	*Misc General Mdse Stores	4,644	4,882	- 4.9	13,034	12,700	+ 2.6
541	*Grocery Stores	34,176	33,147	+ 3.1	97,994	95,959	+ 2.1
56	*Apparel Stores	9,324	8,843	+ 5.4	23,483	22,756	+ 3.2
561	Men's & Boys' Stores	808	756	+ 6.9	2,245	2,139	+ 5.0
562,3,8	Women's Stores	2,677	2,597	+ 3.1	6,843	8,760	- 21.9
565	Family Clothing Stores	3,394	3,181	+ 6.7	8,406	8,037	+ 4.6
566	Shoe Stores	1,717	1,591	+ 7.9	4,177	4,004	+ 4.3
591	*Drug Stores	8,292	7,417	+ 11.8	23,684	21,587	+ 9.7
596	*Nonstore Retail	8,457	8,013	+ 5.5	71,085	69,770	+ 1.9
5961	Mail Order	4,261	3,763	+ 13.2	11,497	10,893	+ 5.5
	**Retailing Today* Total Store Retailing†	110,996	104,963	+ 5.7	354,208	339,272	+ 4.4
	**GAF TOTAL	52,488	49,179	+ 6.7	141,937	133,868	+ 6.0

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information, contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.



ROUTE TO

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APOLOGIA

My apologies to Joe Ettore, president and chief executive officer of Ames Department Stores (and chairman of IMRA), and to Paul Buxbaum, its chairman (and the son of an old colleague).

The June 1997 issue of *RT* included an article on page 3, headed "The Discount Department Store Industry," which compared the number of stores operated by Wal★Mart and by Kmart, the industry's two largest discount department chains, with the number of stores of the next seven largest chains, noting that the latter seven — combined — totaled fewer than each of the majors. In addition, I stated that "*five* of the seven chains were in or were working out of financial troubles," when the sentence should have read "four of the seven chains." Ames does not have financial troubles.

CAN WE LEARN FROM THE AUSTRALIANS?

The June-July 1997 issue of *In Store*, a publication for the 2,000 members of the Retailers Association of Queensland, published an article regarding the Australian Competition and Consumer Commission (ACCC), a commission which does some of the same work that the Federal Trade Commission does here in the United States (but for fewer people — and where often there are no stores — spread over a somewhat smaller land mass than the U.S.).

After an Australian retailer advertised a "cost plus $5 sale" on television sets, the ACCC discovered that the retailer had added about "30% to cover various in-store costs." The ACCC pointed out that a prudent reader would expect the price to be $5 above the "landed cost," particularly when the ad included such emphasis on the cost price as "eliminating the middle man" and "buy direct."

RThought: The retailer was not named, but I'm sure many *In Store* readers recognized the company. I shall watch to see if the ACCC has to take further action to nip this in the bud or if it must bring punitive action.

RThought: On the other hand, Queensland apparently has no solution for the landlords who arbitrarily increase rent about 5% when the CPI has increased only 2%. From the article, I gather that a landlord is claiming that 5% is the "market increase" in rent. An Australian retail consultant recommended that tenants protect themselves by including the clause: "Each party will have its own 'valuer' and the two must come to agreement."

Note: Perhaps this is one reason why there are so few U.S. retailers in Australia.

DOING IT...THE U.S. WAY

The U.S. attorney for the District of Massachusetts and Stop & Shop Cos. have agreed that the latter will pay a fine of $700,000, because Stop & Shop would like "to avoid the uncertainty and expense of further litigation" and will stop the practice of "boosting by 20% the number of scanned items billed to vendors after a promotion to account for potentially erroneous scans just before and after the promotional periods."

The evidence regarding scan billbacks and temporary price reductions was obtained when 60 FBI agents showed up at 7:30 A.M. on January 27, 1995, and took more than 200 boxes of documents. (**Note:** Many FBI agents are either accountants or attorneys — or both.)

In defense, a Stop & Shop officer stated that vendors have been aware of the questionable practice for a year and a half and that the company has not lost any suppliers from the practice. Yet, several Stop & Shop employees were terminated as a result of billbacks and temporary price reductions.

RThought: If the Australian government were to rule on this case, I believe it would indicate, in a gentle manner, that what Stop & Shop was practicing was inappropriate and that it would be best if it ceased the practice.

Continued

DO YOUR PART IN BALANCING THE FEDERAL BUDGET

...Continued

In covering this subject in this box last month, I pointed out that we are continuing to reduce the active-duty strength of our armed forces, partly to reduce expenses and, thus, help balance the budget, and partly because we are now so powerful that we do not need a large military force. Our backup strength will be reservists in the Army, the Navy, the Air Force, the Marines, and the National Guard.

I asked if you had a company policy regarding your loyal associates who are called to active duty at a lower pay than they receive as a civilian. What is fair? What should you do?

Well, it happened faster than I thought it would: The 351st Civil Affairs Command, a reserve unit from California's Silicon Valley, is now in Bosnia!

If the situation in Bosnia turns hot, other reservists and National Guard troops are likely to be there "for the duration," as we would say when on active duty during World War II, Korea, Vietnam, and the Persian Gulf War.

RThought: When I wrote the June item, I never dreamed that a month later I would write about a local unit having been called. Perhaps next month a reserve or National Guard unit in one of your territories will be called. The reserves and the National Guard today are being used to keep peace in the world. (Uncle Sam had my telephone number for 39 years — and I wanted it that way.)

RThought: Although the article did not state how much the government spent "doing it the U.S. way," I hope it was less than $700,000. The Australian way would have brought about the same results — without the fine. Or do Americans need a "make me" action?

PROJECTED REVENUE USING THE INTERNET

The Purdue University's Retail Institute recently projected revenue for retailers on the Internet, and it appears more reasonable than one might expect:

Year	Projected Revenue
1996	$500-plus million
1997	1.1-plus billion
1998	2.5-plus billion
1999	4.0-plus billion
2000	7.0-plus billion

The researchers suggested that one compare these estimates with 1996 catalog sales of about $70 billion. Although catalog sales have been relatively slow, the U.S. Census Bureau reports total retail mail orders are up 179% in 10 years (1986 produced $17,156 million; 1996 produced $47,855 million), a projection which is considerably more than the increase in catalog sales between 1986 and 1996.

RThought: With mail-order catalogs, bank credit cards, fax machines, and telephones, why would anyone want to jump into his or her car, fight traffic, locate a space in a mall's parking lot, walk from the parking lot to the entrance of the mall, perhaps in inclement weather, when everything could be handled in a few minutes from the comfort of one's home?

RThought: Forecasters once said that mail orders would put many stores out of business. They have not. In fact, many new stores have gone into mail order.

IF YOU OFFER CHARGE ACCOUNTS — AND SUPPORT CONSUMER CREDIT COUNSELING AGENCIES — YOU HAVE A NEW OBLIGATION

There are 1,100 consumer credit counseling services throughout the U.S. Sponsored by the National Foundation for Consumer Credit, each local agency is responsible for guiding persons seeking help in paying off their debts and who want to reestablish their credit rating.

BUT HOLD EVERYTHING. The FTC recently mandated a disclosure which states that *financially troubled consumers are to be told that the counseling offices receive the bulk of their funding from the clients' creditors* (i.e., when a debtor enters into an agreement, he or she is also entering into an agreement with the very people to whom the debtor owes money). The debtor may be led into an arrangement which gives the sponsors preferential treatment.

CAN MACY'S CALIFORNIA COUNT?

In the June 1997 issue of *RT*, I questioned Macy's giving much credence to the intelligence of its customers. You may recall that Macy's ran an ad which was headed:

**OUR ONLY ONE-DAY
SALE OF THE SEASON
SATURDAY ONLY, MAY 3**

In the 32-page tabloid, six pages of items were headed "Saturday Only," while the remaining pages were unrestricted, thus, making them available both Friday and Saturday.

Well, so much for the "Sale of The Season"! On Friday, May 30, while watching TV, I saw a Macy ad for another "One-Day Sale" on May 31, from 9 A.M. to 9 P.M.

RThought: Is there any "season" that includes May 3 but not May 31? Does Macy's believe its ads are forgotten so quickly?

I can't be the only person who remembered the ad stating "Only One-Day Sale of The Season" and who was surprised to see another one just 27 days later!

SYSTEMS PEOPLE OFTEN ANTAGONIZE CUSTOMERS: DO YOURS?

The chief information officer of a company, along with his or her information and systems department, is an integral part of running any successful company. However, when the systems people antagonize thousands of customers, something is missing between the company's management and the concept that the CIO's main responsibility is to keep customers rather than to drive them away.

A case in point concerns the new American Express green card that I recently received (perhaps the gold card is handled differently). In order to activate the card, a sticker indicated that I had to call an 800 number. A mechanized voice asked me to enter my 15-digit account number. I did. I was then asked to enter the nine digits of my Social Security number. I did. This time, however, the "voice" repeated the request for my number. I entered it again. It then said, "Your card has *not been* activated." And that was the end of our contact! I called again and went through the same routine with no success. Needless to say, I was becoming frustrated.

Fortunately, I have long since stopped placing reliance on an American Express card. I most frequently use my AAmerican (Airlines) Visa card because it carries far fewer demands: when I recently received my new Visa card and had to phone in to activate it, the mechanized voice said, "You may now use your card."

I tried again the next day to activate the American Express card, but the 24 numbers I had to enter still were not enough to get the card activated. However, this time, I was able to talk to a "human voice." After expressing my annoyance and after supplying the date of my birth, my card was finally activated!

As far as American Express is concerned, I probably represent a generation that it no longer serves! My card includes a few things that I am sure 95%, or perhaps 99%, of the other American Express cards do not:

1. Charter Member (in very small print)
2. Member since 1958

After having it "activated," I tried to remove the "For Your Protection" sticker. Although I have easily removed a number of these stickers from other cards, I had to get my pocketknife out to scrape this one off, and then I used alcohol to remove the remaining adhesive.

RThought: How many 39-year customers is your systems department subjecting to unnecessary annoyance?

It is my impression that the management of American Express failed to teach its information and systems department that its No. 1 priority is to retain — not drive away — customers.

RThought: Do you have systems like the one at American Express?

IT'S AMAZING WHAT ONE CAN LEARN BY READING 10Ks

In reading The Men's Wearhouse, Inc., 10K for the year ending February 1, 1997, I was informed that it had formed, as a subsidiary,

EXTRACTS FROM THE PROPOSED GUIDES FOR U.S. ORIGIN

The following measures — of which senior management should be aware — have been extracted from the *Proposed Guides for the Use of U.S. Origin Claims:*

Definitions

Consumer product **means any product sold or offered for sale to consumers for personal, family, or household use. It excludes products sold to businesses that are for commercial, industrial, or institutional use and that are not intended for resale to consumers.**

Foreign content **means the portion of a product that is not attributable to U.S. costs.**

Input **means any item, including but not limited to a subassembly, component, part or material, that is part of, and is made or assembled into, a finished product.**

Substantial transformation **means a manufacturing process which results in an article's having a new name, character, and use different from that which existed prior to the processing. For purposes of these guides, a good will be considered to have been substantially transformed if (1) it would be considered to be substantially transformed under 19 CFR 134 and the rulings of the U.S. Customs Service and decisions of the United States courts issued pursuant thereto; or (2) it undergoes an applicable change in tariff classification and/or satisfies other applicable requirements set out in the NAFTA marking rules, 19 CFR 102.**

Total cost(s) or total manufacturing cost(s) **means the total cost of all manufacturing materials, direct manufacturing labor, and manufacturing overhead, whether U.S. or foreign.**

U.S. content **means the portion of a product that is attributable to U.S. costs.**

U.S. cost(s) or U.S. manufacturing cost(s) **means those costs attributable to U.S. manufacturing materials, U.S. direct manufacturing labor, and U.S. manufacturing overhead.**

U.S. origin claim means **any claim, whether express or implied, that a product is made, manufactured, produced, assembled, or created, or otherwise originates, in whole or in part, in the United States, or that any work that contributes to the manufacture, production, assembly, or creation of the product is performed in the United States.**

Deception

Section 5 of the FTC Act makes unlawful deceptive acts and practices in or affecting commerce. As set forth in the Commission's Deception Policy Statement...a representation about U.S. origin may be made by either an express claim (such as "Made in the USA") or an implied claim. In identifying implied claims, the Commission will focus on the overall net impression of an advertisement, label, or other promotional material.

U.S. symbols or geographic references, such as U.S. flags, outlines of U.S. maps, or references to U.S. locations of headquarters or factories, may, by themselves or in conjunction with other phrases or images, convey a claim of U.S. origin.

Substantiation

A corollary to the principle of deception is the principle of advertising substantiation.

RThought: You can receive the full FTC's report by telephoning the FTC's Public Reference Branch at 212-236-2222, faxing 212-326-2050; or by the web at www:http.ftc.gov.

SHORT SHORT

Will someone please send a calendar to Bloomingdale's! A friend who has an account with Bloomingdale's recently received a mailing with the notation: "Postmaster: Please deliver between June 5-9, 1997." Now, guess what was offered? "Swim Preview '98"! Honestly! **RThought:** Do you know anyone who is rushing out in June of 1997 to buy swimwear for 1998? **RThought:** Perhaps Bloomies is trying to improve its profit by eliminating its proofreaders in the advertising department! Or could it be the work of a disgruntled employee who was to be laid off at the end of the week?

INSURANCE INFORMATION FOR SENIORS, FOR YOU, AND FOR YOUR ASSOCIATES

For almost 24 years, it has been my privilege to read *The Insurance Forum*, published by Joseph M. Belth, who, for many years, was the only full professor of insurance at a major university.

In April 1997, Belth printed the largest (26 pages) issue in the history of *The Insurance Forum*, partly because he used larger type. The title: "An Insurance Guide for Seniors."

If you are a senior, you especially will benefit from reading this issue. Even if you are not, you will find that much of the information should be passed on to your associates. You can reach Insurance Forum, Inc., at P. O. Box 245, Elletsville, IN 47429-0245; telephone 812-876-6502 (your phone call will probably reach Ann Belth, his daughter and business manager, so tell her that I sent you). Available copies: 1 at $15; 10 at $10 each; 25 at $8 each; 100 at $7 each; 350 at $6 each; and 1,000 at $5 each. Payment may be made by check, MasterCard or Visa.

I suggest that you order at least one copy and review it with your People/Personnel/Human Resource Department (as most of you know, I prefer to call it the People Department). I am sure arrangements can be made if you should want a special extract for your in-house publication.

Major headings include:

- Medicare supplement insurance
- Health maintenance organizations
- Nursing home insurance
- Automobile insurance (for seniors)
- Life insurance
- Annuities
- Pensions
- Insurance policies to avoid
- Three general tips
- Financially strong insurance companies
- Suggested health companies for conservative consumers

RThought: For $15, you will learn a great deal about insurance. And it is written in clear, understandable language! After all, Belth spent many years making insurance simple enough for his students to understand.

ALL DEPARTMENT STORES ARE NOT THE SAME

Women's Wear Daily recently devoted more than two pages to an explanation of the "whys and wherefores" of the decline in the apparel business, particularly the sale of apparel by department stores. Most of the article treated department stores as a generic category of stores.

For a decade, the U.S. Bureau of Labor Statistics has broken down department stores into three categories:

> Conventional department stores, such as Federated Department Stores and May Company
>
> National chain department stores, such as Sears, Roebuck, J. C. Penney Company, and Montgomery Ward (stores which trade under one name throughout the country)
>
> Discount department stores, such as Kmart, Target, and Wal★Mart

The sales figures for the above three categories are available, yet there is constant media coverage of "department store sales"which do not include discount department stores.

In the table below, I have attempted to show that each type of department store has followed a different pattern. The table shows 1) the sales for each type of department store; 2) the percentage change of each for the year; and 3) discount store sales as a percentage of total department store sales. All figures (except percentages) are in millions of dollars.

	1996	1995	1994	1993	1992	1991
Department store total	$245,897	$234,974	$222,992	$104,773	$190,785	$177,297
Percentage change	+4.6%	+5.7%	+8.9%	+7.3%	+7.6%	

	1996	1995	1994	1993	1992	1991
Conventional store total	55,427	54,289	53,596	51,695	51,301	50,648
Percentage change	+2.1	+1.3	+3.7	+0.8	+1.3	
Discount store total	149,985	139,392	128,475	114,814	103,401	92,123
Percentage change	+7.6	+8.6	+11.9	+11.0	+12.2	
National store total	40,485	41,293	40,921	38,264	36,083	34,256
Percentage change	-2.0	+0.9	+6.9	+6.0	+5.3	
Discount stores as a percentage of total	61.0	59.3	57.6	56.1	54.2	52.0

The figures indicate that each type of department store is "going its own way." Discount department store chains have gone from 52% of the total to 61% — and will probably go higher.

National department store chains showed good increases in 1992-94 — but not much recently. The earlier years reflect the changes, including the elimination of mail order, that Mr. Martinez began to make when he took over at Sears.

Conventional department store chains have shown the poorest growth of the three — and probably will continue to do so. Much of the growth has come from the consolidation of companies rather than the growth of companies. In many cases, there has been improved efficiency in logistics, concentration of buying, and in improved use of computers, but not in growth through building new and larger stores, as is being done by two of the major discount department stores.

THE 'SEARS' OF THE FUTURE

The cover of a booklet, entitled *The Great Inflation Surprise*, by John P. Dessauer, also proclaimed, "John Dessauer's Investor's World." Dessauer then went on to modestly claim that this publication has been "America's No. 1 global investment advisory" for the past 15 years.

After glancing at the index, I turned to Chapter 3, "Earn Your Fortune with the Next Sears." Dessauer began his story: "What would you give to travel back to the early 1900s and buy yourself just a little piece of Sears?" [**Note:** Sears was founded in 1896 but did not go public until the early 1900s.] After giving some of the history of Sears, he then embarked on a new path, with the subtitle, "7-Out-of-10 Retailers Will Board Up Their Windows by the End of the Decade." [**Note:** Of course, the current decade ends with the year 2000, which is not that far away.] It will be quite some task to close up "7 out of 10 retailers," but Dessauer, who, himself, is editor, is suggesting that our biggest industry will be boarding up stores.

One paragraph stopped me:

> **I'm sure it comes as no surprise to you that small family businesses will fold by the thousands...unable to compete with the new megastores *that will use every cutthroat tactic ever devised to drive competition out of business.* [Emphasis added.]**

RThought: Is it a "cutthroat tactic" to invest in computers in order to have the right merchandise in stock when the customers want it? Is it a cutthroat tactic to invest in satellite communication between the point of sale and the central computer? Is Nordstrom's dedication to service a cutthroat tactic? Is it a cutthroat tactic to provide parking spaces? Are the continuity programs enjoyed by customers cutthroat tactics?

Returning to Dessauer's comments, he listed the "recent troubles and bankruptcies" as "just the tip of the iceberg" for such companies as Kmart, a company which is on a solid road to recovery and which has seen its stock price double, and Gimbel Brothers, a company which an entire generation may never have heard of.

What is the Sears of the future? According to Dessauer: "Singer"! His reasoning: "Everywhere I travel in the world's developing countries, I see Singer products in use." Just imagine, "164 new stores already in Southeast Asia, alone"! And not a word is said about present volume or profits.

RThought: I am unaware of what is happening in the "other countries" Dessauer mentioned; at the same time, I believe he is unaware of what is happening with retailing here in the U.S.: H.E.B. and Safeway in the supermarket field; Home Depot and Lowe's in the home-improvement field; Pep Boys and Western Auto (Sears) in the automotive field; Walgreen and CVS in the drugstore field, etc.

RThought: His recommended action is to purchase Singer (SEW) stock on the New York Stock Exchange: "This is a ground-floor opportunity too dynamic to miss.... Singer will be the dominant global retailer of the 21st century."

[**Note:** The 20th century investor buys at $20 or less, for 30-40% profits, in the next 12 months, and three to four times that in the next few years!]

I tightened my hand on my money.

Value Priced Clothing, Inc., for the purpose of acquiring on January 17, 1997, the assets of C&R Clothiers, Inc. The 10K also stated that The Men's Wearhouse had entered into a joint venture with a firm that I believe to be the best liquidator in the country, Buxbaum, Ginsberg & Associates, for the purpose of liquidating the remaining 42 Kuppenheimer Men's Clothier stores it had acquired.

All of the names mentioned brought back memories.

The Men's Wearhouse brought back the excellent service I received from a thoroughly qualified salesman who had worked for many top men's stores (all of which are now gone). The TV commercials by George Zimmer are all true — and his "I promise you" is honest advertising.

I thought of C&R's initial IPO. It sold 175,000 shares on August 10, 1972, for $10. The company then sold 150,000 shares and the shareholders sold 25,000. C&R, which stood for Justin Correnti and Paul Reisbord, went public with nine stores in Southern California and sales of about $1.6 million.

Since Reisbord had been an accountant with Price Waterhouse for two years when C&R went public, I have always thought that he was the one who capitalized the advertising and preopening expenses. The shareholders' equity was reported at $480,559, but deferred advertising and store preopening expenses came to $606,020, or $126,000 more than the equity! Thus, C&R was under water (I don't believe the SEC allows that any more).

