

- NOVEMBER 1998
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 - F - If Retailers Only Knew More, Both They and Their Disabled Customers Would Benefit
 - A - Christmas Planning for 1998
 - Organ Donors – Giving Life
 - What I Observed One Afternoon
 - The Mark of the Cigarette Maker
 - What College Grads Most Want from Their First Job
 - Are Your Customers Satisfied? Or Do They Just Not Shop with You Anymore?
 - W - From a Physicist We All Know
- DECEMBER 1998
- B - “I Have a Dream” by Martin Luther King/”I Have a Dream... for My Company” by A Principal Dreamer
 - F - “Forget Policy Manuals”
 - A - Once Upon a Time, I Defended Gimbel & Sons Against Gimbel Brothers
 - Lucky Stores to Make Unexpected Gift to Los Angeles County
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 - To Help You Make a Decision About Carrying Cigarettes...
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 - How’s Your Succession Planning?
 - Military Exchanges Now Offer Credit Cards
 - Military Personnel Are Still Highly Addicted to Cigarettes
 - W - Words of Confucius

FEBRUARY 1999

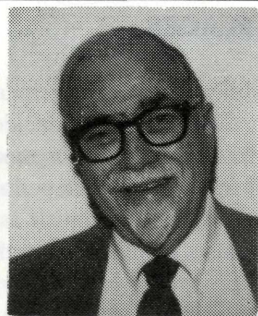
- B - I Offer the Following Outline for Your Company
- F - Would You Consider This Survey "Helpful Knowledge"?
- A - Now That Internet Shopping Is Booming
What Would You Have Done?
Our Newspaper Carriers Are Better Merchants Than Most Retailers
What's Happening in Canada?
Didn't Ja Hear About the Depression in Japan?
When You Offer a Money-back Guarantee...
Does Saving on Training Offset A Loss of Customers?
What Experienced Shoppers Want in A Supermarket
By Being The Very Best In Your Trade, You, Too, May Have An Obit In The New York Times
In Search of Customer Service
- W - Words - Regarding Steps To Top Management

MARCH 1999

- B - Do You Own Or Lease Your Trucks, Tractors, Or Trailers?
How Many Were Manufactured Before December 1, 1993?
- F - The Under-Discussed Weakness of Social Security
It's Hard to Believe That It Once Took Up to 18 People to Make One Straight Pin!!!
- A - When You Offer a Money-Back Guarantee...
The Merchant Versus The Monster
Do You Expect the United States to Protect You and Your Business?
In This Case, "RT" Stands for "Retail Technology"
Electronics Industry to Take on Task of Standardizing Garment Sizes and Shapes
A Listing of Old Retail Firms
Why It's Sometimes Difficult to Buy Goods Made in The USA
Kudos to Macy's West
- W - Words - Selected by The Wise Man

APRIL 1999

- B - Your Immediate Attention Please!!! (reservists being recalled)
- F - Green Stamps – I Mean “Green Points” – Are Back!
Speaking of Smith’s of California...
- C - Correction to March 1999 issue re U.S. Constitution
 - A - The Federal Highway Administration Has Changed
Its Mind!
It Bothers Me to See A Headline Reporting That Sales
and Profits Are Off Because of Weather
Some Retailers – Even When in Business 130 Years –
Have Yet to Learn
If You Operate Convenience Stores, Do You Have
Gasoline Pumps Outside?
Do You Have Stores Near A University or a College
Campus?
An Alert for Those of You Who Sell Nicorette Products
The Fuller Brush Man
- W - Words – Quoth The Banker – “Watch Cash Flow”



RETAILING TODAY

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ROUTE TO

JANUARY 1999

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HOW GOEST THE CHRISTMAS SEASON?

This item was written a week before New Year's Day, before the U.S. Bureau of Census has had a chance to release its figures for November-December 1998 as compared to November-December 1997. However, even before Thanksgiving, I told reporters that I thought the two-month period would show an increase in the 3-4% range. Since then, I have been watching the quotes from an assortment of individuals: consultants, publishers of newsletters, such as *Retailing Today*, and those who approve checks, such as TeleCheck, the latter of which gives projections by metropolitan areas.