Buxbaum, Ginsberg & Associates brought to mind my first contact with David Buxbaum (when, I believe, Ginsberg & Associates were not part of the business name). Buxbaum had just liquidated J. Magnin, a previously successful women's chain, because of poor management, after an eastern capital group bought the company and selected a "good" Penney's man to run the high-fashion stores, most of whose customers ranged between 15 and 35 years of age. When David said that he would run the first week of liquidation at 20% off, the manager argued that it was too little, because customers did not come in even when Magnin had offered items at 33% off. Buxbaum had to explain the power of the words "Going Out of Business." The final result of the liquidation was that the total raised was in excess of the book value on the inventory. Imagine! Liquidating with a positive gross margin! Now you understand why I have trust Buxbaum's recommendations.

RThought: Not everyone can take a business public which has a negative, tangible net worth; not everyone can show a positive gross margin when liquidating a business; and not everyone can give the good service that George Zimmer promises. An interesting combination.

But there was also something else in The Men's Wearhouse 10K.

Although it has always been my impression that a particular label meant that the maker of the label manufactured the particular garment, The Men's Wearhouse has entered into license agreements with a limited number of parties, entitling it to use labels such as Pierre Balmain and Vito Rufolo, as well as nationally recognized labels, such as Botany and Botany 500 (carried by Smith's of California when I worked there in 1946-51), two lines of suits between Kuppenheimer and ClipperCraft. In some cases, The Men's Wearhouse buys the fabric and contracts the production.

Despite this knowledge, I still like its experienced salesmen and assortment at a reasonable price.

TRY TO MATCH THIS SAFETY IN YOUR PARKING LOT

In chatting the other day with my friend, Stan Whitman, owner and developer of the Bal Harbour Shops in Bal Harbour, Florida, again, the subject of parking lots came up. For reasons that I won't go into here, Bal Harbour Shops has always charged for parking. People exiting the lot are occasionally incensed when asked for payment by the exceptionally trained personnel. When a patron exclaims that he or she has never paid to park in a shopping center, the attendant will cheerfully say, "Go right ahead. And come back soon."

In the 32 years Bal Harbour Shops has charged for parking, there has never been a car stolen or a serious attack on a customer. Could it be because there is a parking charge or is it *because its security staff numbers 70?*

RThought: With too much frequency, I read of car thefts in parking lots and attacks on customers — most often women, and, too often, involving rape. I suspect that lawsuits filed in the near future will go against the landlords and the tenants (i.e., the center's owners and the operators of the stores and the parking lots). In many cases, both landlord and tenant may plead innocence because the person stealing and/or assaulting is not an employee of either.

RThought: My father, as did his father before him, taught me that the only way you can convert a shopper into a customer is to take good care of the person. If you do a good enough job, that shopper becomes a customer and the store prospers. If the wrong word gets out, particularly on the front page of a local newspaper, "making" customers may come to an end.

WHAT DOES NORDSTROM MEAN BY 'SERVICE'?

The May 30, 1997, issue of the *Loeb Retail Letter* (Loeb Associates, P.O. Box 1155, New York, NY 10018) described Nordstrom, Inc., thus: "...nonetheless, giving service that is beyond the expectations of customers and exceeds the standards of other retailers in the United States and generates a loyalty among customers who repeatedly return to shop."

After reading this quote, I read four columns of a "Notice of Change in Terms" document, in very fine print, from the Nordstrom National Credit Bank. The attorney who wrote the document was apparently unfamiliar with Nordstrom's service policy — after trying to understand its contents, a person will certainly cease to be among the "customers who repeatedly return to shop."

I was confused by the places on the document in which to enter pertinent information:

Name (valid with identification)
Account No.
Signature
Date

At the bottom of the statement: "Sign below and *keep* the Agreement for your records."

I'm to fill out this document, sign it, and then put it with my records? No copy to the bank?

What if I didn't sign it? Would it mean that I am not bound by the changes?

This is the first time I have ever been asked to sign something that the other party has not signed. IT MUST BE A NEW CONCEPT OF "SERVICE"!

An 800 number was listed, so I called it only to hear that Nordstrom was increasing its rates (Nordstrom owns the bank, so all the bank's profit will show up on Nordstrom's year ending January 1998) and that California, along with four other states, will have a periodic rate of 1.65%, or an annual percentage rate of 19.8%. I then dug out an old Nordstrom bill to find out that the old rate was 1.65% — NO

CHANGE! In never having had a late fee applied, I did not know if a $15 late fee was an increase or not. I assumed, however, that it would be a healthy one! (Perhaps Nordstrom will add a line to its income statement headed "Increase in Late Fee Charges," with a footnote about how many people have closed their accounts.)

I found that there was no annual fee. However, I can't imagine a department store account with one! It is apparent that the next time the Nordstrom National Credit Bank sends four columns of "midget" print, it will tell me that it is adding an annual fee, for my own good, and to just sign the form and put it away for my protection.

It appears that Nordstrom overlooked the minimum finance charge: it was 50 cents for all states, but I suspect that the *minimum* is now 50 cents.

Nordstrom also wants me to know that it is going to get the absolute highest number upon which to compute its monthly periodic rate — the average daily balance, including all of the purchases made on or during the current month.

The document also included a "promise to pay." I guess there's no harm in signing a promise that's never sent.

I was tempted not to promise to pay and then to send the bank the unsigned document. Will the bank sue me for failing to "sign and put away" my document?

RThought: Someone most likely received a grand prize for suggesting the "greatest savings of the month": There was no need for Nordstrom to enclose a return envelope, particularly one with postage paid; there was no required handling of the thousands of signed and unsigned agreements returned; and there was no figuring out what to do with the documents where the customers failed to print their names.

RThought: You should be aware of Nordstrom's new "service" because many of you probably have a Nordstrom account — used only to buy items your own store may not carry. (When Patty and I were first married, there were two department stores in Oakland: Kahn's and Capwell's. Patty was told that Kahn women don't shop at Capwell's. That was 52 years ago! Now, both Kahn's and Capwell's and most of those people are gone.)

WORDS — AS ONLY MARK TWAIN COULD EXPRESS

In case you were not among the 1,000 shareholders attending Kmart Corporation's 1997 annual meeting, Floyd Hall, Kmart's chairman and chief executive officer, revived the words of Mark Twain, words which have been missing from retailing for far too long:

> **Do what's right — you'll please some of the people and astound the rest.**

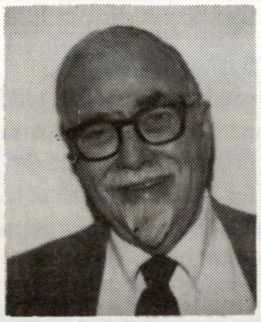
RThought: It would be "right" for retailers to assume responsibility for the safety of customers and their cars when both are in your parking area. If you take such a responsibility, sometime, in your dreams during the next few months, I'm sure Mark Twain will appear and say, "I told you so. You pleased some of your customers and astounded the rest." Let me know if you are among those who heed "the call."

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

SIC Code	Category	APRIL 1997	APRIL 1996	Percentage Change	Four Months YTD 1997	Four Months YTD 1996	Percentage Change
52	*Bldg Matl Group	$ 12,870	$ 11,936	+ 7.8%	$ 41,680	$ 38,006	+ 9.7%
57	*Furniture Group	10,560	10,143	+ 4.1	41,832	40,305	+ 3.8
571	Furniture Stores	5,564	5,209	+ 6.8	21,420	20,077	+ 6.7
572	Appl, TV, Radio Stores	4,265	4,140	+ 3.0	17,342	16,957	+ 2.3
5941	*Sporting Goods Stores	1,880	1,794	+ 4.8	6,474	6,266	+ 3.3
5942	*Book Stores	760	732	+ 3.8	3,777	3,537	+ 6.8
5944	*Jewelry Stores	1,335	1,341	- 0.4	5,090	5,083	+ 0.1
531Pt	Conventional Dept Stores	4,145	4,117	+ 0.7	15,350	14,780	+ 3.9
531Pt	Natl Chain Dept Stores	2.975	3.066	- 3.0	11.363	11.145	+ 2.0
	Subtotal	7,120	7,183	- 0.9	26,713	25,925	+ 3.0
531Pt	Discount Stores	12.198	11.506	+ 6.0	46.043	41.993	+ 9.6
531	*Department Stores	19,005	18,311	+ 3.8	71,648	66,577	+ 7.6
539	*Misc General Mdse Stores	4,605	4,527	+ 1.7	17,646	17,227	+ 2.4
541	*Grocery Stores	32,691	32,177	+ 1.6	130,832	128,136	+ 2.1
56	*Apparel Stores	8,575	9,028	- 5.0	32,082	31,782	+ 0.9
561	Men's & Boys' Stores	779	765	+ 1.8	3,024	2,904	+ 4.1
562,3,8	Women's Stores	2,557	2,732	- 6.4	9,422	9,492	- 0.7
565	Family Clothing Stores	3,132	3,170	- 1.2	11,523	11,207	+ 2.8
566	Shoe Stores	1,499	1,680	- 10.8	5,688	5,684	+ 0.1
591	*Drug Stores	7,820	7,329	+ 6.7	31,493	28,916	+ 8.9
596	*Nonstore Retail	5,792	5,181	+ 11.8	21,773	20,288	+ 7.3
5961	Mail Order	4,226	3,845	+ 9.9	15,877	14,538	+ 9.2
	**Retailing Today* Total Store Retailing†	105,893	102,499	+ 3.3	404,327	386,123	+ 4.7
	**GAF TOTAL	50,171	49,134	+ 2.1	192,169	183,002	+ 5.0

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information, contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.



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WHAT TO DO IF YOU HEAR OF A 'STAND DOWN '97' IN YOUR TERRITORY

Stand downs, the term given to areas where our front-line troops in the Vietnam and Korean wars were sent for a few days in order to be away from combat, offered soldiers "normal" food (not C or D rations), showers, haircuts, clean or new uniforms, reading material, etc., helping each soldier "feel" like an important human being in the service of their country.

Today, if you hear or read of "Stand Down '97," it is a *call for you* to do your part. And if you want to be properly prepared, write, call, or fax me for more information.

The Department of Veterans Affairs estimates that a third of the adult homeless population — about 250,000 — have served in the armed forces of our country and are entitled to help. However, many are not receiving it.

The idea of helping the homeless through stand downs began with two Vietnam veterans in San Diego in 1988 and has since been spread countrywide by the Vietnam Veterans of America. Today, stand downs are manned by hundreds of volunteers who are doing a full weekend of work. Included on duty where needed are doctors and nurses, many of whom themselves are vets. In addition, the National Guards of the various states are pulling duty.

A little help — with clean clothes, three days of good meals, etc. — can certainly contribute to one's self-image. In addition, these homeless veterans may be missing medical support, assistance in kicking drugs and/or alcohol, and training and/or counseling in seeking jobs.

RThought: The homeless in your town are likely to be veterans who are entitled to help that they are not presently receiving.

Be the motivator: If you have a local Veterans Administration office, a chapter of the Vietnam Veterans of America, some National Guard units, and homeless who are sleeping on park benches, on sidewalks, or in the entrances to the stores in your town, you have the makings of a Stand Down '97 waiting just for you to make it real.

RThought: If Target can raise $5 million to repair the Washington Monument, you can support a Stand Down '97.

'THE *HARDER* SIDE OF SEARS'

...was the heading of a *New York Times* article on July 20, 1997. It included an extensive account of what lead to Sears, Roebuck and Company having taken a $475 million pretax write-off as a result of a bankruptcy law violation. Particular emphasis was placed upon the prompt action taken by Chief Executive Officer Arthur C. Martinez to correct the violation as soon as it was brought to his attention.

I could not help but wonder if this violation would have happened had my old friend, Linden E. Wheeler, still been vice president of credit at Sears. In recalling the credit management division of the National Retail Dry Goods Association, of which Wheeler, Bob Kerr of Federated Department Stores, Inc., and Bob Devine of J. C. Penney Company, Inc., were active in teaching "THE LAW" to credit managers of retail companies large and small (and lobbied across the country for better credit laws), I quickly decided Sears could not then have violated the law.

The article suggested that the problem at Sears may have arisen from too strong an incentive-bonus plan.

RThought: Don't ever create an incentive-bonus plan that will tempt someone into shortcutting the law.

RThought: Every plan should definitely include two provisos:

1. Violation of ethics or the law *may lead to termination*; and
2. Action reflecting on the good name of a company *will result in termination.*

WESTPOINT STEVENS PAYS $360,000 TO FTC

WestPoint Stevens, Inc., has agreed to settle the charges of the Federal Trade Commission that it violated the Textile Fiber Products Identification Act by misbranding the amount of pima cotton contained in the linens it manufacturers and sells. The Georgia-based company, one of the largest textile manufacturers in the United States, has agreed to pay the FTC a civil penalty of $360,000

Continued

for its misrepresentation.

RThought: WestPoint has always been a respected name in linens, but the FTC's message indicates otherwise. I can still remember when my mother first bought pima-cotton sheets. Up until that time, I knew only that pima cotton was supposed to be better. I have since learned that the name came from Pima County in Arizona, where, in 1925, the special cotton was developed from select Egyptian cotton, giving it exceptional strength and firmness. Now I know why Mother bought it: three kids can be rough on sheets!

RThought: WestPoint must certainly have known that it was misbranding its products, while you, innocently, were passing the misbranded items on to your customers. Many customers, as well as you and your associates, may have wondered why the sheets did not wear as well as expected. And the customers probably held it against — guess who? — you!

AN ANSWER FOR THOSE WHO CRITICIZE FREE ENTERPRISE

For those who criticize free enterprise by claiming that stockholders should not receive all company earnings but that all earnings should go to the workers, I have some information for you.

One absurd article I recently read claimed that a pile of dollars produced nothing and that only people produced something — so the profit is going to the wrong people. Out of curiosity, I computed 1996 earnings per share and 1996 dividends per share of the stocks making up the Dow Jones Industrial Average. Eighteen percent of the earnings were paid in dividends; the other 82% were retained by the companies and shown on their published balance sheets as "retained earnings." In most cases, long-established companies had a much larger amount of retained earnings than "paid in capital," which is the amount that came to a company at some time from the sale of shares to the public.

Below are a few of the larger retailers who were not listed in the Dow Jones Industrials.

Company	Stock Paid In	Retained Earnings	Ratio Retained Earnings to Stock Paid In
Albertson's, Inc.	$251,919,000	$1,697,355,000	6.7:1
Bruno's, Inc.	42,180,000	387,574,000	9.2:1
Dayton Hudson Corp.	218,000,000	3,348,000,000	15.4:1
The Gap, Inc.	457,944,000	1,938,352,000	4.2:1
Giant Food, Inc.	62,404,000	819,060,000	13.1:1
May Department Stores	124,000,000	4,461,000,00	36.0:1

RThought: Examples could be given where "retained earnings" are an even greater portion of a company's equity.

Samuel Gompers, the founder of the American Federation of Labor, who understood that retained earnings provide the money to expand a company and, thus, provide new jobs, said at the 1924 annual meeting of the AF of L: "The greatest sin a company can commit against a working man is not producing a profit. Without a profit, the working man has no job security."

Because management may have kept a good portion of the profit from the stockholders to be used to expand a company, the company can create additional jobs. In the case of The Gap, retained earnings provided four times as much capital for growth as did all of the money put into the company to buy stock. In the case of Albertson's, it is almost seven times.

Most stockholders would like to see management continue its practice of withholding a portion of the company's earnings so that the company will continue to "grow." Stockholders are then able to see the value of the company's stock increase because their company will continue to increase its sales and its profit.

SHOULD CREDIT-CARD ISSUERS HAVE SUCH AUTHORITY?

Pacific Bell recently started a campaign to stop its current credit card plan and to introduce a new combined calling card and credit card program. In doing so, however, Pacific Bell forgot to first inform its calling cardholders — especially those who have been longtime users of this service. (As you may recall in the June 1997 issue of *RT* — "Why Fight Debit Cards?" — I was incensed when the Bank of America, *without my authorization*, sent my wife and me a new combination Versatel/debit card. I am about to send the material and a complaint to the California attorney general because I have heard too much about what happens to debit cardholders when debit cards get into the hands of a person who knows how to abuse them.)

But getting back to the newspaper article announcing the discontinuance of the combination card by Pacific Bell, it contained the following:

> **...[the] senior attorney with Consumers Union said federal and state law allows companies to *mail unsolicited credit cards if they are replacements for previous cards the customer has already approved.*** [Emphasis added].

RThought: This substandard law was most likely foisted upon the public by businesses which intended to take advantage of their customers.

THE CHANGING RATES OF MARRIAGE AND DIVORCE

The divorce rate hit its peak in 1950 (120 divorces per 1,000 *married* women) and has since constantly declined. Not having heard of anyone who has "observed" otherwise, we must rely on just a handful of figure collectors: in this case, it is the National Center for Health Statistics.

As for the marriage rate (20 per 1,000 *unmarried* women, ages 15 years or older), it peaked in 1946 at the end of World War II. It dropped to about 10 per 1,000 unmarried women in 1960 but has been climbing ever since to a bit over 20 per 1,000 in 1990.

RThought: One such retailer has watched these statistics: Home Depot, Inc., now has a computerized gift register. Have you?

TWO 100-YEAR-OLD CHAINS: ONE FOLDS; THE OTHER SURVIVES

In mid-July, every newspaper in the country touted the demise of the last 400 Woolworth Corporation five-and-dime stores.

On the day it was announced that the Woolworth stores would cease to exist, a local San Francisco Bay Area television station sent a reporter and a cameraman to my office. They spent more than an hour obtaining background information on the five-and-dime store and what had happened. Although there is much in Woolworth's background that would not be of interest to TV viewers (the station's evening news used about only 20 seconds of the interview), its introduction of me, as an "expert on retailing," was the kind of plug I always like!

The background information is complicated for the average TV viewer.

At one time there was great competition amongst three specialty retailers — Kmart Corporation, Melville Corporation, and Woolworth Corporation — to be the largest.

Joe Antonini, then chairman of Kmart (I hope he retired in peace), spent several annual reports pressing Kmart's leadership, as Kmart acquired more and more specialty store chains.

The *1995 Fairchild's Retail Stores Financial Directory* showed the following chains:

Woolworth Corporation
- Kinney Shoes
- Northern Reflections
- San Francisco Music Box Company
- Foot Locker subsidiaries
- Kids Mart
- Holtzman's Little Folks Shop
- Randy River
- Richman Brothers
- RX Place
- Team Edition Apparel
- Mini Shops
- The Bargain Shop
- Vic Jensen's Family Shoes
- Williams, the Shoeman
- Silk & Satin Lingerie
- Champs Sports
- ...and another dozen or two, plus stores in 15 other countries

Melville Corporation (now CVS Corporation)
- Thom McAn Shoes
- Kmart shoe departments
- Marshall's (now part of TJ Maxx)
- Wilson Suede
- Berman's
- Tannery West
- CVS
- Kay-Bee Toys
- Linens'n Things
- This End Up
- Bob's, Inc.
- Foot Action

Kmart Corporation
- Builder's Square II
- Walden Book Company
- Sports Authority
- OfficeMax
- Borders, Inc.
- Meldisco
- ...and 21.5% of Coles Myer, Ltd., in Australia

Since 1995, these competitors have disposed of many of their specialty chains, by sale or by spinoff — the latter, if profitable, and the former, if it were operating at a loss.

A word about chains...

Here is a bit of history regarding the Great Atlantic & Pacific Tea Company, Inc., more familiarly referred to as the "A&P": It was the first retail organization to have $1 billion in sales and also the first to reach the $2 billion, $3 billion, $4 billion, and $5 billion marks (for comparison with a latecomer like Wal★Mart Stores, Inc., which can claim only to being the first at $100 billion in sales and an excellent chance of being first to hit $200 billion in sales).

Woolworth went public in 1914; and in 1927, the year before The Crash, it had the fourth largest weight in the Dow Jones Industrial Average. The index closed at 300 that year, against the current 8,000-plus level. In 1996, Woolworth was replaced by Wal★Mart in the DJIA.

The following table was derived from information contained in a book by Godfrey Lebhar (of Lehbar-Friedman, Inc.), *Chain Stores in America*. (Every retailer should have a copy of this book in his or her library, if one can be obtained.)

Woolworth Corporation

Year	Number of Stores	Average Sales per Store	1911 Adjusted Sales	Percentage Increase Over CPI Change*
1911	596	$ 98,282	$ 98,282	-0-
1921	1,137	129,864	187,719	-31%
1931	1,903	148,536	160,200	-07
1941	2,023	186,430	154,303	+21
1951	1,943	353,125	273,224	+29
1957	2,121	388,211	303,691	+29

A&P

Year	Number of Stores	Average Sales per Store	1921 Adjusted Sales	Percentage Increase Over CPI Change
1911	400	NA**	NA	NA
1921	5,217	$ 38,720	NA	NA
1931	15,760	195,556	32,912	+ 504%
1941	6,170	223,500	31,750	+ 704
1951	4,400	370,809	56,144	+ 660
1957	4,200	1,135,476	62,726	+1,180

* A minus (-) indicates below CPI increase of 1911 over average sales per store; a plus (+) indicates above CPI increase of average sales per store
** Not available

An important column is the inflation-adjusted average sales per store. In the 47 years from 1911 to 1958, Woolworth's five-and-dime stores increased their "real" sales adjusted to 1911 prices, from $98,282 to $153, 504 per store, or about 56%. On the other hand, during the 36 years between 1921 and 1957, A&P's increase was 1,810% over the CPI.