TeleCheck makes its estimate based solely on the checks it has approved, making no allowance for the ever-increasing amount handled on credit or debit cards (for airline miles, etc.) and greater use of debit cards combined with credit and ATM cards. I suspect that the November-December increase for general, apparel, and furniture stores, as well as specialty stores, will be greater than the increase in the volume of approved checks. In a December 29, 1998, *Chicago Tribune* article, my friend, Wendy Liebman, who publishes *WSL Strategic Retail*, was in that range, as was Kurt Barnard of *Barnard's Retail Trend Report*.

Most retail articles from *The Wall Street Journal*, *New York Times*, *Women's Wear Daily*, *San Francisco Chronicle*, *Oakland Tribune*, *Contra Costa Times*, *DM News*, and often the *Los Angeles Times* deal with what is happening in conventional department stores, such as Federated Department Stores, Inc., May Department Stores Co., and Dillard Department Stores, Inc., or the national chain department stores, such as Sears, Roebuck & Co. and J.C. Penney Co., Inc.

For the past three or four years, both conventional and national department stores have been losing volume to discount department stores, where most of the volume is generated by Wal-Mart Stores, Inc., Kmart Corp., and Target. While discount department stores show a substantial increase in volume, specialty stores, in which I include sporting goods, books, and jewelry, show a less significant increase. In addition, the growth in general merchandise stores, such as Costco Cos. and Sam's Wholesale Clubs, are reflecting, to a lesser degree than discount department stores, a transfer in volume from conventional and national department stores and, to a lesser extent, from discount department stores.

Drugstores are also taking volume away from all types of department stores. In 1999 or 2000, drugstores will probably be classified as general merchandise stores. (Periodically, I have

WHAT HAS HAPPENED TO CHRISTMAS?

In talking with a reporter about retail sales during December, he asked, "What has happened to Christmas?" I replied, "I believe Christmas is largely a children's holiday; and the number of children in the U.S., as a percentage of the population, is declining."

The following shows the decline in the percentage of population under 5 years of age, together with the estimated decline in the upcoming two decades:

1960 Census	11.30%
1970 Census	8.40
1980 Census	7.20
1990 Census	7.50
2000 (Estimated)	6.62
2010 (Estimated)	5.88
2020 (Estimated)	5.94

Note that in seven decades the representation of children under 5 has dropped about 50%.

Combined with the decline is a change in custom. Children no longer "dress" for Christmas as they did just 20 to 30 years ago. For many people today, with their families spread throughout the country, Christmas is just "another a holiday from work." Further, with families widely spread, the types of gifts now given vary from the traditional gifts which were once under a Christmas tree.

sent my overseas clients copies of drugstore tabloids and have challenged them to "find the drugs"!)

What many retailers seem to forget is the fact that Christmas moved from a Thursday in 1997 to a Friday in 1998, resulting in an additional day between Thanksgiving and Christmas – actually, a big day in the last week of the Thanksgiving-Christmas period.

I often publish a study around the beginning of the fourth quarter of the year that shows the impact on volume related to the changing day of Christmas. (If you would like to receive a copy, please enclose \$7 with your request.) The study shows that this year Christmas will be on *Saturday*; thus, there will be an extra selling day between Thanksgiving and Christmas compared to 1998.

As for some of my observations of the 1998 holiday season, conventional and national chain department stores appeared to have grossly overbought. The three discount chains, Wal*Mart, Kmart, and Target, are less involved with fashion and have better systems of reordering, often transferring their reorder responsibilities to vendors, an expansion of EDI. With more – but smaller – stores than department stores and less inventory involving fashion and color, discount stores have fewer problems with unwanted, overbought inventory. I haven't seen any discount stores running massive 40%-, 50%-, or even 60%-off ads in 1-, 2-, or 3-page ROPs, as I have seen with conventional and national department stores.