The only difference: A&P changed with the times; Woolworth did not.

When A&P had almost 16,000 stores in 1931, it knew that the stores in the 2,000- to 3,000-square-foot range were totally inadequate, as more and more items were canned or packaged for sale in food stores. A&P subsequently abandoned all of its "little" stores for 5,000-square-foot units. (Do you recall the 5,000-square-foot stores, many with white colonial columns and a red brick front?) Despite the great expenditure to replace its smaller stores with larger ones, when A&P saw the change "supermarkets" were making on the way people shopped, it immediately began to replace its 5,000-square-foot stores with supermarkets — and continued to grow.

TWO 100-YEAR-OLD CHAINS: ONE FOLDS; THE OTHER SURVIVES —*continued*

The result: A&P has survived as a mix of profitable chains, with major positions in the United States and Canada, because its stores are up to date.

Woolworth took a different course: it tried to buy profitable chains; and although it tried to get into the discount store field in the 1970s with its Woolco Stores, it failed. My recollection is that one of the reasons Woolco failed was the fact that it used *variety* store buyers to buy *discount* merchandise. It did not work; and by the early 1980s, Woolworth was selling Woolco stores in the U.S. One buyer was Wal★Mart.

I also recall that during the MRI (now IMRA) Convention in New Orleans in the 1980s I visited an ex-Woolco store in De Ridder, Louisiana, with Sam Walton and Jack Shewmaker. Woolworth built its stores fancier and sturdier than did Wal★Mart, so on our visit we found happy associates and happy customers in that ex-Woolco.

The 130-plus Woolco stores in Canada were sold to Wal★Mart in 1994. At the time, there were three significant discount chains in Canada. In order of volume, they were Zeller's (owned by The Hudson Bay Company), Kmart Canada (owned by Kmart Corporation), and Woolco (owned by Woolworth Corporation). Today, in order of volume, it is Wal★Mart in first place, followed by Zeller's, which is not far behind Wal★Mart, and, finally, Kmart. When last I heard (1997), Woolworth and Wal★Mart were still trying to agree upon the "fair market value of the inventory" which Wal★Mart had agreed to pay.

RThought: This long story should support two rules:

Rule No. 1
A retail format cannot be left relatively unchanged for many years and have a company survive.

Rule No. 2
If a company is open to making changes, and they are the "right" changes, it *may* — but with no guarantees — survive.

These rules could be called The Woolworth Rule and The A&P Rule.

TAKE CAUTION WHEN READING RETAIL ARTICLES IN *THE WALL STREET JOURNAL*

I can forgive a few slips in any publication, but *The Wall Street Journal* article on July 16, 1997, was inexcusable. Its headline read:

Stores' Demands Squeeze Apparel Companies

As one can see from the steps outlined below on "how a designer's profit dwindles as a department store makes demands", as written by *Wall Street Journal* reporters Laura Bird and Wendy Bounds, they — and, apparently, their editor — do not know the difference between gross margin and profit.

1. **Designer X creates a wool women's jacket for fall. Manufacturing cost: $50.**
2. **Major department store orders jackets for $100 each but gets an 8% discount as "good customer." Designer's profit: $42. [The "8%" suggests the terms were 8%, -10/net 30.]**
3. **Designer X and department store agree jacket will retail for $200 — a 50% profit if all jackets sell at full price. But department store demands at least 40% profit; if margins dip below, Designer X must make up difference.**
4. **Designer X delivers jackets a few days late, on wrong hangers and with order numbers on wrong side of box. Miscellaneous charges deduct $5 per jacket. Designer's profit: $37.**
5. **Jackets hit selling floor at $200 but are soon marked down to $150. Designer X must make up part of the difference to department store — either in monthly payments or with discounts on next season's orders.**
6. **Cycle continues next season.**

RThought: Neither of the reporters nor their editor recognized the fact that no provision had been made for the retailer's expenses: rent, payroll, advertising, etc. The only cost the reporters recognized was the $50 manufacturing cost.

The reporters' main source of information was attributed to Jimmy Sheak, president of Jeffrey Ray International, Inc., an apparel manufacturing company. Sheak made the charge that on Seventh Avenue "paying up is the standard cost of doing business with department stores. Not so many people dare to say anything. They will wipe you from the list."

A few other comments were attributed to Beau Baker, former chief executive officer of Beau David, Inc., a small dress manufacturer that Baker sold last year.

One statement, however, was unattributed: "...growth has made giants like Federated Department Stores, Inc., and May Department Stores Co. bolder than ever in putting the squeeze on suppliers."

The reporters also mentioned designer Cynthia Steffe, who recently secured space in Bloomingdale's for a new line, saying that Steffe was required to guarantee the store a "profit margin in the 40s" or make up the difference at season's end. She also had to "kick in $50,00 to help renovate the selling space." Steffe probably told Bloomingdale's that her merchandise is *exactly what the market has been waiting for* — but that was not mentioned in the article.

RThought: My suggestion is the following: Whenever you see a headline in *The Wall Street Journal* that purports to report on some phase of retailing, turn to your old-faithful *Women's Wear Daily.* Reading *The Wall Street Journal's* retail nonsense can cause one's blood pressure to rise!

Although many companies could profit from such a registry, I suspect that they have not done so because 1) they failed to notice the trend, or 2) they believe it's too much trouble.

Note: As for the few companies which now offer a gift registry besides Home Depot, they often handle it poorly. I have learned of couples who have received two, three, or four of the same gift because, with a single registry, the system does not delete an item which has been purchased.

HOW AN ARTICLE STOPPED ME DEAD IN ITS TRACKS

The New York Times headline of an article on June 28, 1997, "Fans Hold Rally to Show Support for Sabre Coach," with the first few words being, "BUFFALO, June 27 (AP) — Jean Knox, widow of Buffalo Sabres founder Seymour Knox III....," immediately stopped me.

Historians of retailing, of which I am one, who spotted the article must have reacted as I did and wondered if the person mentioned was a relative of one of the founders of F. W. Woolworth Company. If one knows the history of Frank Woolworth, originator of the five-and-dime stores, he or she knows that he was a most generous retailer and that he helped many others to get started in the five-and-ten business.

Upon reading the article, I hastened to my library and found *The Woolworths* by James Brough.

I quote from the book:

> **Cousin Seymour Knox owned 98 stores in the United States and Canada, which brought in $13,047,745 a year.**
>
> ***
>
> **Pudgy little Seymour, dressed to the hilt from button-up boots to crisp winged collar, was the smartest of the bunch in Frank's estimation.**
>
> **His cousin had an ability Frank himself lacked — knowing how to enjoy himself as a newly rich country squire with a stableful of harness horses.**

When Frank Woolworth went public, he included all of his friends and relatives, and even the man who gave him his start in retailing, in his original company.

Seymour Knox was on the Woolworth board of directors, and Seymour Knox III was on the Woolworth board and the executive committee through the 1996 annual report in the Fairchild Directory.

From 1912, when Frank W. Woolworth, Fred Kirby, Earle Charlton, Sum Woolworth (a younger brother), and William Moore (who gave Frank Woolworth "his start") formed F. W. Woolworth Company, to 1996 — 84 years later — the name of Seymour Knox (or Junior or the III) appeared as a director. And until a decade or so ago, there was a Kirby on the Woolworth board of directors.

HOW CONFUSED WILL OUR NATIONAL HIRING PRACTICES BE?

Chief Executive, April 1997, included an article, entitled "Welfare Reform: Corporate Style," which dealt with a meeting between President Clinton and 13 chief executive officers. During the meeting, the president said, "Welfare reform, if it is going to work, will need the leadership of the private sector in turning welfare checks into pay checks." Only two of the CEOs were named in the article, one a retailer, Bernard Cammarata of The TJX Companies. The other named CEO, Fred M. Gandy of Goodwill Industries, stated that last year Goodwill did a volume of $1 billion and "placed 26,000 individuals in competitive employment."

Unfortunately, "26,000" is a small number when compared with the problem of welfare reform.

As it stands, about 6 million individuals will be *forced off* welfare after two years (probably fewer because many of those now on welfare will be getting off on their own or will die). There are also an additional 6 million individuals who will be *seeking* welfare. The number of unemployed is a bit below 7 million. To be counted as "unemployed," an individual must have *been* employed. To be counted for "unemployment insurance" (which is funded by employers), an individual must have had a minimum number of weeks in covered employment.

Thus, we have two groups: the 6 million who may *not be qualified to work* (those on welfare or who are seeking welfare) and the 7 million who *do have work experience.*

President Clinton, Congress, and the many others who find themselves in front-page news stories regarding welfare, are concentrating on the 6 million who have to get off of welfare within two years. They are disregarding the 7 million with work experience who are unemployed and who, in most cases, are not receiving welfare. Are not the latter entitled to consideration for available jobs?

I suspect that the president and the Congress may be secretly motivated to transfer the cost of welfare on to the employer. For example, if welfare recipients (those whom the president has asked business to make a special effort to employ) are hired, *the cost of the government program will be greatly reduced.* With employers already paying for many of those who are unemployed but who are seeking employment, the latter will not get the jobs because preference is intended for welfare recipients. Then, the amount most employers must pay into the state unemployment insurance fund will not decrease but *will greatly increase.* In the case of California, the percentage of covered payroll charged to an employer partially depends upon the size of the state's unemployment fund.

As welfare workers are terminated after the minimum work period, they will then receive an unemployment insurance check instead of a welfare check. At the same time, companies will still be urged by government to hire persons on welfare rather than more experienced people who are receiving unemployment insurance (which would otherwise have reduced the employer's charge for unemployment insurance).

RThought: Perhaps a research organization such as the Pacific Research Institute for Public Policy in San Francisco or the U.S. Labor Department will undertake a study of the percentage of those on welfare who will be forced off in two years and the 6-7 million unemployed to determine the percentage of each group 1) having prior work experience and 2) having skills currently in demand.

RThought: I believe priority should be given to the following:

1. Those on welfare with work experience currently in demand
2. Those on unemployment insurance who have a skill that is currently in demand
3. Those remaining on welfare who do not have a skill but who truly want training in order to acquire a marketable skill

RThought: Keep these priorities in mind before getting gung ho behind the plan to increase your expense for unemployment insurance. Remember, hiring a person who's receiving unemployment insurance terminates the drain on your state's fund and protects the size of that fund, which, in most cases, determines the percentage of payroll each employer in that state has to pay into it.

SHORT SHORTS

Every state should *require*, but only Massachusetts and New York *make* charities report the amount of money raised by *professional telephone solicitors.* In New York, charities receive an average of only 38% (some as low as 10%); in Massachusetts, charities received 42%. **RThought:** In more than 30 years, I have never made a commitment over the telephone. I can always tell when a professional (i.e., percentage) solicitor calls or when an organization is using a "percentage solicitor" by sending me a notice to fulfill "my pledge." Percentage solicitors have ranged from the local public television station to the Democratic party in Georgia, often tempting me to forward the "demand" for fulfillment to the appropriate state attorney general.

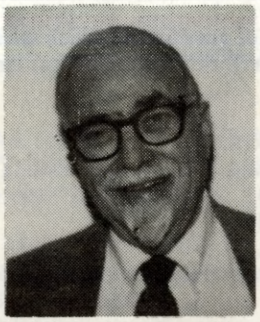
"Big" retailers accomplish "big" acts. Target Stores announced on July 3, which was an appropriate day to do so, that it had raised $5 million for the repair of one the most valuable memorials in the United States: the Washington Monument. **RThought:** Large retailers are not the only ones to accomplish things: small retailers can do the same in their communities. There was a day when one-store retailers did great things for their community. Many received national publicity, such as the Macy's Thanksgiving Day Parade, and others received local recognition, such as making the lap of Santa Claus available for small tots. *What have you done lately* for your town(s) to make it better? People in the area, as a form of a "thank you," will be more than happy to support you by shopping at your store. **RThought:** I would like to hear from you about what you have done so that I can not only applaud it but inspire others to do good.

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

SIC Code	Category	MAY 1997	MAY 1996	Percentage Change	Five Months YTD 1997	Five Months YTD 1996	Percentage Change
52	*Bldg Matl Group	$ 14,153	$ 13,348	+ 6.0%	$ 55,862	$ 51,354	+ 8.8%
57	*Furniture Group	11,166	10,639	+ 5.0	53,064	50,944	+ 4.2
571	Furniture Stores	5,927	5,489	+ 8.0	27,361	25,556	+ 7.1
572	Appl, TV, Radio Stores	4,452	4,323	+ 3.0	21,838	21,280	+ 2.6
5941	*Sporting Goods Stores	1,974	1,876	+ 5.2	8,554	8,162	+ 4.8
5942	*Book Stores	793	833	- 4.8	4,560	4,370	+ 4.3
5944	*Jewelry Stores	1,641	1,746	- 6.0	6,722	6,829	- 1.6
531Pt	Conventional Dept Stores	4,689	4,455	+ 5.3	20,039	19,235	+ 4.2
531Pt	Natl Chain Dept Stores	3.231	3.280	- 1.5	14.594	14.405	+ 1.3
	Subtotal	7,920	7,735	+ 2.4	34,633	33,640	+ 3.0
531Pt	Discount Stores	13.779	12.760	+ 8.0	59.822	54.753	+ 9.3
531	*Department Stores	21,699	20,475	+ 6.0	94,455	88,939	+ 6.2
539	*Misc General Mdse Stores	5,202	5,101	+ 2.0	22,885	22,328	+ 2.5
541	*Grocery Stores	35,444	34,399	+ 3.0	166,136	162,535	+ 2.2
56	*Apparel Stores	9,624	9,436	+ 2.0	41,737	41,217	+ 1.3
561	Men's & Boys' Stores	876	826	+ 6.1	3,899	3,730	+ 4.5
562,3,8	Women's Stores	2,863	2,967	- 3.5	12,303	12,459	- 1.3
565	Family Clothing Stores	3,515	3,278	+ 7.2	15,029	14,485	+ 3.8
566	Shoe Stores	1,717	1,708	+ 0.5	7,418	7,390	+ 0.4
591	*Drug Stores	8,253	7,651	+ 7.9	39,770	36,567	+ 8.8
596	*Nonstore Retail	5,592	5,111	+ 9.4	27,275	25,399	+ 7.4
5961	Mail Order	4,018	3,582	+ 12.2	19,621	18,120	+ 8.3
	**Retailing Today* Total Store Retailing†	115,541	110,615	+ 4.5	521,020	498,644	+ 4.5
	**GAF TOTAL	55,491	53,126	+ 4.5	247,761	236,128	+ 4.9

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information, contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.



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ERRATA

Fellow Certified Management Consultant Burton Nudelman of Portland, Oregon, is so loaded down with work that he didn't read the March 1997 issue of *Retailing Today* until early August! And when he read the article in the box — "The Supermarket Industry Saves the American Way of Life!" — he found a mistake in one of the columns. The 1995 percentage of income spent for medical care in 1995 was shown as 38.4% — *but it should have been 10.5%.* The percentage change of +6.7% and the column total of 100.0% were correct.

Thank you, Burt, for bringing this error to my attention.

WHAT IS A CUSTOMER?

It's amazing how many people in retailing don't know the source and definition of the word "customer."

The following definition was taken from the *Oxford English Dictionary* (I used this dictionary because "customer" first came into usage in about 1450 in England!): "One who customarily purchases from a particular tradesman." The word later was defined as "someone who regularly patronizes a shop or restaurant."

Who enters your store is not necessarily your customer. Some persons would better be described as "cherry pickers," those who come in to buy your lowest priced items (i.e., your loss leaders). The reason that continuity programs have spread so rapidly of late, particularly in supermarkets, is that they discourage cherry pickers and encourage customers: persons who will *customarily* purchase from you.

RThought: Too many merchants believe that anyone who enters a store, even someone who doesn't buy, is a customer. A shopper? Perhaps a cherry picker? Certainly not a customer until he or she comes in again and again and again.

The purpose of a continuity program is to reward the 20-30% whoever enter your store and regularly buy from you. Studies indicate that these are the people who account for 60-80% of your sales, so treat them well. The program is designed to give them the best prices — and sometimes some extra services — and permit you to make a greater profit.

Eventually, that 20-30% can increase in importance, because the cherry pickers get tired of seeing the prices which are available to your best customers and not to them.

ARE YOU FAMILIAR WITH THE FCRA? YOU NEED TO BE

The FCRA, or the Fair Credit Reporting Act, is enforced by the Fair Trade Commission.

SIZE DOESN'T GUARANTEE HONESTY

The Federal Trade Commission has reached agreement with Exxon, a company with 1996 revenues of $134 billion. Exxon claimed in TV and radio ads that its high-octane gasoline had the ability to clean engines and reduce auto maintenance costs.

The FTC complaint, which was filed in 1996, charged that Exxon *did not have a reasonable basis for the claims made in its advertising.* The company agreed to settle before trial, a good indication that it would have had difficulty proving its claims.

Exxon now must run 15-second TV and radio ads featuring an Exxon official who will state that the right octane for most cars is regular octane and that most cars will not benefit from more expensive high-octane fuels. It will also be suggested that car owners check the owner's manual and stop by any one of Exxon's 8,700 stations for a new consumer pamphlet. The ads must run at a time of day when they will reach 75% of the target audience (adults between the ages of 18 and 49), and they will be broadcast in Austin, Baltimore, Baton Rouge, Boston, Charleston-Huntington, Corpus Christi, Dallas, Houston, Nashville, New York, Norfolk, Orlando, Philadelphia, Pittsburgh, Richmond, San Antonio, Tampa, and Washington, D.C.

The FTC's charges in connection with superiority claims are not just with Exxon: Amoco Oil Company, Sun Company, and Unocal Corporation previously settled suits pertaining to unsubstantiated and misleading claims.

RThought: In 1935 I had a 1927 Dodge Fast-4 roadster. But even before I owned this vehicle, I had become a subscriber of *Popular Science* and *Popular Mechanics* (two publications which I still receive) and knew that none of the additives being advertised in 1935 could do what Exxon has claimed some 60 years later. Unfortunately, many people believe these claims, thinking that large companies such as Exxon, Amoco, Sun, and Unocal would *never* stoop to dishonestly advertising!

RThought: I worry about shoppers who *believe* that large retail companies would never permit dishonest advertising, particularly ads emphasizing the "regular" price of an item. I have seen too many cases where a state attorney general or the FTC has proven that "big" retailers have also run dishonest ads.

The FCRA gives a consumer or an employee-applicant an opportunity to learn the contents of any credit report that is *used to deny* credit or a job. It includes being told that the denial was based upon a credit report and that the person involved must be provided a copy of the report, without charge, as well as the information contained in the report that was the basis of denial. The applicant is allowed to correct any information in the report.

Continued

In the early 1990s, the FTC took action against national employers. Presently, it is studying regional employers. The most recent of those reaching agreement with the FTC are two food chains: Aldi, Inc., and Bruno's, Inc. The FTC stated that both companies had denied applicants their right to see the full report upon which a job was denied. (The same right is given to applicants for credit.)

If a company enters into a consent agreement, any future violations of the FCRA may result in a civil penalty of up to $11,000 for each offense.

RThought: Most non-credit businesses, such as supermarket, discount, and drug chains, are not familiar with the FCRA. It is unfortunate, since the FTC provides a free brochure, entitled "Credit Reports: What Employers Should Know about Using Them." You may want to call the FTC's Public Reference Branch at 202-326-2222 for a copy. By doing so — and requiring that the proper executives study it — you may save yourself $11,000 or more!

MONA ASKS THE GOOD QUESTIONS LIKE A CEO SHOULD

Mona Doyle, publisher of *The Shopper Report*, is able to ask questions important to retailers because she draws panels from a total of 5,000 "experienced" shoppers.

For example, Doyle's November 1996 issue queried safety-seeking shoppers. It is my hope that many retail chief executive officers read her report and benefit from it, because most CEOs never query people who enter or leave their stores — some of whom are shoppers and some of whom are customers (see "What Is a Customer?" in this issue). Customers are the key, because, if the CEO does not provide what they want, they may stop coming to the store "by custom or habit" and may become cherry pickers.

The safety seekers' demographics and the percentage of the panel classed in each group were reported as follows:

Female	49%
Male	41
Under 31	47
31-49	46
over 49	53
Lower income	36
Middle income	50
Higher income	48
No children at home	53
Children at home	45

Note that all categories are concerned about safety when shopping. Had Doyle surveyed CEOs as to the safety concerns of their shoppers while in their stores, it would be my guess that the CEOs would estimate that only 20% of their customers are worried about their safety. The survey, however, shows that between 36% and 53% are concerned.

Now, for some of the questions that were asked.

When asked if they would prefer to have a bagger accompany them to their cars after dark, 39% of the safety seekers agreed strongly, but only 14% of those who are less concerned about safety agreed.