As for ROP markdown sales, in northern California we have only one department store, Macy's West. And with only one department store, northern California newspapers had a wonderful 1998, with page after page of massive black-and-white ads for a half day, one day, one and a half days, or weekend sale, some sales with additional percentages off selected merchandise if purchased between the hours of 9 A.M. and noon. Macy's advertising department appeared to have gone into "overload," even showing a one-page ad during the holiday season with items and markdown percentages but *forgetting to show Macy's logo!*

In glancing through the National Edition of *The New York Times* for Sunday, December 27, I noticed much more originality and less use of black ink to get messages across.

Some examples: Saks Fifth Avenue had a Lancome ad that did not include its West Coast stores. Bloomingdale's advertised its "After-Christmas Sale" and pointed out that there were "only 363 shopping days left..." apparently not overbuying, as judged by the discounts offered. Bloomingdale's page was *not* all black ink, and it had a sig cut. However, unlike Saks, it listed its California stores, as well as those located in Florida, Chicago, Boston, etc. On the other hand, Lord & Taylor didn't have "the Bloomingdale touch," but it did have a catchy headline, "Our Very Merry After-Christmas Sale – 25% to 50% Off — 9 A.M. Early Opening" (In California, an early opening is 7 A.M.; and at my house that meant a bit below 30 degrees during the latter half of December!) And, in small print, the ad urged shoppers to call 1-800-223-7440 for the Lord & Taylor nearest to them.

RThought: Unfortunately, I must still comment on my long-standing criticism of Lord & Taylor's sig cut. I know why young people today have such poor handwriting: they see Lord & Taylor's sig cut and think to themselves, if this company is so good and can write its name in such a fashion, why should I improve my handwriting? In other words, more and more people will let their handwriting deteriorate each time Lord & Taylor designs a new sig cut!

You would think Lord & Taylor would be able to get its signature right by now. After all, it was founded in 1826, 173 years ago! (Unfortunately, the company's age isn't mentioned in its ads. Because there aren't too many people left who remember that date, it would be a nice touch.)

BAD PRACTICES IN STRANGE PLACES

Recently, I received a copy of a new publication on management. I looked through every page, read a bit of one article, and decided that it was not a magazine I would be interested in reading each month nor would there be much information to stimulate thoughts to pass on to my clients or readers. Inasmuch as I already receive more than 100 periodicals a month, I threw the sample away.

Shortly thereafter, I was most surprised to receive an invoice for a one-year subscription at \$79! I immediately called the telephone number shown and asked what authority it had when it sent me an invoice for a subscription I did not request. I received some doubletalk, such as, perhaps a friend *thought* I would want to subscribe and entered my name. Upon hearing that, I asked to speak to the circulation director, because, along with the invoice, he had included a note of "personal welcome." I was informed that he could not be reached on the toll-free number that appeared in his letter!

RThought: Because there is no excuse for the conduct exhibited in this situation, it is my obligation to bring it to the attention of my readers. The magazine: *Harvard Management Update*. The publisher: Harvard Business School. I report this matter with great sadness, mainly because no attempt was made to handle my complaint nor to explain the conduct to Robert Kahn, MBA and Baker Scholar, Harvard Business School, 1940.

RThought: From 1938 through 1940, I was taught high standards for doing business by Professors MacNair, Brown, Sanders, Ebersole, Tosdal, Slichter, Meriam, Doriot, Borden, Walker, Learned, Smith, et al., all of whom exhibited higher standards than those tolerated by the B School professors today.

27 ATTORNEYS GENERAL AND THE FTC SETTLE WITH MAY DEPARTMENT STORES

May Department Stores Co. did the same thing as Sears, Roebuck & Co.: its unlawful debt collection practice involved customers who had filed for Chapter 7 bankruptcy.

Under Chapter 7, a person's debt to a company is dismissed. However, the debtor had an alternative with May Department Stores. The company allegedly solicited customers who had filed Chapter 7 to sign contracts agreeing to repay their debt rather than have it dismissed in bankruptcy. However, May allegedly failed to file the reaffirmation agreements with the bankruptcy court as required by law.