As to the question of whether tamper-resistant packaging is a big step toward safety, 59% of the safety seekers agreed strongly, against only 24% of the others, a significant difference.

The following results are from a series of questions in which safety seekers strongly agree on where they prefer to shop and what they prefer to see:

Bright lights in parking lots	75%
Clean parking lots	56
A police presence	42
TV surveillance cameras	38

If any *RT* reader provides all four of these safety features, please let me know.

RThought: What you know about better safety — but do not apply — may work against you. (Some time back I clipped an article regarding a suit against Wal★Mart Stores, Inc., in which the plaintiff's attorneys, in their discovery process, learned that Wal★Mart had tested certain safety steps, such as security patrols in golf carts, better lighting, etc. It was found that there were fewer incidents in Wal★Mart's parking lots during the times that these procedures were being followed. The defendant, however, did not install such security services. I have yet to see the outcome of the case.)

RThought: If you want to know what shoppers think, contact Mona Doyle at The Consumer Research Network, Inc., telephone 215-235-2400; fax 215-235-6967. Say that Bob Kahn sent you and ask how you can subscribe to *The Shopper Report* or, better yet, consider using panels from her 5,000 experienced shoppers to supply you with information about *your* retail business.

I believe the formula which applies in this case is: The more attention you devote to the safety of shoppers, the more attention shoppers will devote to you. The more customers, the more profitable your business.

LET'S HOPE YOUR BANKER IS SMARTER THAN A QUOTED MICHIGAN BANKER

The cover story in the August 1997 issue of *ABA* [American Bankers Association] *Banking Journal*, entitled "In Debt and Loving It," quoted Gus Patterson, a Michigan banker as saying, "You just can't believe the down-and-out people I see in court who have gotten $30,000, $40,000, even $50,000 worth of credit card lines. They run them up, and when the card limit runs out, they file for bankruptcy."

But more bothersome to Patterson are the folks who run up debts in pursuit of a lifestyle they can't afford. He sees them as "a cunning bunch who exploit a liberal bankruptcy law when things get too hot." Patterson apparently forgets who sends these folks countless letters approving them for unsolicited credit cards, many with credit-line limits of $10,000 or more!

What I find bothersome are bank officers who give away their bank's money in the form of credit cards. I often hear of people who buy cars, start businesses, etc., using eight or more such credit cards!

RThought: Applying some of Patterson's thoughts, you might ask your banker what the loss percentage is on the credit cards issued by the bank. If it is more than 1%, do business with another bank. Forget the little guy with a $30,000 or $40,000 line of credit. If your bank should file for bankruptcy when you are counting on your million-dollar revolving line, your problems will become horrendous.

REPORT TAKES CHEAP SHOT AT RETAILING

Jane Applegate, a correspondent for Bloomberg Small Business, which airs on the USA Network, writes a column run in a number of newspapers, including my local paper, the *Contra Costa Times*.

MEMORIES OF 20 YEARS AGO: TALBOTS, INC., HINGHAM, MASSACHUSETTS, AND NANCY AND RUDOLPH

An article in *The Wall Street Journal*, July 9, 1997, headlined "Talbots Changes Staff and Pledges a Return to Its Classic Styles," brought back memories.

I worked with Talbots, Inc., 20 years ago. Rudolph Talbot had just retired from the company, but Nancy, his wife, was the general merchandise manager.

Let me give you some history.

Rudolph had a degree in philosophy from Trinity College, while Nancy had majored in government at Radcliffe. Their college days, however, were well before D-Day, plus 14, when he was an intelligence officer with a fighter wing and she was a volunteer with the Red Cross. On that day, at a bit after 4 A.M. in a Red Cross stopping-place, Nancy gave Rudolph a cup of coffee — and they began to talk. They were married in October 1945.

Although it was not the start of a retail store in the Talbot family, it was the start of a team. Rudolph's father had a Johnny Appleseed franchise when Rudolph and Nancy married. With his father's passing, and his brother and sister not wanting the store, two true amateurs took it over: Rudolph once had been a stock boy at Jordan Marsh and Nancy had worked in Macy's personnel department.

The couple bought the franchise out from Johnny Appleseed and decided to specialize in the traditional women's apparel worn by students at prestigious New England colleges for women. Nancy, aiming at women ages 35 to 55, was aware that many of them preferred these conservative fashions. She was also aware that many of the women from these colleges were married to rising young executives in Chicago or Dallas or, perhaps, to a rancher in Montana and were unable to buy such garments. Thus, Talbot's mail-order business came into being, followed shortly thereafter by its red-door stores.

The formula worked so well that the company was eventually sold to General Mills — not part of its conventional breakfast cereal! — and Rudolph retired.

At the time I worked with the company, Bill DeJonge was president and, as mentioned, Nancy was general merchandise manager. When I arrived in Hingham, Massachusetts, for the company's long-range planning conference, I was impressed by the guiding quotations Bill used to lead into it:

> "Cheshire Puss," she began, rather timidly, as she did not at all know whether it would like the name: however, it only grinned a little wider. "Come, it's pleased so far," thought Alice, and she went on. "Would you tell me, please, which way I ought to go from here?"
>
> "That depends a good deal on where you want to get to," said the cat.
>
> "I don't much care where...," said Alice.
>
> "Then it doesn't matter which way you go," said the cat.
>
> "...so long as I get somewhere," Alice added as an explanation.
>
> "Oh, you're sure to do that," said the cat, "if you only walk long enough."
>
> Lewis Carroll
> *Alice in Wonderland*

> "In the main, our competitors are acquainted with the same fundamental concepts and techniques and approaches that we follow, and they are as free to pursue them as we are. More often than not, the difference between their level of success and ours lies in the relative thoroughness and self-discipline with which we and they develop and execute our strategies for the future."
>
> Dick Neuschel
> *The McKinsey Quarterly*

> "Strategic planning does not deal with future decisions. It deals with the futurity of present decisions. The question that faces the strategic decision maker is not what his organization should do tomorrow — it is what must we do today to be ready for an uncertain tomorrow."
>
> Peter Drucker
> (unknown source)

The control of Talbots eventually passed from the breakfast food company to Jusco, a Japanese retail company which owns 63.4% of the company.

In the meantime, Talbots drifted from its original specialty, yet graduates of Smith, Vassar, Radcliffe, and many other women's colleges — most of which, as you know, are now coed — still prefer traditional women's wear. And although many women may still marry a rancher in Montana or an executive in Chicago or Dallas, they also prefer the classic garments.

RThought: I can understand Talbots adding petite-size stores (my wife is thankful) and children's stores, but I doubt that Nancy would have wandered from the classic styles into the little "too casual" and the little "too young" line of merchandise that the company has now admitted was a mistake. Perhaps, with staff changes and a return to classic styles, Talbots will remain a favorite with many women throughout the United States.

SHORT SHORTS

Did Wal★Mart reach Sam Walton's $100 billion goal? I'm not sure. In preparing a talk about reaching $100 billion by the June 2000 annual meeting, Sam scratched out a few numbers on a piece of paper. By figuring the number of square feet in his Wal★Mart stores (but not including his supercenters), he calculated that sales would reach $400 per square foot by 2000. At the time of his prediction, and with Wal★Mart's sales at $65 billion, Sam turned to Al Johnson, then head of Sam's Club, and said, "Can you do $35 billion?" Al and his crew yelled back, "Yes, we can!" Last year's annual report, however, did not disclose the sales per square foot: some trade-press articles indicated that it was just below $400 per square feet (which may have included supercenters), or that Sam's Club did about half of the $35 billion. **RThought:** I believe the success of the supercenters must be attributed to Wal★Mart's present management. **RThought:** Sam never estimated $5 billion in international sales; and now, the international division plans for $10 billion in 1997.

CONSUMERS UNION'S EGO DRIVES ME CRAZY

When the August 1997 issue of *Consumers Report* arrived, a card fell out saying:

If you're an expert on...

Airfares • Air-conditioners • Air fresheners • Anti-lock brakes • Attorneys • Baby food • Banks • Batteries • Beaches • Beer...Weight control

...you need not reply.

With 73 items listed in total, perhaps it should have continued: Otherwise, you should subscribe!

Incidentally, the address label used for my subscription included the word "LIFE," indicating a life membership. In fact, there are few readers who have followed Consumers Union for over 65 years. I was a reader of *Consumers Report* when it split off from F. J. Schlink and *Consumers' Research* (which has continued as *Consumers' Research* although it is under different ownership). I recall that with so little money in the early 1930s, Consumers Union was founded as a co-op.

Why should I be interested in subscribing when I am already a life member?

The founder, of course, no longer receives credit on the magazine's masthead, but looking at the masthead today certainly makes one believe that everything in the publication is due to its president, Rhoda H. Karpatkin. Even the elected directors, including the chairman of the board, are hard to find after some 300 names, starting with Karpatkin and ending with Programs Manager Rehva Scotman.

As for the August issue, the cover featured "Rating the Supermarkets," claiming that it had rated 35 chains. When I turned to the article, I noted one section entitled "One Area's Shopping Choices: A Snapshot of Grocery Competition." A reporter was sent to East Stroudsburg, Pennsylvania, for a one-day shopping expedition at a new Wal★Mart Supercenter, which competes with a fairly traditional Weis supermarket across the street and others. The reporter also visited a Sam's Club in a nearby town.

The ignorance of this reporter and of *Consumers Report* appears in a statement regarding Sam's Club: "We were forced to buy large sizes." Forced!!! In all my years, I have never seen anyone at Sam's, or any other store for that matter, who was ever forced to buy anything! Isn't the reporter aware that Sam's is not a supermarket? Sam's is a membership, cash-and-carry wholesaler, serving businesses and individuals, just as Sol Price conceived Price Club when he started his warehouse club business in San Diego. If an employer is a member, his or her employees may become members. Or if individuals are members of certain organizations, they may become members.

A vast majority of restaurant needs — from paper napkins to food — may be purchased at Sam's. Restaurant owners and caterers often drive their vehicles to Sam's, load their purchases onto a large cart, charge the goods to their account, load them into their vehicle, and drive back to their place of business — spending less than they would have at restaurant supply distributors. Those who are responsible for supplying cigarette vending machines often purchase cartons of cigarettes at Sam's — at a price lower than that of cigarettes from the manufacturers. Many gas stations, usually independents, purchase their tires through Sam's — at a price lower than they can buy through the normal channels.

Patty and I usually purchase six to eight 18-pound packages of Cat Chow at Sam's for about half the price Lucky Stores charge. (We have two permanent cats, Josette and Goldie, one regular visitor, Whitey, an occasional skunk, and two to eight raccoons, depending upon how many little ones!)

In the office, we often find Sam's prices for office machines and supplies below those of Office Depot.

But getting back to the article, the Consumers Union reporter could not reduce herself to asking questions and getting facts when she found she could not buy small sizes. She would have been told, of course, that no family buys all of its food items from Sam's. Sam's is *not* a supermarket!

As for the report on the Wal★Mart Supercenter, Sam Walton, now at peace, will be happy to learn that the greeter did what was expected and that an associate, when asked where the ketchup was located, walked the shopper [reporter] to its location.

Sam set rules many years ago. However, the reporter's comment, "Aggressive pricing on food is used to draw shoppers to more profitable soft goods sold throughout the rest of the store," is incorrect. For example, with higher sales per square foot in the food section, the gross margin dollars per square foot are higher in the supermarket section than, say, women's apparel. Without doing an extended analysis and without figures available, I ask that you take my word over the reporter's, who, quite obviously, knows very little about retailing.

Let's leave the inept reporter alone and go to the ratings of the 35 supermarket chains. The ratings ranged from 83 to 70 (and excluded the five lowest). Generally, the ratings were good.

Publix (in the South) and Raley's (in the West) have the top ratings, ratings which are most likely fair. It is gross injustice, however, to apply a single rating to a chain operating 833 stores (Albertson's) or 1,052 stores (Safeway). For example, the report implied that all 1,052 Safeway stores are unable to keep their specials in stock. Likewise, it is inconceivable that all 1,139 Winn-Dixie stores carry poor produce. Karpatkin's organization needs to rethink its policy of damning thousands from a small sample.

As the August issue is read nationally, do you suppose its readers will tell Grand Union that its stores have courteous employees or that Randalls' prices are good? I think not. On the other hand, a reader should tell his or her store manager that the employees are rude or that the prices are too high, according to *Consumer Reports*. In some towns, a chain may have the lowest prices or may match competition; thus, a reader may, based on his or her own store, consider *Consumer Reports* to be inaccurate.

The magazine could have indicated the number of stores sampled out of the 11,912 which were rated. I would guess that it shopped fewer than 3% (357) of the stores.

Applegate's column of August 10, 1997, entitled "Manufacturers Rag on Retailers for Stiff Fines," quoted John Metzger, founder and chief executive officer of Creditek, a financial services outsourcing company based in Parsippany, New Jersey. Metzger reportedly said that U.S. retailers have grown so huge through consolidation that it's difficult for a $10 million clothing company to do business with an $80 billion retailer.

There is just one problem with Applegate's story: no retailer has reached $80 billion by consolidation. And the only retailer to pass $80 billion is Wal★Mart Stores, Inc. (its largest acquisition was the failing Woolco chain in Canada that was doing a few billion dollars).

If Applegate knew anything about retailing, she would have known that the formal concept of partnering with vendors began between Procter & Gamble Company and Wal★Mart and that the concept has since been copied by many large retailers. (When I was associated with Wal★Mart, it had partners doing less than $10 million — and most of the vendors were happy to be partners.)

RThought: Applegate owes an apology to her readers for including Metzger's quote, one which should never have been repeated but perhaps was prompted by *The Wall Street Journal* article criticized by *Retailing Today* in its August 1997 issue ("Take Caution When Reading Retail Articles in *The Wall Street Journal*.")

WHAT NEW ZEALAND RETAILERS ARE TOLD ABOUT U.S. RETAILING

The lead sentence was: "Retailing, U.S. style, continues to be a battle ground for the consumer dollar without too many clear winners."

Commenting further, the author said: "Even in the more affluent areas, casualties are evidenced by empty stores in many of the major malls." (Haven't we always had some empty shops?)

He then stated: "Factory shop malls have become a force" and that department stores are "still relying on 25% discount, and in some cases 50% at weekends, to attract customers." (Is he aware that the advertised discount price may really be the regular price?)

He continued with: "However, there are still losers as there are winners and the secret exists in innovation, change and being a dynamic provider of customer service." (He mentioned the "infamous Frederick's [of Hollywood]" but apparently has not learned about Victoria's Secret.)

He then reported that the cost of closing a sale may have been far too high: "It took 13 minutes" to have a $10 sale rung up. (If accurate, he should have left the item on the counter or the floor and left the store.)

However, he did make this sound observation: "Retailing in the U.S. has little *respect for the customer's time*, and this is building resistance amongst consumers." (Emphasis added.)

Another U.S. shopping frustration: "The lines at each of the five checkouts in a Target store were up to 12 people in length. The controller called for staff three times while I waited in the express lane (I was only spending $5), for 15 minutes. Only when staff were called by name did they stroll forward to open their checkouts and reduce the growing pressure on those already open." (Need I say more?)

Another disappointment: "The demand for management data will destroy retailing if retailers don't learn to balance their own needs for data against transaction speed and the value customers put on their own time."

However, not mentioned until the end of the article was information about the author. He is John Wren, and his New Zealand firm assists companies in improving their customer service.

RThought: Should you want to contact Wren, his telephone number is 011-64-9-576-0445. Keep in mind that New Zealand time is 20 hours ahead of Pacific time and 17 hours ahead of East Coast time.

SHORT SHORTS

Comparison shopping: As a member of both Costco and Sam's warehouse clubs, I receive their monthly publications. I must say, however, that I spend the most time reading the *Costco Connection*. Not only is Costco's publication more informative, but I have also learned that Costco is better informed about the California sales tax law. Membership fees are the same for both clubs, but Sam's charged me California sales tax and Costco did not. Curiosity got the best of me, so I called the California State Board of Equalization, which administers the California sales tax, and was told that there is *no sales tax charged on a $15 membership*, although there is on higher-cost memberships. I passed the information on to Sam's, as a good member, but received neither a thank you nor a refund of past sales tax charged! **RThought:** What would have you done?

Another step toward Mervyn's becoming a "Target with credit." A recent *Oakland Tribune* article reported that Mervyn's president, Paul Sauser, retired with no stated reason. He will be replaced by Bart Butzer, who has been with Target Stores since 1983 and who most recently was one of its regional vice presidents. **RThought:** Is Mervyn's equal to a Target region?

Trade associations perform many deeds. as well as trying to make money for their members. The International Mass Retailing Association does much more than lobby against an increase in the minimum wage or in favor of keeping lower cost goods from entering the country. During the 1996 Christmas season, for example, 50 members of IMRA, both vendors and retailers, worked with the One-by-One Foundation to ensure that 300 economically and socially deprived children in the Washington, D.C., area would have a happy holiday. IMRA has committed itself to repeat this effort again this year and in 1998! **RThought:** If you are a member of IMRA, ask the headquarters about how you can do the same in one or many of the towns in which you have stores. I guarantee you a wonderful feeling on December 26! **RThought:** Please let me know what you have done extra. *RT* likes to spread the word of good works.

Another retailer does a good turn. For the first time, Shopko Stores, Inc., in its 18th annual charity golf classic, passed $1 million! The total, $1,100,514, will be distributed to the Special Olympics in the 15 states in which Shopko operates. The first tournament in 1980 saw just 100 golfers raise a total of $3,000. **RThought:** Just because your first effort doesn't produce a million dollars, don't give up. We all grew up saying, "If at first you don't succeed, try, try, try again."

If franchisers seek out retired military personnel to operate 7-Eleven stores, Mr. Rooter, The Coffee Beanery, and other such companies, do they know something retailers don't? Or do retailers already seek retired military personnel? **RThought:** As the strength of the active Army, Navy, Air Force, and Marines is reduced over the next five to ten years, a lot of good people will be leaving the service before the mandatory 30 years. Many have outstanding leadership skills which are applicable in retailing. If there are military bases near your stores, have your store managers contact the personnel offices in order to sell those who are retiring on the good values of your business.

If the FTC was able to get the RJ Reynolds Tobacco Company to sign an enforceable agreement to replace Joe Camel advertising because the FTC believes it has caused substantial injury to children and adolescents, to agree to educational messages discouraging persons under the age of 18 from smoking, and to report to the FTC data on its share of the underage market, could the FTC devise similar rules against retailers who misrepresent "comparative" prices in advertising on the basis that although not fatal they are dangerous to a citizen's pocketbook???

WORDS — FROM A POET

In this year when the National Retail Federation, the International Mass Retailing Association, and other trade associations are focusing on the conversion of shoppers to customers (persons who patronize a store by habit or custom), every retailer should be distributing Edward Guest's well-known poem:

If I Possessed a Store

If I possessed a shop or store
I'd drive the grouchers off my floor,
I'd never let some gloomy guy
Offend the folks who come to buy.

I'd never keep the boy or clerk
With mental toothache at his work,
Nor let the man who draws my pay
Drive my customers away.

I'd treat the man who takes my time
And spends a nickel or a dime
With courtesy and make him feel
That I was glad to close the deal.

Because tomorrow (who can tell?)
He may want the things I have to sell
And in that case how glad he'll be
To spend his dollar all with me.

The reason people pass one door
To patronize another store,
Is not because the busier place
Has better shoes, or gloves, or lace.

Or lower prices, but it lies
In pleasant words or smiling eyes,
The greatest difference, I believe,
Is the treatment folks receive.

RThought: I thought of this poem when I read an article in *Women's Wear Daily* entitled "Sears' Survey: Stores that Satisfy Customers Glean Higher Sales." The article quoted Sears' chief executive officer, Arthur Martinez: "After studying the top stores, the chain has found a correlation between high sales and high satisfaction."

Edward Guest (1881-1959) knew what it takes to satisfy customers when he wrote his poem. So did Marshall Field when he said, "Give the lady what she wants." Sam Walton also knew it, often saying, "Give the customer more than she [he] expects."

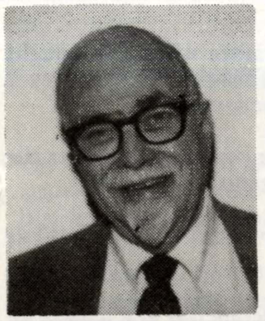
(**Note:** A special thanks to John Roscoe and Jay Chapman of The Customer Company for locating Guest's poem.)

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

SIC Code	Category	JUNE 1997	JUNE 1996	Percentage Change	Six Months YTD 1997	Six Months YTD 1996	Percentage Change
52	*Bldg Matl Group	$ 13,695	$ 12,692	+ 7.9%	$ 69,596	$ 64,246	+ 8.3%
57	*Furniture Group	11,014	10,507	+ 4.8	64,117	61,451	+ 4.3
571	Furniture Stores	5,781	5,382	+ 7.4	33,179	30,948	+ 7.2
572	Appl, TV, Radio Stores	4,478	4,299	+ 4.2	26,319	25,579	+ 2.9
5941	*Sporting Goods Stores	2,147	2,010	+ 6.8	10,684	10,172	+ 5.0
5942	*Book Stores	821	817	+ 0.5	5,417	5,187	+ 4.4
5944	*Jewelry Stores	1,286	1,393	- 7.7	7,910	8,222	- 3.8
531Pt	Conventional Dept Stores	4,284	4,030	+ 6.3	24,303	23,265	+ 4.5
531Pt	Natl Chain Dept Stores	3,131	3,130	0.0	17,725	17,535	+ 1.1
	Subtotal	7,415	7,160	+ 3.6	42,028	40,800	+ 3.0
531Pt	Discount Stores	13,355	12,391	+ 7.8	73,177	67,144	+ 9.0
531	*Department Stores	20,750	19,551	+ 6.1	115,205	107,944	+ 6.7
539	*Misc General Mdse Stores	5,031	5,004	+ 0.5	27,864	27,332	+ 1.9
541	*Grocery Stores	33,342	33,420	- 0.2	199,370	195,955	+ 1.7
56	*Apparel Stores	9,036	8,941	+ 1.1	50,756	50,158	+ 1.2
561	Men's & Boys' Stores	870	806	+ 7.9	3,899	3,730	+ 4.5
562,3,8	Women's Stores	2,800	2,765	+ 1.3	14,897	15,224	- 2.1
565	Family Clothing Stores	3,370	3,185	+ 5.8	18,394	17,650	+ 4.2
566	Shoe Stores	1,611	1,592	+ 1.2	9,031	8,982	+ 0.5
591	*Drug Stores	7,836	7,164	+ 9.4	47,614	43,731	+ 8.9
596	*Nonstore Retail	5,476	4,728	+ 15.4	32,713	30,125	+ 8.6
5961	Mail Order	3,897	3,296	+ 18.2	23,475	21,418	+ 9.6
	**Retailing Today* Total Store Retailing†	110,434	106,227	+ 4.0	631,226	604,453	+ 4.4
	**GAF TOTAL	53,284	51,297	+ 3.9	301,075	287,425	+ 4.7

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information, contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.



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ROUTE TO

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WHAT HAPPENED TO RETAILING IN THE FIRST 6 MONTHS OF 1997?

The June 1997 Monthly Retail Trade Report of the U.S. Bureau of Census included the following comparison of retail sales for January-June 1997 versus January-June 1996:

Total retail sales	+3.9%
Building materials	+8.3
Automotive	+3.3
Furniture and home furnishing stores	+7.2
Household appliances, radio, TV and computer	+2.9
Sporting goods stores	+5.0
Book stores	+4.4
Jewelry stores	-3.8
Conventional department stores	+4.5
National chain department stores	+1.1
Discount department stores	+9.0
Variety stores*	+8.3
Miscellaneous general stores**	+2.0
Grocery stores	+1.7
Gasoline service stations	+1.8
Apparel and accessory stores	+1.2
Eating and drinking places	+3.2
Drug stores	+8.9
Nonstore retailers	+8.6
Mail order	+9.6
GAF total	+4.8

* Includes 99¢ Only Stores, plus Dollar General, Family Dollar, etc.
** Includes membership warehouse clubs such as Costco, Sam's, BJ's, etc.
*** General, apparel, and furniture groups (i.e., furniture and home furnishing stores; household appliances, radio, TV, and computer stores; conventional, national chain, and discount stores; miscellaneous)

As noted above, total retail sales increased by 3.9% during the first six months of the year, with major increases reported in the following groups:

Building materials	+8.3%
Furniture and home furnishing stores	+7.2
Discount department stores*	+9.0
Variety stores	+8.3
Drug stores	+8.9
Nonstore retailers**	+8.6
Mail order	+9.6

* Largest store increase
** Includes web

RThought: Grocery stores, the largest volume group, were up less than inflation, as were apparel and accessory stores, the latter despite major increases in the number of stores operated by chains (but also reduced by Chapter 11, with a reduction in the number of branch stores, e.g., Edison Brothers).

Gasoline service stations were up less than the price of gasoline (people must not be driving as much as they did in 1996).

The increase in drug store sales can be compared to the increase in discount department store sales: both types of stores continue to

MY THOUGHTS BETWEEN THE DEATH AND THE BURIAL OF PRINCESS DIANA

In the week following that horrendous car crash and the death of Princess Diana, Patty and I spent hours watching the coverage on TV and seeing the love expressed for Princess Diana from around the world.

My wife and I thought it unlikely that a similar display by such a high percentage of the people could take place in the United States today: local gangs, pickpockets, car thieves, and others would take advantage of the grieving of millions.

The flowers were a way for the people to show their love for Princess Diana. And many of them may have been grown in the gardens of those who grieved. In seeing so many beautiful flowers, I recalled the lush gardens of Australia and New Zealand and how the people of England had taken their love for gardening to these two former colonies (and, perhaps, to other former colonies that I have not visited and toured).

We watched with sadness the remote conduct of Queen Elizabeth. Surely, she must have known how the people felt about Princess Diana and the many humane acts the princess had performed in almost every corner of the globe.

At last, I realized the truth of the old saying,

I am their leader: I follow them.

I tried to recall *A Tale of Two Cities* that I read 65 years ago. At one point, I remember a mob running through the streets of Paris and a man running behind it. When asked who he was, he said that he was their leader. If any reader remembers more — surely, it would not have been 65 years ago! — please write or fax me.

RThought: When I reflect, I often try to think of how it may pertain to retailing and my readers. I hope that any of the many retail CEOs who read my newsletter don't find themselves out of touch with their customers in the way that the monarch and her advisers were with her subjects. Remember, many English people in 2050 and beyond will recall the time when their monarch had lost touch with them. Customers, too, have long memories.

Continued

increase the size of their stores and the assortments they offer. (In addition to noting that the back-to-school department in drug chains is larger than ever this year, my wife and I often buy excellent avocados from the produce section at the drug store located next door to our grocery store.)

Sales through the web this year show an increase (from a small base) and are included in the nonstore retailers' percentage. As for mail orders, they are limited to department-store type merchandise: catalogs which sell business to business are included in nonstore retailers.

RThought: *Discount department stores did 73% more than conventional and national chain department stores combined!*

In a decade, discount department stores may constitute *twice the volume* of conventional and national chain department stores *combined.*

RThought: If your sales are off, study these percentages to see where your dollars may have gone.

THE THOUGHTS OF DAN COOPER

Dan Cooper, a retired partner of KPMG Peat Marwick and an old friend of mine, responded to an *RT* article when I challenged the accuracy of numbers based on inadequate samples.

Here's what Dan had to say:

> **Sometimes we so focus on *measuring things right that by measuring the right things we get a different result.***
>
> **For example, *Consumers Report* rates cars on *frequency* of repair.**
>
> **However, if [it] looked at the *cost* of repairs, the result would be different. American cars with big 6- and 8-cylinder engines often fare poorly because of shoddy knobs, trim, and gadgets. But unlike foreign engines which need servicing every 15,000 or 30,000 miles, some of the American engines can go 100,000 miles without a change of spark plugs. I'm not arguing for U.S. cars (I own two Japanese cars), but a slight change in what we measure can lead to different conclusions.**
>
> **Likewise, if we measured the safety of travel by mode (air, car, train, etc.) in terms of fatalities per hour traveled instead of per mile, we might get a different result. It's true that we travel distances, i.e., miles, but we select certain modes because of the hours involved, e.g., five hours coast to coast by air versus three days of driving.**
>
> **While we're at it, airline on-time performance ratings look pretty good.**
>
> **However, they've added about 30 minutes to the scheduled point-to-point flight times versus 20 years ago, so everyone looks better.**
>
> **Now to the February 1997 *RT* in which you discuss scanner accuracy. The problem is that you're only dealing with the accuracy of the item price and not the accuracy of the bill. In one food chain, the volume is high and the checkout stand is designed so that the groceries back up to the scanner if the packer falls behind. The result is that in one to two visits out of 10 I am overcharged not because the price is wrong but because my loaf of bread got scanned twice.**
>
> **I've seen it happen in the liquor store when I've bought six bottles of the same wine: the "repeat" key makes it so easy that I've been charged for seven!**
>
> **So, again, *what we measure can count as much as the precision with which we measure.***
>
> **Keep up the good work. If you ever run dry, I've got lots of ideas for topics.**

RThought: Thanks, Dan, and please accept this as a request for another!

1997 FORTUNE 500 LIST INCLUDED 55 RETAILERS

Rank	Company	Rank	Company
4	Wal★Mart	262	Rite Aid
17	Sears	266	Vons (1)
22	Kmart	267	Food 4 Less
27	Dayton Hudson	269	Gap
28	Kroger	280	Revco D.S.
33	J.C. Penney	285	Eckerd (2)
49	Costco	295	Thrifty-PayLess (3)
50	Home Depot	318	Nordstrom
56	American Stores	324	Waban
65	Safeway	330	Sherwin-Williams
70	Supervalu	335	Supermarkets General
89	Albertson's	348	Staples
101	Winn-Dixie	349	Service Merchandise
103	May Co.	352	Giant Food
116	Walgreen	357	CompUSA
131	Publix	365	Fred Meyer
145	Toys "R" Us	407	Penn Traffic
173	Limited	408	Harcourt General
174	Lowe's	426	OfficeMax
178	CVS	447	Mercantile Stores
184	Woolworth	458	Hannaford Bros.
190	Dell Computer	461	Smith's Food & Drug (4)
200	Best Buy	463	Bruno's
204	Circuit City	469	Longs Drug
215	TJX	484	Caldor
225	Dillard	490	Payless Cashways
229	Tandy	491	Consolidated Stores
240	Office Depot		

(1) Now part of Safeway
(2) Now part of Rite Aid
(3) Acquired by Fred Meyer
(4) Acquired by J. C. Penney

RThought: Some companies have already disappeared — or will disappear — from the Fortune 500 1998 list:

Eckerd	Acquired
Mercantile Stores	Rumored acquisition
Smith's Food & Drug	Acquired
Thrifty-PayLess	Acquired
Waban	Split
Woolworth	Dissolved

RThought: And the remainder of 1997 will undoubtedly bring more splits and acquisitions.

IF CONGRESS PASSES THE DEAL WITH CIGARETTE MAKERS, WHAT WILL IT MEAN TO YOU?

The following are excerpts from *Retail Register,* the excellent, informative publication of the Illinois Merchants Association for its members, in regard to the tobacco settlement's impact on retailers:

1. Retailers will be exempt from liability related to tobacco and health, except when a retailer carries manufacturers *not participating in the settlement.* It will end all present suits by states; future and individual suits against the makers will be prohibited.

2. The Food and Drug Administration (FDA) will have jurisdiction over advertising and the sale of any tobacco products. Tobacco manufacturers will drop suits challenging the FDA's authority.

3. Advertising will be limited to black on white. Each manufacturer may have only two POS advertisements at each location; a manufacturer with a 25% market share may have three POS advertisements. A retailer may have one sign for each private label. Manufacturers will no longer have exclusive agreements with retailers. POS signs will be limited to 576 square inches (for example, 12 inches by 48 inches; 18 inches by 32 inches, etc.), with a brand name no larger than 2 inches high and not within 2 feet of a candy display. Audio and visual ads may be distributed to adults but may not be played in a store. Outdoor advertising is prohibited, except in an adult facility, where there could be a moderate sign saying "Cigarettes Available Here" posted in a window facing out.

4. Carding will be required for persons 27 years or younger. Self service will only be available in adult facilities. (Note: The summary does not specify if someone must be over 27 to be considered an "adult.") Except in adult facilities, customers may not have access to cigarettes. For example, if cigarettes are kept on a counter, they must be *neither visible nor accessible to customers.* If kept in a locked display, a salesperson will have to unlock the case, get the cigarettes, and then lock the case.

5. States will be required to undertake *significant enforcement* to see that minors do not have access to tobacco products. Funded by the tobacco manufacturers, *the amount of money received by each state will depend upon the level of enforcement.* State and local governments may have more rigid requirements. Manufacturers will work with retailers to comply, and financial incentives will be awarded such retailers.

6. States will be required to set licensing standards, together with state and local authorities, and funding will be provided by the manufacturers. Sale of tobacco products by an unlicensed entity will be subject to a minimum fine of $1,000, imprisonment for six months, or both. *Corporations selling without a license could face a penalty of $50,000 or more* once licensing laws are passed by a state or local jurisdiction.

7. Separate provisions of equal severity apply to Native Americans and their lands.

RThought: Note that there are no penalties set forth against the manufacturers. What if a sign is in color or is larger than 576 square inches? Would the manufacturer get a slap on the wrist? Just scolded?

RThought: I know that we have all either heard or read about the proposal, but details were uncertain. After reading the highlights of the settlement, has your view changed? With all of the restrictions on such retailers as food, drug, discount and convenience stores, *tobacco manufacturers are allowed to continue making their billions of dollars in profit* and to use their U.S. manufacturing facilities to produce products for sale around the world.

TWO VIEWS OF SAFEWAY

WHAT'S WRONG WITH RETAILING?

Safeway, Inc., closed its only Pak'n Save, a 60,000-square-foot warehouse-type food store, in Contra Costa County, California. Debra Lambert, Safeway's spokeswoman said:

> **Unfortunately, this store has not had the customer support that it really needs to be economically viable.**

"Customer support"??? "Economically viable"??? I wasn't aware that I, as well as the other 500,000 or so people in this county, had an obligation to support the Pak'n Save store so that Safeway could make money. I always thought the purpose of such a store was to be better than its competition and, thus, *develop* enough customers to be "economically viable"!

Gee whiz, am I committing some form of economic crime because I don't support the Safeway store in Lafayette (except to buy donuts for meetings!)? Will Safeway be inclined to send me a letter saying that it sees me shopping at Diablo Foods, an independent, and that I am not doing my duty to Safeway?

Safeway has been in business for more than 70 years. Has it always "expected" its shoppers to support it? Personally, I like Diablo Foods: most of its staff has worked there for years and they address me by name, making me feel good!

RThought: Gee whiz, Safeway, I remember when Skaggs was part of your management and customers *weren't* looked upon as those who were "obligated" to support you. As for Kohlberg, Kravis, Roberts & Co., which spent a lot of money in its acquisition of control, it must have a different outlook now, and by gosh, all of us citizens had better make money for KKR.

DO YOU LISTEN TO YOUR CUSTOMERS LIKE SAFEWAY DOES?

Safeway, Inc., had planned to replace one of its 15,000-square-foot stores built in 1960 in Oakland, California, with a 50,000-square-foot store and parking on the roof. It would have had a bank, pharmacy, florist, and just about everything, but it wasn't what the local neighborhood preservation association wanted. Neighbors objected to a new store, stating that they wanted to keep it a neighborhood store, with the neighbors knowing the checkers and the checkers knowing the neighbors. With little turnover, the majority of its employees had been at the store for at least 12 years. Understanding tne association's feelings, Safeway finally compromised, but not 50-50: it was more like 65-35 in favor of the association!

There will still be a new store, but it will be 26,000 square feet, with the main addition being devoted to a deli. The customers know that the store will still be short of parking, but if the Oakland Planning Commission approves it, there will be only 10 parking spaces added to the existing 71.

RThought: It's my bet that the neighborhood association will appear at the planning commission meeting on Safeway's side. And it's almost a cinch bet that Safeway will receive approval, with the support of the neighborhood preservation association.

RThought: After writing this article, I began to wonder how many of my readers would be as sensitive as Safeway was to a neighborhood association. Ask yourself: Would you?

RThought: Another reaction I had to the two stories: if Safeway had held a meeting of as many Pak'n Save customers as possible ana had asked how it could make the store better, the cost would probably have been less than the closure!

BE LEERY OF WHAT CASPER WEINBERGER SAYS ABOUT OIL

In the August 25, 1997, issue of *Forbes,* under the caption "Oil from the Caspian Sea," Caspar W. Weinberger, now the chairman of *Forbes,* pointed out that nearly half of our oil is imported and that by 2010 we may need to import 70% of it. He further stressed the need for us to start making friends with the oil-rich countries bordering the Caspian.

After reading the article, I remembered recently receiving some interesting numbers backing a talk by T. G. Burns of Chevron Overseas Petroleum, Inc., and drawing oil comparisons between 1945 and 1995. You also may find them of interest.

	1945	1995
U.S. population (millions)	140	260
U.S. vehicles (millions; and none built during WWII)	31	195
U.S. vehicles per 1,000 people	220	760

In 1945, we thought we were running out of oil (some of you may remember the 35-mph speed limit during World War II).

	1945	1995
Domestic reserve (billions of barrels)	19.8	22.9
Reserve life (years)	11.5	9.5
Oil production (million barrels a day)	4.6	6.7
Oil products consumed (million barrels a day)	4.6	17.7
World oil reserves (billions of barrels)	68	995

With little oil used in their own countries, Saudi Arabia, Iraq, and Iran represent 45% of the world's reserve.

	1995
Saudi Arabia	259
Iraq (1989)	100
Iran	89
Total	448

RThought: Why would Weinberger make such a pitch for making friends with countries surrounding the Caspian?

RThought: I find it of interest that Burns does not list the Caspian areas on his list of "significant" reserves.

RThought: Years ago, I occasionally appeared on Weinberger's "San Francisco Skyline," a local, public television program on KQED.

Armed with my new information, I would once again enjoy a dialogue with "Cap" as I did in the 1950s!

LET'S LOOK AT INTERNET SALES BY SEGMENTS

If you have read the reports on how large Internet retail sales will be, you may have read or heard of "lump sum sales" and wondered how they might affect your department, apparel or food stores.

Forrester Research, Inc., of Cambridge, Massachusetts, recently released a forecast based on what appears to be actual figures for 1996 and estimated sales for 1997 through 2000, in millions of dollars.

Segment	1996	1997	1998	1999	2000
Computer components	$140	$323	$701	$1,228	$2,105
Travel	126	276	572	961	1,579
Entertainment	85	194	420	733	1,250
Apparel	46	89	163	234	322
Gifts/flowers	45	103	222	386	658
Food/drink	39	78	149	227	336
Other	37	75	144	221	329
Total	$518	$1,138	$2,371	$3,990	$6,579

RThought: When you look at the total estimated sales for the year 2000, $6.5 billion isn't so threatening when you see that only 5% is in apparel, while computer components, travel, entertainment, gifts/flowers, food/drink, and "other" are not significant departments in your store(s).

The threat is not a transfer of $6.5 billion in apparel sales but only of $322 million from all conventional stores selling apparel — department, discount, and apparel stores — with some of the dollars coming from inflation.

SHORT SHORTS

Retail giants via mergers: Metro A.G. group in Germany, where retailing is active, reached $44 billion as a result of a merger of German cash-and-carry department stores and supermarket chains. In addition, Swiss interests are reaching $35 billion (about the size of Sears and Kmart). There are also plans to acquire, by merger, retail operations elsewhere in Europe, as well as expansion plans for eastern Europe, Turkey, and China. Funds appear to be available from banking groups that have a minority interest in retailers. **RThought:** European retailers can grow faster through merger and acquisition than can U.S. firms. Why? Because the FTC isn't present to challenge each and every merger.

Unsolicited credit cards and the misuse of them are cited as two reasons some retailers criticize people for going through bankruptcy. To be sure my readers know of the extent to which banks and others throw credits cards at people, I received two such offers in the past two weeks: one from AT&T (for which I failed to record the amount of credit preapproved) and one for a preapproved MasterCard from Sears (which once refused bank cards because it had more credit cards outstanding than all the bank cards put together). **RThought:** It is so easy for people to accept these cards, spend to the limit, and then file for bankruptcy. Retail credit people are prone to blame the moral standard of the public; I am inclined to question the moral standard of the card issuer.

TIMES HAVE CHANGED...EXCEPT FOR THE LINE AT THE CHECKOUT

The July 1997 issue of Consumers' Research reported on how fast ownership or use of new products spread through 25% of our society.

Product	Year Invented	Years to Spread
Electricity	1873	46
Telephone	1876	35
Automobile	1886	55
Airplane	1903	64
Radio	1906	22
Television	1926	34
VCR	1952	34
Microwave oven	1953	30
Personal computer	1975	16
Cellular phone	1983	13
Internet	1991	7

RThought: On average, it probably took less time to write a tag from a sales book than it takes to get through some of today's checkouts — or even an express lane (where the sign above may say eight or fewer items and you count at least 12 items in the shopper's basket ahead of you!)

Have you ever witnessed an item NOT being rung up because it was over the posted limit of items? I haven't.

However, what I find the most irritating (as do most shoppers) is when only three registers out of, perhaps, 12 are open and there are a dozen people in each line: you are sure in your own mind that there must be more than three cashiers in the store if the "right person" would just call one or two of them up to open their registers. Or, perhaps, the "Years to Spread" the proper use of available cash registers is still in the offing.

RThought: At one time, department stores sold cars: Sears had a version of the Henry J, and before that, it sold an Oldsmobile, while, in 1940, Macy's New York sold the Crossley on the ninth floor. Fewer department stores carry VCRs, radios, televisions, and other electronics than several years ago — and although their customers still want these products, they must buy elsewhere.

I CAN'T IMAGINE A RETAIL MAGAZINE OFFERING THESE 'HABITS' AS INCLUSIVE

A major retail magazine recently offered seven "habits" (as the article reminded its readers, we are all "creatures of habit") of highly effective retailers:

Habit 1: Be innovative
Habit 2: Think beyond your own backyard
Habit 3: Execute, execute, execute (proof of limited vocabulary)
Habit 4: Empower your associates
Habit 5: Be self critical
Habit 6: Don't lose focus
Habit 7: Seek continuous renewal

RThought: Seven habits...22 words...but the word "customer" was never used. Nothing was said about talking to your customers or having a cup of coffee with them as Sam Walton often did when he visited a Wal★Mart store. The same was true of Bernard Marcus and of Stanley Marcus: in addition to talking to his customers, Stanley would often check out the competition, trying to find out why customers were attracted.

RThought: As I have said many times in *Retailing Today,* retailing is a simple business...and the store that gets the most customers wins! However, to get the most customers, it takes a *habit* of getting customers...those who come to your store by *habit* or custom.

BACK TO SCHOOL...MORE OR LESS

The U.S. Department of Education recently projected the enrollment change of K-12 schools within all states, except Hawaii, from 1996 to 2006.

Increase of more than 10%	Increase of 5-10%	Increase less than 5%	Decrease
Alabama	Arizona	Arkansas	Iowa
Alaska	Colorado	Connecticut	Maine
California	Georgia	Florida	Massachusetts
Delaware	Idaho	Indiana	Minnesota
Hawaii	Nevada	Illinois	Mississippi
Maryland	New Jersey	Kansas	Missouri
Oregon	New Mexico	Kentucky	Nebraska
Texas Triangle*	North Carolina	Louisiana	North Dakota
	South Carolina	Michigan	Ohio
	Texas**	Montana	Oklahoma
	Utah	New Hampshire	Pennsylvania
	Virginia	New York	South Dakota
	Wyoming	Rhode Island	Vermont
		Tennessee	West Virginia
			Wisconsin

*Includes Houston, Dallas, and San Antonio
**Balance of Texas

RThought: The impact of these findings will be on more than the number of children, children's departments, and back-to-school sales.

Your potential customers' median ages will be higher in the states with a decline in school enrollment and lower in the states with a 10% increase or more.

AN INCREASE OR A DECREASE IN ENROLLMENT WILL IMPACT YOUR ENTIRE STORE. For example, chains will have to have a greater variety of merchandise between California (with a 10% student increase and a lower average age) and Minnesota (with a lower student increase but a higher average age) than they have at the present time.

ARE FREELANCERS WORKING WITHIN YOUR COMPANY?

In the case of Vizcaino et al v. Microsoft Corporation (CA 9, 7/23/97), the full Ninth Circuit affirmed a holding by a three-judge panel that employees who were misclassified as independent contractors by Microsoft should not, on the basis of misclassification, have been denied participation in the company's employee stock purchase plan.

Here are the facts: In the 1980s, Microsoft employed a core staff of which it called "regular employees." Microsoft also used "freelancers," or independent contractors, for many jobs necessary within the operation of the company. In many cases, the freelancers did the same work as the core staff and shared the same supervisors. As the freelancers often worked within Microsoft's plant, they were provided with admittance card keys, office equipment, and supplies.

As they were not on Microsoft's payroll, they submitted their invoices to accounts payable. As for their salary, they received no overtime pay — just the agreed upon hourly rate.

When Microsoft hired the freelancers, each would have to sign an agreement specifying that they were independent contractors and would pay their own withholding, social security, etc. They also agreed that they would not receive any benefits given the core staff, such as health benefits, 401K plan, etc.

Although signing the agreement, a group of freelancers then sought various Microsoft employee benefits, including participation in its 401K plan and its employee stock purchase plan. The matter of the 401K plan is presently being considered by the plan's administrator. Thus far, Microsoft has gotten nowhere in its argument that free-lancers are independent contractors.

The Internal Revenue Service, in making a payroll audit and applying its "20 common-law factors" usually used to differentiate between employees and independent contractors, told Microsoft that these workers are employees, not independent contractors. There is still question, however, if they can get into the 401K plan.

Remember, this situation first began in the 1980s. Since then, we have all heard or have read about employees who have become millionaires through the company's 401K plan and/or stock purchase plan.

RThought: This case may continue for some time — perhaps ending up in the U.S. Supreme Court — but it does uphold the 20 common-law factors developed by the IRS.

Note: If you or your staff would like a copy of the IRS's common-law factors, please print "20 Factors" on a self-addressed, stamped envelope and mail it to *Retailing Today.*

SHORT SHORTS

One retailer's reaction to an employee strike: close the store and concentrate on other business interests. Julien Dupuis, owner of one of the new big-box (53,000 square feet) Canadian Tire franchise stores, responded to a Communications, Energy, and Paperworks Union strike by closing his store. Under a law which prohibits the hiring of replacements, the strike gave him no choice. Dupuis said that he is no longer interested in running the store and will try to find a buyer. Canadian Tire, however, is not optimistic. With managers taking inventory, perhaps for a going-out-of-business sale, Dupuis said, "I have other things to do than to fight with the unions." **RThought:** Will the strange Canadian labor laws force Dupuis to operate the store when he has no employees? I will report.

The effect of Eaton's bankruptcy filing left brides wondering if the gifts they had registered for would be bought and delivered. Eaton's, one of Canada's largest department store chains, recently went into the equivalent of our Chapter 11. With the threat of a sale or liquidation, many brides registered with The Bay Company, Canada's other largest department store chain. Conclusion: The Bay's business has gone up; Eaton's has gone down. **RThought:** If Eaton's should go out of business and labels/patterns are no longer available, would the estate be a target for a class action by parties on the bridal registry?

WORDS — TO LIVE BY

As I scanned a magazine in the doctor's office recently, I saw a quote that I had never seen before and may never see again — but it's a slogan which is most appropriate for old geezers such as I:

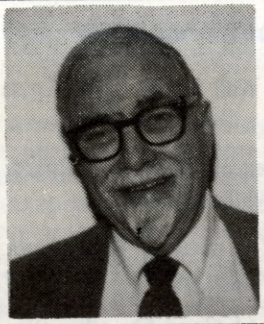
It is better to be *over* the hill than *under* the hill.

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

SIC Code	Category	JULY 1997	JULY 1996	Percentage Change	Seven Months YTD 1997	Seven Months YTD 1996	Percentage Change
52	*Bldg Matl Group	$ 13,482	$ 12,719	+ 6.0%	$ 82,970	$ 76,964	+ 7.8%
57	*Furniture Group	11,419	10,688	+ 6.8	75,493	72,137	+ 4.7
571	Furniture Stores	6,014	5,690	+ 5.7	75,493	72,137	+ 4.7
572	Appl, TV, Radio Stores	4,650	4,306	+ 8.0	30,952	29,885	+ 3.6
5941	*Sporting Goods Stores	2,016	1,951	+ 3.3	12,712	12,123	+ 4.9
5942	*Book Stores	772	765	+ 0.9	6,178	5,952	+ 3.8
5944	*Jewelry Stores	1,281	1,363	- 6.0	9,202	9,585	- 4.0
531Pt	Conventional Dept Stores	4,038	3,726	+ 8.4	28,341	26,991	+ 5.0
531Pt	Natl Chain Dept Stores	3.108	3.071	+ 1.2	20.833	20.606	+ 1.1
	Subtotal	7,146	6,797	+ 5.1	49,174	47,597	+ 3.3
531Pt	Discount Stores	13.031	11.785	+ 10.6	86.206	78.929	+ 9.2
531	*Department Stores	20,177	18,582	+ 8.6	135,380	126,526	+ 7.0
539	*Misc General Mdse Stores	4,896	4,784	+ 2.3	32,850	32,116	+ 2.3
541	*Grocery Stores	34,953	34,411	+ 1.6	234,244	230,366	+ 1.7
56	*Apparel Stores	9,063	8,816	+ 2.8	59,837	58,774	+ 1.8
561	Men's & Boys' Stores	791	701	+ 12.8	5,564	5,237	+ 6.2
562,3,8	Women's Stores	2,458	2,453	+ 0.2	17,362	17,677	- 1.8
565	Family Clothing Stores	3,537	3,206	+ 10.3	21,931	20,856	+ 5.2
566	Shoe Stores	1,609	1,566	+ 2.7	10,640	10,548	+ 0.9
591	*Drug Stores	8,043	7,381	+ 9.0	55,746	51,112	+ 9.1
596	*Nonstore Retail	5,467	4,802	+ 13.8	38,174	34,927	+ 9.3
5961	Mail Order	3,837	3,440	+ 11.5	27,308	24,858	+ 9.9
	**Retailing Today* Total Store Retailing†	111,569	106,262	+ 5.0	742,786	710,582	+ 4.5
	**GAF TOTAL	53,117	50,046	+ 6.1	354,144	337,473	+ 4.9

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information, contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.



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HAS GAMBLING CUT INTO YOUR RETAIL SALES?

On August 15, 1997, the television program, "Wall Street Week with Louis Rukeyser," was devoted to the tremendous growth in gambling the past ten years.

Here are some pertinent quotes from the transcript.

> **Let's take a look at the spectacular growth of legalized gambling in America over the past decade.**
>
> ***
>
> **In 1986, legal pari-mutuel betting on horse races existed in 35 states...41 by 1996.**
>
> ***
>
> **In 1986, only Nevada and New Jersey allowed casino gambling...23 by 1996...some only on Indian reservations.**
>
> ***
>
> **In 1986, 18 states had lotteries...37 by 1996.**
>
> ***
>
> **Only Hawaii and Utah do not allow any kind of gambling.**
>
> ***
>
> **In 1996, gambling generated more than $586 billion, more than three times the national total ten years earlier.**

Over a half trillion dollars is a lot of money. However, that amount of money would perhaps be better understood if it were placed among the various forms of retailing, as reported by the U.S. Bureau of Census.

Category	Sales in $ Billions
Auto dealers	$592
Food	423
Eating and drinking establishments	234
Apparel stores	154
Service stations	154
Discount department stores	151
Building materials	134
Furniture	133
National chain department stores	60
Conventional department stores	42
Total GAF (general, apparel and furniture)	$654
Total retail	$2,445
Total 1996 gaming revenues	$586

Has any retail category tripled since 1986? None of which I am aware.

Where do gambling dollars come from? It's my belief that most of the money comes from discretionary dollars, although a significant amount, unfortunately, comes from necessities.

RThought: Retailers are only kidding themselves in thinking that gambling has not affected their sales.

What happens to the retail industry if the gaming industry triples again in 2006 to $1,750 billion? What is going to cause gambling to suddenly grow more slowly than retailing? Nothing of which I am aware.

RThought: Australia, where gambling is relatively new, has already recognized the amount of discretionary dollars which used to go into its retailing but is now going into gambling.

RThought: I know of no retail trade association nor trade publication which has dealt with these questions. I do know, however, that closing our eyes to the matter is not a solution.

Perhaps Louis Rukeyser could address the NRF, the FMI, or the IMRA convention and forecast gaming's impact on us.

WHAT HAPPENS WHEN A GOOD MERCHANT IS MATCHED WITH A GOOD SOURCE OF CREDIT?

Twenty-five years ago, Kittle's not only opened its first furniture store in Indianapolis but, in order to help its "hoped for" growth, started a partnership with General Electric Capital Retailer Financial Services to provide private-label credit cards. Today, Kittle's operates 14 successful stores in two states and opened two more this fall. Since 1972, its accounts receivable have expanded to $21 million, and its 1996 sales were $67 million. The partnership arrangement calls for GE Capital to finance the receivables and Kittle's to finance the inventory.

RThought: A merchant's basic job is to work with the merchandise (inventory), while a financial services' basic job is to work with the receivables. Each job takes different skills.

For 25 years, this arrangement has worked for Kittle's and GE Capital — and it will probably work well for many years to come.

RThought: Question: If you have both inventory and receivables (the latter of which often exceeds inventory), are you equally skilled in managing both, or do you need a financial partner?

For large receivables, a bank is often preferred. For example, when I was a consultant to Mervyn's (1956-77), its receivables exceeded its inventory, but the bank financed 80% of its receivables. Because Mervyn's annual profits financed only 20% of its receivables and its equity in inventory, growth was exceptional. (Mervyn's was the first U.S. retailer to lease store fixtures — and it leased its fixtures from the first U.S. leasing company.)

For smaller receivables, it is often wiser to have a partner who will not only finance the company but will grant credit, do the billing, handle collections, etc.

WHEN IS IT CONSIDERED 'CENSORSHIP' TO PULL AN ITEM FROM A STORE SHELF?

About a year ago, Wal★Mart Stores, Inc., pulled two CDs — one because of an exceptionally sexy cover and the other because it contained a line that said, "I'm going down to buy a pistol at Wal★Mart" — because Wal★Mart takes pride in running family-type stores in accordance with Sam Walton's standards. Several newspapers cried "CENSORSHIP."

Recently, Lucky Stores, Inc., and Safeway, Inc., announced that they have pulled "offensive" tabloids with "inappropriate" pictures from their shelves. In the *Oakland Tribune*, September 4, 1997, a Safeway spokesperson provided a disclaimer: "We don't see our role as one of censorship. We want to preserve the customer's right to choose."

RThought: Customers have a choice when it comes to buying one of the three major tabloids: *The Star*, *The Globe*, and *The National Enquirier*. However, the tabloids no longer have the choice of being sold in either Safeway or Lucky.

RThought: Retailers are the only ones who can make the decision as to what they believe their customers want — from tabloids to lingerie to milk. If retailers don't know their customers well enough and they make the wrong decision, their customers will shop elsewhere — at stores which carry the same or similar lines of merchandise.

RThought: I commend Lucky and Safeway on their move. After all, they are customers, too, and they have exercised *their right* to choose.

ARE TRADE PUBLICATIONS WORTH READING?

In the September 1997 issue of *Stores*, the publication of the National Retail Federation, the editor made the following statement regarding Wal★Mart Stores, Inc., under the caption of his editorial, "Competent to the Core":

> **Many analysts would argue, for example, that Wal★Mart's rise to the summit of world retailing has been based above all on its phenomenal skill in getting goods onto store shelves as efficiently as possible.**

Though some analysts may agree with this statement, most would recognize at least four other traits attributed to Wal★Mart and its "rise to the summit of world retailing":

1. Various surveys show that "everyday low prices" are an important reason people return to Wal★Mart to shop again and again.

2. Many customers prefer its "friendly people" (I won't go into detail here about the many retailers elsewhere whose customers leave merchandise on their counters and walk out because there is no one to ring up a sale).

3. "Satisfaction guaranteed" certainly has something to do with customers preferring to shop at Wal★Mart.

4. With Wal★Mart's tabloids issued only 13 times a year, customers have found that most items are either "everyday low prices" or "rollback prices."

Thus, Wal★Mart has proven honesty in its advertising.

RThought: I look to *Stores* for accurate information as to what has helped bring Wal★Mart to the summit of world retailing. An important part, no doubt, was Sam's dream of reaching $100 million and the many people who believed him to be right!

A DAY IN AMERICA'S LARGEST 'CASINO'

America's largest casino is actually Wall Street. And it puts Las Vegas and Atlantic City to shame.

To prove my point, the following are excerpts from the Business Da[y] section of *The New York Times*, September 25, 1997:

> ***Gucci shares take a big hit: The shares of Gucci stock declined more than 18% after the apparel company per-share earnings were one cent below analysts' expectations.*** **[Emphasis added.] Gucci, like other companies that sell luxury goods said that sales for the rest of the year would be sluggish because of a slowdown in the Japanese market.**
>
> **[Keep in mind that "analysts' expectations" are forecasts with an arithmetic average of forecasts made by analysts who follow Gucci and who may or may not fully understand the details of an apparel company.]**
>
> ***
>
> **Valujet shares jumped yesterday after the low-fare carrier changed its name to Airtran Airlines in an effort to shake its image as a disaster-struck airline and to promote profitability. The stock rose $1.59375 [32.7%] to $6.46875.**
>
> ***
>
> **J. D. Edwards & Company jumped from an initial offering price of 11 63/64 to 34 65/64 [up (sic) 192%] on its first day as a public company.**

RThought: Upon such gambles, people bet trillions of dollars.

WAS YOUR FIRM RECOGNIZED BY BUSINESS WEEK AS BEING A MEMBER OF NOD?

Business Week recently honored the members of the National Organization on Disability. Retailers provide about one out of six nongovernment jobs, and many positions can be performed by persons with disabilities. Honored retailers included:

Avon Products
Kmart Corporation
The May Department Stores Company
Oshman's Sporting Goods, Inc.
J. C. Penney Company, Inc.
Safeway, Inc.
Shaklee
Woolworth Corporation

RThought: Does it strike you as it does me that too few retailers are on the list, considering multibillion-dollar retailers with more than 100,000 associates? However, many of our vendors, banks, accountants, insurance companies, etc., are listed.

RThought: If you have not already done so, please join NOD. Contact:

Andrew J. Dvorshak
CEO and Council Program Officer
National Organization on Disability
910 16th Street, N.W., Suite 600
Washington, D.C. 20006

E-mail: ceocouncil@nod.org
Tel: 202-293-5960
Fax: 202-293-7999

Be a good guy: join the good guys!!!

WOMEN'S WEAR DAILY HIGHLIGHTS WHAT MOST RETAILING CEOs DON'T UNDERSTAND

If you think about it, retailing is really a very simple business. All you have to do is perform three simple tasks: 1) attract people to come into your store, 2) convert these people into customers by enticing them to purchase your merchandise, and 3) operate at the lowest cost possible that is consistent with the service level desired by your customers. (The significance of the latter was impressed upon Sam Walton by J. C. Penney himself, when he visited the Des Moines store where Sam was a trainee in 1940. Mr. Penney explained to Sam that his stores didn't really make much money on the pants and shirts they sold, but on the paper and string they saved!!!

However, the performance of the first two tasks requires a merchant who knows and understands his or her customers and the value they expect from their shopping experience and who is not just a number cruncher capable of impressing Wall Street with improved quarterly numbers. Just because an individual may have the title of chief executive officer of a retail store or a chain of stores — and regardless of how long the individual has held that title — does not necessarily mean he or she is a *merchant* in the truest sense of the word.

To be a successful merchant, the following must apply.

1. A good merchant knows why a customer returns to his or her store time after time. (This factor defines a customer.)
2. A merchant knows why his or her customer returns, because the merchant is always on the floor visiting with or observing the customer. (Witness the behavior of J. C. Penney, Marshall Field, or my grandfather, Solomon Kahn.) After all, a merchant is not afraid of the customer. He or she watches what the customer buys and may even ask why. The merchant may even sit with the customer and have a cup of coffee (as did Sam Walton).
3. A merchant should know what his or her customer is buying and the customer's income range; in the case of multiple store locations within various parts of the country, the merchant knows the different income ranges of the stores.
4. A merchant walks Seventh Avenue (or wherever manufacturing reps may gather) and reads reports issued by buying offices!

A telephone survey was recently conducted for *Women's Wear Daily* by International Communications Research, Media (an appropriate name!), Pennsylvania. The panel consisted of 514 randomly selected women, providing a national and projectable estimate of 47.5 million women over the age of 18 with an average income of $54,730.

The most important retail habits studied: *factors drawing consumers into shopping a new store for apparel* and *factors influencing repeat business at a new store.*

Some of the findings from the study are as follows:

Factors Drawing Consumers into Shopping a New Store for Apparel

Store having sale	21.7%
Prices lower than where I regularly shop	21.2
Displays attracted me	19.0
Saw ad for sale	13.6
Friend recommended	6.3
Promotion	5.5
Store reputation	4.4
Location	4.4
Appealing styles	3.4
Wide variety	2.7
Good prices	2.6
Special sizes	2.2
Good service	.7

RThought: Do I hear someone saying that these factors are expected with the opening of a new store? If so, I must be hearing from the greatest prevaricator in retailing since W. C. Fields!

RThought: Where on this list is there anything about the excitement of shopping a new store or just plain curiosity about a new store?

Other results of the survey found:

Factors Influencing Repeat Business at a New Store

Good prices	60.1%
Better quality than bought elsewhere	35.7
Helpful personnel	31.3
Had clothes that fit	10.7
Appealing merchandise	6.0
Convenient location	5.1
Easy-to-find merchandise	4.2
Ambiance	3.5
Found additional items	3.4
Variety	1.9
New fashions	1.7
Easy to park	.8
Cleanliness	.8

RThought: If you tell me that the above sequence is just what you *knew* all along, I will have to call you by your real name, "Bob Burns," and ask where you hid the bazooka!

RThought: It is surprising that so many people admitted to price shopping, because customers are usually unwilling to admit that they are very price-sensitive.

RThought: If prices are so important *and everyone knows it*, why are retailers using prices incorrectly and, thus, confusing their customers?

RTanalysis: Why do some stores achieve a lot of repeat business and others just drop dead? What is the basic similarity that can be said of Wal★Mart (2,000-plus stores), Home Depot (400-plus stores), and Lowe's (400-plus stores): they deal in good prices with a relatively small percentage of volume arising from *hi-lo* advertising. Not one of these retailers follows the advertising policy of conventional department stores —sale after sale after sale — where customers are no longer assured they are receiving a fair price.

Macy's California, for example, is apparently unaware of the fact that after being satisfied that its prices are good (and not having to worry about whether the sale is today and not yesterday or tomorrow), 31.3% of its customers are repeat buyers who want *helpful personnel.*

RThought: Measure your operation against the criteria offered in this article. Evaluate your store(s) against your most direct competitor's store. If there is a difference, contact a research company like International Communications Research, which *Women's Wear Daily* apparently has confidence in, and see how shoppers rate your store(s) compared with your competitor's.

Don't let your ego get in the way. Such a survey could save your (retailing) life. Or do you have no objection to Chapter 11?

Note: My special thanks to Pat Dunne, Professor of Retailing at Texas Tech for critiquing this article.

WHAT'S YOUR IMPRESSION OF BAUSCH & LOMB?

Bausch & Lomb just reached a settlement agreement with 17 state attorney generals, paying each of them $100,000, or a total of $1.7 million, on a matter which was under investigation for three years.

What was the concern of the state attorney generals?

Bausch & Lomb sold three types of contact lenses, each requiring different replacement schedules: annual replacement, three-month replacement, or weekly and biweekly replacement. The company overlooked just two factors: all three lenses were identical and only the packaging was different!!!

Bausch & Lomb still maintains that it is innocent of any wrongdoing and that no court has ever ruled on the merit of the company's claims. The $1.7 million was paid just "to avoid spending valuable time and resources establishing the merits of product labeling that was eliminated years ago" (when first discovered by the state attorney generals in 1994).

RThought: What is your impression of Bausch & Lomb now?

RThought: How many retailers have reputation-breaking practices? Several come to mine, but since I do not have a complete list, it would be unfair to mention the well-known companies herein.

TARGET'S GOOD DEED

RT previously mentioned Target Stores' good deed, but now Associated Press has brought it to the attention of the United States.

From the *Oakland Tribune*, October 18, 1997, I quote:

> **The Washington Monument...will soon undergo repairs...until the end of the century.**
>
> **But the government George Washington helped establish will not be picking up the tab to patch his memorial.... Instead, Target discount stores is leading a private corporate effort to pay the $5 million bill for the most extensive overhaul of the monument since it opened to the public in 1888.**
>
> **Target...is putting up the first $1 million and rounding up other donors to pay the rest of the bill. Donors include Kodak, Procter & Gamble, 3M, Visa, Coca-Cola, Neutrogena, the EMI-Capitol Music Group, and country-western singer Garth Brooks.**
>
> **General Electric is developing a lighting system for nighttime illumination of scaffolding designed by renowned architect Michael Graves.**

RThought: Think for a moment about the plaque that will be placed for the hundreds of thousands of people to see — every year — when they visit the reconditioned Washington Monument. Think for a moment about how people might react. People know that Wal★Mart Stores, Inc., and Kmart Corporation are larger, but they didn't contribute. Thus, many will be inclined to shop Target as a way to say thank you. Target's contribution is not only great for the country but great for Target!

FROM ROTARY INTERNATIONAL...

Although it has been many years since *RT* has published the Rotary 4-Way Test, it is worth repeating for those readers who, like me, are not Rotarians.

ROTARY 4-WAY TEST
The 4-Way Test of What We Think, Say, or Do

1. **Is it the TRUTH?**
2. **Is it FAIR to all concerned?**
3. **Will it build GOODWILL and BETTER FRIENDSHIPS?**
4. **Will it be BENEFICIAL to all concerned?**

RThought: There are numerous times in a retail business when one might use this simple test. However, here are some habits which don't pass the test.

1. When we pay late and take the discount
2. When we say the price is a "regular" price and it isn't
3. When we charge personal items to the business
4. When we write store policies that we don't observe ourselves
5. When we promise "You must be satisfied" and the customer isn't
6. When we return goods as not meeting specifications, when they do meet specifications
7. When we don't support the communities which support us
8. When we do not evenly administer a policy
9. When we discharge someone solely because of age
10. When we do not give women or minorities equal opportunity for advancement

RThought: I live in a small town, but I no longer see the Rotary symbol in the shops I patronize. I suspect, however, that some of these retailers may be Rotarians.

SHORT SHORTS

Another credit card offer.... Sears, Roebuck and Company, the company that would not accept bank cards for years, made a wonderful offer to my wife: a Sears MasterCard with no annual fee, 1% back in "Sears dollars" on every purchase, a 5.9% introductory APR, and preapproval up to $10,000! **RThought:** What Sears doesn't know is that since bank cards started with BankAmericards in Fresno, California, over 40 years ago, my wife and I have had an agreement: we use our BankAmericards, but I or one of my associates pays the monthly bill. And the issuer seldom, if ever, receives any APR dollars.

Service a la Nordstrom: My daughter and her husband gave me two Nordstrom shirts for my birthday in May. Unfortunately, she bought the size I wannabe, 16 1/2-33, instead of the size I am, 17-33. In the middle of August — three months later — I finally got around to returning the shirts. When I explained to the young man in the men's department that I needed a larger size, he looked at the shirts and said that Nordstrom no longer carried that style but would let me see what it did have. He returned with two striped shirts, which certainly looked the same to me, and I said that I would take them. The salesman went to the register, rang up some numbers I had not seen on the shirts, and, with a smile, brought me a wrapped package and a sales check for an even exchange. I will never know whether Nordstrom came out ahead or if it contributed to my 79th birthday, but the young man certainly handled the transaction just as I would have wanted someone to handle it if it were the men's department in my store. **RThought:** As most of you know, I frequently try to explain the difference between a customer, one who comes to a store by habit or custom, and a shopper, one who responds to a sale. Which retailer will make the most customers and thus make the most money? **RThought:** Please note how little Nordstrom spends on newspaper advertising and how often its ad features just one item at its regular price.

WHO'S WILLING TO BUY EYEGLASSES FOR THE EDITORS OF FORTUNE?

In the October 27, 1997, issue of *Fortune*, the editors had the gall to claim that they had "discovered" both the nation's and the world's most admired companies. The selected companies within the United States all came from the following industries:

Aerospace	Industrial/farm equipment
Airlines	Mail/package/freight delivery
Beverage/food services	Metals/metal products
Chemicals	Motor vehicles/parts
Commercial banks	Petroleum refining
Computers/office equipment	Pharmaceutical/health care
Electronics/electrical equipment	Securities/diversified financials
Engineering/construction	Scientific/photo/control equipment
Entertainment/hotels/casinos	Soaps/cosmetics
Food	Telecommunications

Twenty categories — but NO RETAILING.

In the United States, retailing employs one out of every six non-government workers. Aren't retailers worthy of consideration?

Fortune also looked at Britain, France, Germany, and Japan. And it added one more category for Japan: "Publishing/printing."

I sometimes wonder why I read such a myopic publication.

Perhaps *Fortune* next will have the gall to publish the 100 best companies to work for and, again, eliminate retailing, where several retailers employ more than 100,000 associates!

RThought: Perhaps *Fortune* has ruled that no employer of more than 100,000 can be a good employer!!!

BUSINESS WEEK'S 1997 GLOBAL 1000

Retailers	Country Rank by Market Value	Global 1000 Rank	Market Value (U.S.$ mil.)	Sales (U.S.$ mil.)
Australia				
Coles Meyer	11	724	$ 5,056	$ 13,836
Woolworths Ltd.	18	997	3,474	10,647
Britain				
Marks & Spencer	11	124	23,465	12,829
Tesco	26	253	13,361	22,719
Great Universal Stores	34	325	10,646	4,511
J. Sainsbury	35	329	10,504	23,414
Boots	36	332	10,476	6,750
Kingfisher	47	455	7,846	9,513
Safeway Plc.	58	558	6,373	10,781
ASDA Group	67	631	5,735	9,885
France				
Carrefour	2	110	25,301	26,886
LVMH	5	151	21,210	5,405
Promodes Group	22	551	6,496	17,970
Germany				
Mannesmann	16	230	14,973	20,335
Thyssen	23	501	7,121	22,675
Japan				
Seven-Eleven Japan	12	82	30,126	12,767
Ito-Yokado	16	120	23,669	25,916
Jusco	52	319	10,843	19,223
Daiei	143	772	4,655	27,227
Familymart	148	815	4,393	1,261
Netherlands				
Koninkluke Ahold	8	264	$ 12,839	$ 19,043
Vendex International	16	794	4,493	6,330
Gucci Group	20	870	4,052	881
United States				
Wal★Mart Stores	12	20	678,683	104,859
Home Depot	50	79	30,657	19,536
Sears, Roebuck	81	174	19,234	38,236
Dell Computer	83	177	18,841	7,759
J. C. Penney	120	261	13,047	22,653
Walgreen	135	292	11,507	11,778
May Dept. Stores	145	310	11,058	11,650
Dayton Hudson	157	333	10,470	25,371
Safeway	159	335	10,449	17,269
Gap	176	378	9,408	5,284
CUC International	177	379	9,395	2,348
Toys 'R' Us	188	398	8,894	9,932
Avon Products	200	423	8,421	4,814
Albertson's	201	424	8,398	13,777
Federated Dept. Stores	211	461	7,710	15,229
Costco	224	499	7,126	19,466
Lowe's	235	522	6,827	8,600
Kmart	236	525	6,796	31,437
American Stores	241	535	6,640	18,678
Kroger	245	542	6,572	25,171
Rite Aid	286	636	5,711	6,970
Winn-Dixie	287	638	5,699	12,955
Limited	304	669	5,460	8,645
Sherwin-Williams	320	709	5,141	4,133
Gateway 2000	321	711	5,120	5,035
CVS	322	713	5,103	5,528
Kohl's	390	882	3,983	2,388
Circuit City	399	903	3,978	7,154
Dillard's	407	918	3,833	6,412
TJX	408	920	3,825	6,689
Nordstrom	412	930	3,771	4,453
Staples	431	972	3,569	3,968
AutoZone	442	988	3,526	2,243

65-MPH SPEED LIMIT SAVES LIVES

When the national speed limit was raised to 65 mph, I wrote that it would probably lead to greater highway deaths. The first reports, however, are coming in — and the reverse appears to have taken place.

Excerpts from a study conducted by Professor Charles Lave of the University of California at Irvine appeared in the September 1997 issue of *Consumers Report* (the article was reprinted from *Access*, published by the University of California Transportation Center). Lave reported that the number of deaths in 1996 was down by 0.7%, rather than the 2-3% increase which had occurred in recent years. Although all of the states did not raise the speed limit, those that did had a *drop* from 5.1% to 3.4% in highway deaths.

Several interesting explanations were given in Lave's study.

First, when the federal government dropped the speed limit to 55-mph on interstate highways in 1988, it required the states to increase their enforcement. With more highway patrol resources present and more tickets issued, drivers began to use secondary roads which were usually two-lane roads and, thus, not as safe as the interstate highways. In 1996, when the 65-mph speed limit was reintroduced, people were once again satisfied with the speed and stayed on the interstates. And highway patrols are able to cover more roads.

RThought: In driving interstate highways with the 65-mph speed limit, my experience has been that most drivers stay within a 65- to 70-mph range, which is a comfortable driving speed, with fewer drivers weaving from lane to lane.

THE UNUSUAL ISSUERS OF BANK CREDIT CARDS

The Nilson Report, Issue 650, listed the top 100 bank credit cards as of midyear. Note that there are a few issuers which are not conventional banks.

Rank	Outstanding Amount ($ million)	Issuer
20	$4,500	GE Capital Consumer
46	744	Navy Federal Credit Union
62	357	Pentagon Federal Credit Union
71	238	Nordstrom National Bank
85	162	Boeing Employee Credit Union
94	127	Penn State Employee Credit Union
96	125	Golden 1 Credit Union
97	124	Teachers Credit Union
98	117	Patelco Credit Union
100	111	Hughes Aircraft Federal Credit Union

RThought: More and more credit unions are issuing Visa and MasterCard credit cards as an additional service to their members and as a way to make money.

The Nordstrom National Bank has its own Visa card — Visa, the very name it once filed suit against and refused to honor.

Change comes from 1) cooler heads and 2) giving customers what they want.

BEING THE FIRST IS NOT EVERYTHING

The Nilson Report, Issue 652, recently listed the top 500 issuers of bank cards from around the world. Bank of America, the first to create bank cards decades ago with its BankAmericard, appeared on the list — but it now has 12 banks in front of it:

Bank	Country
Citibank FSB	United States
Barclays Bank	United Kingdom
First Chicago NBD	United States
MBNA America	United States
Credit Agricole	Europe
Household Bank	United States
Chase Manhattan Bank	United States
Bank of China	China
AT&T Universal	United States
Construction Bank	Asia/Pacific
NationsBank	United States
Industrial & Commercial Bank	Asia/Pacific

RThought: The banking industry is not unlike retailing: there were discount stores before Wal★Mart Stores, Inc.; hardware and building material stores before Home Depot; pet supply stores before PetsMart; roadside and corner stores before 7-Eleven; and on and on.

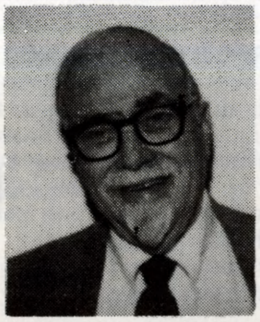
In retailing, the problem is not the original idea: it is the problem of growing as the format changes. Retailers must add items customers (their *regular* shoppers) prefer or eliminate those they dislike. Sales help, but being out of sizes and colors in advertised specials and/or having messy and dirty stores are surely detriments.

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

SIC Code	Category	AUGUST 1997	AUGUST 1996	Percentage Change	Eight Months YTD 1997	Eight Months YTD 1996	Percentage Change
52	*Bldg Matl Group	$ 12,553	$ 12,300	+ 2.1%	$ 95,559	$ 89,264	+ 7.1%
57	*Furniture Group	12,107	11,326	+ 6.9	87,626	83,463	+ 5.0
571	Furniture Stores	6,285	5,793	+ 8.5	45,434	42,331	+ 7.3
572	Appl, TV, Radio Stores	4,979	4,669	+ 6.6	35,979	34,554	+ 4.1
5941	*Sporting Goods Stores	2,116	2,125	- 0.4	14,836	14,246	+ 4.1
5942	*Book Stores	1,185	1,322	- 10.4	7,356	7,274	+ 1.1
5944	*Jewelry Stores	1,338	1,466	- 8.7	10,540	11,051	- 4.6
531Pt	Conventional Dept Stores	4,878	4,636	+ 5.2	33,218	31,627	+ 5.0
531Pt	Natl Chain Dept Stores	3,510	3.576	- 1.8	24,343	24.182	+ 0.7
	Subtotal	8,388	8,212	+ 2.1	57,561	55,809	+ 3.1
531Pt	Discount Stores	14.036	12.804	+ 9.6	100,248	91.733	+ 9.3
531	*Department Stores	22,424	21,016	+ 6.7	157,809	147,542	+ 7.0
539	*Misc General Mdse Stores	5,072	5,077	- 0.1	37,928	37,193	+ 2.0
541	*Grocery Stores	34,948	34,803	+ 0.4	269,369	265,169	+ 1.6
56	*Apparel Stores	10,747	10,366	+ 3.7	70,635	69,140	+ 2.2
561	Men's & Boys' Stores	918	809	+ 13.5	6,501	6,046	+ 7.5
562,3,8	Women's Stores	2,723	2,764	- 1.5	20,098	20,441	- 1.7
565	Family Clothing Stores	4,165	3,871	+ 7.6	26,106	24,727	+ 5.6
566	Shoe Stores	2,011	2,009	+ 0.1	12,656	12,557	+ 0.8
591	*Drug Stores	8,026	7,526	+ 6.6	63,749	58,636	+ 8.7
596	*Nonstore Retail	5,450	4,906	+ 11.1	43,652	39,833	+ 9.6
5961	Mail Order	3,944	3,508	+ 12.4	31,292	28,364	+ 10.3
	**Retailing Today* Total Store Retailing†	115,966	112,233	+ 3.3	859,059	822,811	+ 4.4
	**GAF TOTAL	58,605	56,095	+ 4.5	412,801	393,568	+ 4.9

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information, contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.



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ROUTE TO

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ERRATA

RT apologizes to longtime reader Frank Newman, chief executive officer of Eckerd Corporation. As Frank so kindly pointed out, the October article, "1997 Fortune 500 List Included 55 Retailers," should not have read that Rite Aid acquired Eckerd, Fred Meyer acquired Thrifty PayLess, or J. C. Penney acquired Smith's Food & Drug. The errors were due to carelessness in my proofreading.

Frank also added that Thrift and Fay's drug stores have merged into Eckerd (now 2,800 strong), with Eckerd now a wholly owned subsidiary of J. C. Penney.

To put the facts straight: J. C. Penney acquired Eckerd; Rite Aid acquired Thrifty PayLess; and Fred Meyer acquired Smith's Food & Drug.

IMPORTANT REASONS WHY YOU SHOULD BE READING PACIFIC RETAILER

With such mainland retailers as Costco, Kmart, Longs Drug, J.C. Penney, Ross, and Wal★Mart opening numerous stores throughout the Pacific Islands and with rumors abounding that Federated Department Stores is about to acquire Liberty House, you should keep abreast by reading Doug Smoyer's *Pacific Retailer,* a publication that I have found to be most informative for many years. A subscription card, which I apologize for being late, is enclosed.

WHAT IS THE MOST IMPORTANT NUMBER IN RETAILING?

The number most important to a company in retailing is *not* same-store sales. Although retailers are proud of this number (but sometimes play games with it), same-store sales are always mentioned in the press.

There is, however, a more important number, a number that analysts could force publicly held retail companies to issue quarterly because it makes it easier to tell which companies have a good future, especially now that trade associations and some retailers have rediscovered the importance of the customer.

The number?

The personnel turnover rate!

Take, for example, two companies, one which has a personnel turnover rate of 15% and the other a rate of 30%. Would you assume that the companies are identical, or are they different?

Which company is likely to treat its customers better, the one with the lower turnover rate or the one with the higher rate?

Which company can be expected to show the lowest expense rate because it doesn't have to train so many new people?

If a third company has a 40% turnover rate, would you be inclined to buy or to sell its stock?

A SOLUTION TO DAY CARE

With both a husband and a wife often finding it necessary to work and with more welfare recipients beginning to work due to welfare reform, our work force continues to grow, triggering a tremendous need for convenient child day- care facilities. It remains a disappointment, however, that shopping malls do not provide day-care facilities for their tenants' employees, although a facility could easily be built on the mall's rooftop.

There are many advantages to having such a facility located within a shopping mall, especially for young families.

1. With a day-care facility located at an employee's place of work, driving detours to and from the mall are eliminated; thus, the child reaps a shorter time at day care and the parent has an easier day.
2. The parent is nearby in case there is need for special attention.
3. The parent and child are able to share meals.
4. A mall providing such a facility will attract the best-qualified help for its stores.
5. With better sales help, many, if not most, of the stores will show an increase in sales.
6. Because most stores are on a percentage rent or pay a percentage rent on the overage, the mall operator will gain financially.
7. Best of all, children are likely to receive better care because a parent could drop by the facility to check on the child's welfare.
8. Less concern about a child's welfare will reflect in happier service to your customers.

RThought: Although *RT* suggested this idea a decade ago, to my knowledge, no mall has tried it.

Continued

Where would the savings be? In advertising costs? In training costs? In handling customer complaints?

Which company would have customers who come back again and again?

Which company would have only shoppers because its prices were "hot"?

Let's go back to reporting the personnel turnover rate.

A low turnover rate for a company immediately tells us:

1. The company's employees are happy: they are treated fairly; they like their superiors, and they receive good pay and fringe benefits. OTHERWISE, THEY WOULD QUIT.

2. Shoppers can sense employee happiness; thus, employees are in a position to convert shoppers to customers. THE COMPANY BENEFITS.

3. If employees continue to work for a company over a long period of time, fewer and fewer new personnel will need training because the longtime employees know company procedures and policies.

4. If employees are happy working for a company, they will relay their feelings to their friends, a boost for any company's reputation.

And who makes these employees happy to be working for a company? It isn't the slogans which have been posted on the bulletin board. It is probably the employees' supervisors who create employee contentment, the supervisors they work for every day. And if this is true, wouldn't it behoove a company to train not only its department managers but its store managers in leadership skills?

A company's turnover rate is the major figure.

Why not compute the turnover rate for every store in a chain. If one store has a turnover rate of 15% and another has a 30% turnover, which store is likely to have the best performance, greater sales per square foot, more regular customers, fewer complaints, fewer letters to the CEO, and the happiest group of employees?

By computing this information, you will gain a clue as to which store managers would make good district managers.

This tool can also be applied elsewhere within a company. For example, to compare the supervisor of accounts payable with the supervisor of payroll, wouldn't the turnover rate tell a lot?

RThought: The smart retailer pays close attention to personnel turnover within a store or a department. Not doing so because it is too time consuming and would cost too much to collect the data is, as the kids say, a lame excuse.

And what about the analysts who write reports suggesting that people should or should not buy a company's stock? Analysts don't tell their readers if employees are happy working for a company, but they could and they should!

So which number is the most important: same-store sales or personnel turnover? Analysts can bring the turnover rate back into use.

ARE YOU INTERESTED IN AIRPORT RETAILING?

If you are interested in putting shops in airport terminals, plan to attend the Third Annual Airport Retailing Conference, February 26-27, 1998, at the Crowne Plaza Hotel in Phoenix, Arizona. For information, call 800-817-8601 or fax 781-8329-2490. Representatives from most major airports, including airport managers of retail, in both the U.S. and overseas will be present.

Here's a list of the retailers who have attended in the past.

Barnes & Noble, Inc.
Boston Market, Inc.
Brookstone, Inc.
Disney Stores, Inc.
The Gap, Inc.

Godiva Chocolatier, Inc.
Kay-Bee Toy Stores
The Limited, Inc.
Nine West Group, Inc.
Perfumania, Inc.

Victoria's Secret Stores
Walden Books Co., Inc.
Wilson's Suede & Leather

And here's a list of subjects which should be of interest to retailers:

- How to use airport retail as a profitable springboard for expansion
- Create an airport image to maintain brand recognition
- Strategies for identifying your customers
- Developing a pricing program that maximizes return while keeping your prices competitive

ARE YOUR SYSTEMS REALLY FOOLPROOF?

Could what happened to a friend at a national chain store happen in your store, an incident which resulted in great embarrassment when her $188 check was rejected?

Following the incident, the company's letter explained:

> **In reviewing the situation both with Equifax and internally, the problem, unfortunately, was strictly clerical error. As [the] Equifax official pointed out, [the] transaction was approved by Equifax. The associate at the store initially processed [the] transaction correctly. The request for authorization was electronically received by Equifax, and Equifax sent an electronic approval back to the store. Before the approval was received by the register at the store level, [the] system became off line and, thus, never received the approval. The system then realized it had not received an approval, and the dollar amount exceeded the off line floor limits. The system prompted [the] associate to call for authorization. Had this been done, the associate would have received immediate approval. Unfortunately, the associate attempted the transaction two more times and then declined the transaction.**
>
> **By declining [the] check manually, the system printed "declined by Equifax" on the back of [the] check. In a referral situation, the associate is only to decline a check after he or she has *spoken* to Equifax, thus, the reason for the message on the back of the check. When an associate makes an error, the system does *not* know that the call for authorization has not been made and therefore prints the same message. [Emphasis added.]**

WHO'S RESPONSIBLE FOR ONE MILLION BANKRUPTCIES?

RT readers are no doubt aware of the many trade association articles in the press about...

declining personal standards;
the ease of going through bankruptcy; and
bankruptcy attorneys advertising the "easy way out."

If you are a credit grantor, take a look at yourself.

Issue 653 of *The Nilson Report* (October 1997) offered the following statistics:

Number of Credit Cards Owned per Adult/Household/Family

	Bank Cards (Visa/MasterCard)			All Credit Cards		
Year	Per Adult	Per Household	Per Family	Per Adult	Per Household	Per Family
1997	2.03	4.01	5.75	7.03	13.92	19.95
1996	1.96	3.85	5.51	6.92	13.60	19.47
1990	1.16	2.28	3.22	5.49	10.85	15.31
1985	0.92	2.20	2.57	3.65	7.41	10.25
1980	0.68	1.75	1.86	2.90	5.86	7.88

Adults = persons 18 years or older. Households = persons who occupy a "housing unit" (house, apartment, common rooms, or single room), including related and unrelated persons or persons living alone. Families = two or more persons related by birth, marriage, or adoption residing together in a household.

Types of Credit Cards per Cardholder

Type	1987	1997
Retail	4.77	5.71
Bank	2.72	4.01
Discover	1.80	1.57
Amex	1.79	1.50
Phone	1.45	1.49
Oil	1.45	1.31
Diners	1.00	1.00
Other	2.00	2.00
Average	6.24	9.20

RThought: Study the charts; they explain why many people get into financial trouble.

From 1980 to 1997, bank cards per family have increased from 1.86 to 5.75, as have all types of credit cards, from 7.88 to 19.95 (that's eight cards to 20). And during the past ten years (1987 to 1997), credit cards per cardholder have increased from six cards to nine!

People don't seek these cards: they are foisted upon the public by aggressive retailers and banks.

Would a hungry person refuse food? No.

Would a person at his or her limit reject a preapproved offer for yet another credit card? No.

RThought: *Are you part of the problem rather than part of the solution?*

Although *The Nilson Report* made projections through 2000 and 2005, they were omitted because they would likely cause an ulcer!

RThought: If you issue credit, you should subscribe to and read Spence Nilson's semimonthly reports. Call 805-983-0448 or fax 805-983-0792. The subscription rate is $745 per year ($795 outside the U.S.).

If information gleaned from *The Nilson Report* results in just one less bad account a year, you will most likely be ahead. You can only be behind by not subscribing to it or, if you subscribe, you don't read it and, therefore, don't use the information.

RThought: Remember, the only reason millions of people abuse their credit cards is because credit grantors are so greedy for a sale and banks are so greedy for finance charges that they grant credit to people who are *not* credit-worthy. Such a practice deserves a name: *RT* suggests "credit grantor's greed."

SHORT SHORTS

The National Retail Federation has issued a series of press releases on the horrors of personal bankruptcies and efforts to reform the bankruptcy code. One such release reported that one million bankruptcies are anticipated in 1998 and that many people elect Chapter 7 when they could pay off all or part of their debt. Another revelation is that bankruptcies cost every family $400 a year. (I am unable to find where it cost me $400.) The federation believes the changes being offered by the National Bankruptcy Review Commission are "woefully inadequate to solving the escalating bankruptcy problem," claiming that a research organization has found that 25% of those who file for Chapter 7 could afford to repay one-third or more of their obligations. **RThought:** No mention is ever made about the retailers and the banks which practically "force" credit/bank cards on people, and in many cases, without an adequate credit investigation — because they want to make a sale or have more bank-card volume. A good case can be made for the one million bankruptcies projected for 1998, which will cost retailers more than $1 billion: Retailers and banks are too willing to grant credit. Perhaps, in cases where the debt represents inadequate investigation, the store or the bank should be required to pay part of the other debts!

Should retailers teach bankers? In 1995, only 15,400 ATMs charged a surcharge to non-account (foreign bank) cardholders. By 1997, the number had grown to 64,400 ATMs. In 1998, it will be even higher. How about retailers charging bankers a fee when they enter a store with a foreign shopping or supermarket bag? At $1 per foreign bag, we could have a new use for the "greeter" at the entrance. Even if a bag carried no name, we could charge the banker $1 because it would be evidence that he or she was not a customer but a *cherry picker* and should be charged admittance to the store!

Saks Fifth Avenue is opening about half of its stores in factory outlet centers as Off Fifth Avenue, according to *Value Marketing*, with the outlet stores being smaller in size. **RThought:** I wonder if investors in Saks Holdings know that they are investing in Off Fifth Avenue outlet stores. It's wonderful for the factory outlet center — and the presence of an Off Fifth Avenue store appears in much of the center's advertising.

MORE EVIDENCE THAT CASPER WEINBERGER IS WRONG ABOUT OIL

In the October 1997 issue of *RT,* the back Feature Report, entitled "Be Leery of What Casper Weinberger Says about Oil," pointed out that Weinberger, in the August 25, 1997, issue of *Forbes,* painted a picture of fear in that oil would soon run out unless, as a new source of oil, we forged a friendship with the countries surrounding the Caspian Sea. Also quoted in *RT* were the figures of T. G. Burns of Chevron Overseas Petroleum, Inc., and a quote from his talk made well before the first combination gasoline/electric powered passenger cars were introduced to the public, saying that he saw no foreseeable danger of an oil shortage.

Business Week has now presented a view in keeping with *RT's* article: Its November 3, 1997, issue, with the cover story, "The New Economics of Oil," showed that with the inflation adjustment for oil prices, it was as cheap in 1997 as it was in the 1970s, with an artificial peak in the 1980s, when the Middle East attempted to (and did, for a short while) raise the price of oil to an artificially high level.

The application of technology to both the discovery and the extraction of oil means increased reserves at lower prices. *Business Week* cited such sources as the U.S. Energy Information Administration, the British Petroleum Company, and the trade publication, *Oil & Gas Journal.* Adjusted to 1996 dollars, the cost to find a barrel of oil has dropped significantly, and the same is true of the cost to produce a barrel of oil. Also, proven reserves are growing faster than production.

RThought: An alternative method for powering an equivalent to automobiles could possibly end our reliance on gasoline.

ESTIMATED E-MAIL SHOPPING VOLUME

Forrester Research, Inc., recently released detailed estimates on the volume which should be realized by e-mail shopping. Not only is the breakdown better detailed than when last reported, the figures should be of comfort to *RT* readers.

Type of Merchandise	$ million	Percentage
PC hardware and software	$ 863	35.44%
Travel	654	26.86
Entertainment	289	11.87
Books and music	156	6.41
Gifts and flowers	149	6.12
Apparel	92	3.78
Food and beverages	90	3.70
Jewelry	38	1.56
Sporting goods	20	.82
Consumer electronics	19	.78
Toys and hobbies	13	.53
Health and beauty aids	11	.45
Tools and gardening	10	.41
Home furnishings	9	.37
Other	22	.90
Estimated total	$ 2,435	100.00%

RThought: Carefully note the volume to be realized in the types of merchandise you sell and how little the growth of more than $2.4 billion will impact your company. Over 60% of the estimated volume is in PC hardware and software sales and travel. Are these significant categories to you? Probably not. Should you be concerned? There would have to be a tremendous growth in the 13 remaining categories before taking some type of action.

SHORT SHORTS

Another retailer does good. Talbots, Inc., has just started a Women's Scholarship Fund that will award five $10,000 scholarships and 50 $1,000 scholarships to women going back to school after they have been out of school at least five years (they need not be employed by Talbots). With few scholarship programs available to them, women in this category often find going back a financial burden as well as much harder than for those women who have just finished high school. Talbots' initial board of judges is interesting: the founder of the Ford Models Agency, Eileen Ford; three-time Olympic gold medalist Jackie Joyner-Kersee; and soprano Dawn Upshaw.

An environmental thought from Crate & Barrel: One of my associates brought in a card that was given to her with a purchase. The card read:

> **We are now using peanuts [as packing material] made of cornstarch-based materials that break down in water. No plastics or polluting gases are used in making the peanuts. Please reuse them in your own packaging or dissolve them in cold water. They'll dissolve in a couple of minutes and, because they are made from natural products, they are entirely safe.**

RThought: You may want to investigate: call Crate & Barrel at 847-272-2888 and ask to speak to its Purchasing Department. Most likely, Crate & Barrel will share its source with you. And please mention that you learned of its packing material by reading *Retailing Today.*

Why retailers fail: *Supermarket News*, September 15, 1997, quoted Robert E. Stauth, chairman and chief executive officer of Fleming Cos., as saying, "We've changed our mission statement in the past year to include the word 'consumers.'" **RThought:** At last, in 1997!!! Never before has this old company concerned itself with its "consumers." Maybe next year it will change its mission statement to read "customers."

***Forbes* (August 11, 1997), it would seem, knows more about retailing than most retailers.** In an article about the success of Costco Cos., the subheading read, "They already have more than 15 million *steady customers*, but you haven't seen anything yet!" How many "steady customers" do you have? What are you doing to determine the number? **RThought:** As I have said for many years, retailing is a simple business...and the store that gets the most customers wins!

As imagined, the "transaction" took some time. Not only was the store manager called, but my friend was greatly embarrassed by the whole activity and even more so when her credit card was also declined. Eventually, however, the store manager approved the transaction.

From the outside, I sense that not only was the cashier inadequately trained but that the system could be improved. And under the circumstances, a $25 plant delivered to my friend's home would have been more appropriate than the $25 gift certificate which arrived. When a customer has been greatly embarrassed, money will seldom win back an offended customer.

CREDIT CARD OFFERS OF THE MONTH

In November I received an AT&T MasterCard offer with an APR of 15.9% and a credit line of "up to $7,000." However, not only do each of my existing credit cards exceed that amount, but when AT&T first issued its own card, I was turned down!

And its terms are misleading in regard to tax-deductible interest: the interest charged on this AT&T Universal Business Card "may be tax deductible. Consult your tax advisor." AT&T and MasterCard are well aware that *most of the interest* charged on personal cards is NOT deductible.

RThought: Even if I were in the market for a new credit card, I would not do business with an issuer who makes what I believe to be misleading statements.

I also received a General Motors MasterCard offer last month, with a preapproval of "up to $8,000," no annual fee, and a 7.9% APR through August 1998 (longer than the usual period). And the cardholder can "earn 5%" towards the purchase or lease of a new GM vehicle (excluding Saturn), with a limit of $500 per year against the purchase or lease. Also mentioned is the fact that the cardholder is entitled to use over 300,000 ATMs, neglecting to say, however, that the cardholder will probably be charged for each use. (**Note:** With my Bank of America Versatel card, there is no charge at the thousands of ATMs located in Bank of America branches throughout California.)

RThought: The General Motors MasterCard is a better offer than AT&T's but not as good as my present, separate credit cards and my Versatel card combined!

'DEPARTMENT STORES MUST RENEW TO STAY RELEVANT'

The above headline appeared in *Inside Retailing*, an Australian publication. Not only was the headline pertinent, so were many of the quotes contained within the article:

> **"Department stores will have to close down or change. Reformatting is needed," says Gary Nye, chief administrative officer of Coles Myer [the largest retailer in Australia].**
>
> **Mr. Nye said that retailers had to research consumer trends. Coles Myer had *researched its department stores' viability by talking to employees, consumers* [Note: not called "customers"], *and suppliers.* [Emphasis added.]**

How many American retailer firms are doing this same type of research? And shouldn't chief executives know more about the thoughts of employees, consumers, and vendors? Isn't that the reason they are chief executives?

Of course, such retailers as Mervin Morris of Mervyn's and the late Sam Walton of Wal★Mart Stores, Inc., did this type of research. And they talked with their employees, customers, and vendors at every opportunity. It was one of the factors of their success!

MY COUNTY'S TRANSPORTATION NEWS BULLETIN

...included an item which should have been sent to retailers rather than to members of city transportation committees. It stated:

> **The U.S. Environmental Protection Agency and the Department of Energy will expand the use of "Energy Star" labels on products to signal that a product is energy efficient and that a manufacturer is environmentally aware. "If everyone in the United States chooses Energy Star products over the next 15 years, we could save $100 billion on the nation's energy bill...[the] equivalent of eliminating the pollution from 17 million cars for each of those years," according to Betsy Agle, Energy Star Program at 888-782-7937.**

RThought: Were you aware of this program? If you sell Energy Star products, do your associates know about the program? Do you have signs in your stores informing your customers of these products? Do you mention Energy Stars in your advertising?

RThought: At last, because so many U.S. citizens are concerned about the environment, the EPA and the Department of Energy are trying to act in our favor. For example, millions of people are concerned about air pollution from "more efficient cars." Thus, electric cars are being improved and are now being offered as an alternative.

RThought: You, too, can be an environmentalist!

ANOTHER SIDE OF CATEGORY MANAGEMENT

Category management, particularly in supermarket chains, was developed in order to reach the following goals:

1. Increase profitability
2. Cut the SKU count
3. Reduce the inventory investment and, thus, increase the turnover
4. Reduce out-of-stock merchandise
5. Lower costs of handling merchandise
6. Reduce dependence on loss-leaders

Note that nothing above mentions customer satisfaction. In fact, eliminating SKUs because some items may be slow movers is basically an anti-customer move, particularly for those customers who want to purchase the very items eliminated!

A customer recently told me what was occurring in his area, an area which is served by Albertson's, Lucky, Safeway, and an independent supermarket. He said that the operator of the independent store regularly shops the three major stores to find out what the chains have eliminated (an objective of category management) and then adds some of those SKUs to his offering, even advertising them so that those people who miss the items will know where to buy them. By offering such items, people who regularly used the eliminated SKUs were soon asking the independent to carry their special, favorite items!

RThought: I cannot recall that the transferring of customers with specials wants and needs to smaller stores that will better serve them is a goal of category management.

And I have never seen a category-management report based on gross-margin dollars per lineal foot of shelf space, although square footage within four walls is the main, limiting factor on a store. One would think, however, that retailers aiming for maximum profits would want to maximize gross margin per square foot of shelf space.

WORDS...FROM JACK KAHL OF THE DUCK® TAPE

This month, *RT's* words are borrowed from Jack Kahl's July/August 1997 *Manco Duck® Bulletin*. For those of you who may not know of Jack Kahl, he converted Manco, Inc., from a company the size of your petty cash to a $100-million-plus company — while still having time to stimulate his people and improve the communities into which he moved.

A Lesson in Courage

Many years ago, a young Indian boy found an eagle's egg and placed it in a Duck's® nest. The eaglet hatched along with the ducklings and grew up thinking it was a Duck.® Seasons passed, and the eagle grew old. One day, it saw a beautiful, majestic bird flying high in the sky. The eagle was mesmerized and watched as the bird soared with the wind, hardly beating its strong wings. "What a magnificent bird!" said the eagle, "What is it?" he asked another bird. "That's an eagle, the king of the skies," said the bird. "But don't give it a second thought. You could never be like him. You're a Duck.®" The eagle never did give it a second thought. He died that spring, still thinking he was a Duck.®

The sad fact is that the eagle never realized his potential. He never knew how wonderful it was to soar to great heights, to believe in himself. Another very sad thing, I'm sure you'll agree, is that he never realized just how miraculous Ducks® actually are. What if he was a Duck®? Would that have been so bad? (I think not!) My point is this: We all have enormous potential, and we mustn't let others — or ourselves — prevent us from reaching it. *We'll never know how high we can soar unless we believe in ourselves and summon the courage to try.*

RThought: Perhaps Jack's words can be summarized in even fewer words: *You, too, can fly with the eagles.*

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

SIC Code	Category	SEPTEMBER 1997	SEPTEMBER 1996	Percentage Change	Nine Months YTD 1997	Nine Months YTD 1996	Percentage Change
52	*Bldg Matl Group	$ 12,709	$ 11,634	+ 9.2%	$ 108,245	$ 100,893	+ 7.3%
57	*Furniture Group	11,505	10,721	+ 7.3	99,024	94,184	+ 5.1
571	Furniture Stores	6,006	5,443	+ 10.3	51,416	47,774	+ 7.6
572	Appl, TV, Radio Stores	4,671	4,474	+ 4.4	40,567	39,028	+ 3.9
5941	*Sporting Goods Stores	1,776	1,710	+ 3.9	16,650	15,958	+ 4.3
5942	*Book Stores	1,064	1,006	+ 5.8	8,433	8,280	+ 1.8
5944	*Jewelry Stores	1,330	1,324	+ 0.5	11,850	12,375	- 4.2
531Pt	Conventional Dept Stores	4,425	4,323	+ 2.4	37,652	35,950	+ 4.7
531Pt	Natl Chain Dept Stores	2,991	3,144	- 4.9	27,334	27,326	+ 0.0
	Subtotal	7,416	7,467	- 0.7	64,986	63,276	+ 2.7
531Pt	Discount Stores	12,259	11,471	+ 6.9	112,499	103,204	+ 9.0
531	*Department Stores	19,675	18,938	+ 3.9	177,485	166,480	+ 6.6
539	*Misc General Mdse Stores	4,590	4,592	- 0.0	42,494	41,785	+ 1.7
541	*Grocery Stores	32,836	32,314	+ 1.6	302,185	297,483	+ 1.6
56	*Apparel Stores	9,286	9,052	+ 2.6	79,902	78,192	+ 2.2
561	Men's & Boys' Stores	879	791	+ 11.1	7,395	6,837	+ 8.2
562,3,8	Women's Stores	2,610	2,638	- 1.1	22,696	23,079	- 1.7
565	Family Clothing Stores	3,483	3,352	+ 3.9	29,574	28,079	+ 5.3
566	Shoe Stores	1,546	1,511	+ 2.3	14,194	14,068	+ 0.9
591	*Drug Stores	7,834	7,114	+ 10.1	71,516	65,752	+ 8.8
596	*Nonstore Retail	5,863	5,268	+ 11.3	49,302	45,101	+ 9.3
5961	Mail Order	4,342	3,731	+ 16.4	35,525	32,095	+ 10.7
	**Retailing Today* Total Store Retailing†	108,468	103,673	+ 4.6	967,086	926,483	+ 4.4
	**GAF TOTAL	52,677	50,464	+ 4.4	465,392	444,032	+ 4.8

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations, and some specialty stores.
**General, Apparel, and Furniture.

For further information, contact Nancy Piesto, Services Division, Bureau of Census, Washington, D.C. 20233. Telephone 301-457-2706/2708; fax 301-457-3677. To subscribe to *Monthly Trade, Sales and Inventory Report* call Government Printing Office, 412644-2721 or 2828; or write GPO, Box 371975M, Pittsburg, PA 15250-7975. Current cost is $57 per year. Handled same as magazine subscription. Will receive notice of renewal.