The Bankruptcy Court must approve any reaffirmation, and no reaffirmation will be approved if it appears that the debtor will not be able to fulfill his or her part. May, as well as Sears, just "forgot" to file reaffirmation agreements for approval.

This practice is not something new in the law. About 30 years ago, when I spoke every year or so to a credit-management association and knew the heads of credit at Sears, Penney, and Federated, I would emphasize the law, especially to new credit

RETAILERS ARE GOING BROKE BECAUSE THEY DON'T UNDERSTAND ENGLISH

No matter how large or how small a store, there are two words that confuse most retailers: CUSTOMERS and SHOPPERS.

For instance, there are far more shoppers in this world than there are customers, but retailers don't seem to understand the difference. As an example, if retailers have a 50%-off sale after Christmas, they count *as customers* all of the people in the store at the time they open. But the term "customers" is a misnomer, since the waiting mob is nothing more than a crowd of "shoppers."

For this article I used three unabridged dictionaries: an *Oxford, Unabridged Dictionary*, the premier dictionary of the English language; a *Webster's Second International Unabridged Dictionary*, which was given to me by the two aunts of a girl I was dating in New York when I was called to active duty in September 1941 and which I carried throughout the war; and a *Random House Unabridged Dictionary*.

Thus, let's trace the word "customer."

Oxford: customer: one who frequents any place of sale for the sake of purchasing [the key word being "frequents"]; one who customarily purchases from a particular salesman or shop [the usage of which goes back to 1450].

Webster's: customer: one who regularly, customarily, or repeatedly makes purchases or has dealings with a tradesman or business establishment.

Random House: customer: one who regularly purchases goods or services from another.

RThought: All three definitions *stress* that a "customer" is a person who regularly purchases from a store and knows that it is where he or she is highly likely to find the item wanted, without having to visit another place of business.

Most importantly, customers often look for a particular salesperson. For example, if a man buys his suits at Brooks Brothers, he is a *customer* of Brooks Brothers. If a woman buys her clothes at Ann Taylor, she is a *customer* of Ann Taylor. These people will, by habit or custom, go directly to Brooks Brothers or Ann Taylor, respectively. They usually don't respond to sales of other stores; they don't do comparison shopping; and they probably don't go elsewhere for the same item unless their regular retailer "turns them off." If they do look elsewhere, they may *never* come back again. The store has not only lost a shopper, it has lost a customer, and all of the repeat purchases that come whether there is an ad or not (many customers do not read ads) — they know the store.

Now, let's look at the word "shopper."

Oxford: shopper: one who frequents a shop or shops for the purpose of inspecting or buying goods. For example, 1862-*The Guardian*: "Paris is not only made of pleasure seekers but of keen and indefatigable shoppers."

Webster's: shopper: one who shops; one who also visits shops for inspecting or purchasing wares.

Random House: shopper: comparison shopper; compares price and/or quality of competing merchandise.

[RT Note: New dictionaries are not "original." They look at others, when the copyright date has expired and tend to "crib."]

RThought: There is also another category of people who may be in your store: the "cherry pickers," the ones who only want to buy something at a price so low that you will lose money.

RThought: Why have I gone into so much detail on a subject that I have dealt with time and time again. The two largest categories of RT readers are 1) chief executive officers of retail companies and 2) professors of retailing at four-year colleges and universities.

To all CEOs:

Let your Human Resource Department (I much prefer People Department) know that it must find a way for all of your associates to understand that their charge is to "create customers." As a first step, provide some training for district managers and store managers on *how* to inculcate your associates with the fact that your business (and their jobs) will succeed only if they make and keep "customers," as does The Gap, Dollar General, Brooks Brothers, Nordstrom, Saks Fifth Avenue, Bloomingdale's, Home Depot, Crate & Barrel, Restoration Hardware, TJMaxx, Wet Seal, Radio Shack, Men's Wearhouse, Walgreen, Wal*Mart, Macy's, Target, Kohl's, and many more successful retailers, and see that each associate applies what has been learned.

Ask the district managers if they or their spouse are customers of certain stores. Make them articulate *why* they go back "by custom or habit." In addition, have the store managers ask the same question of the associates in the store.

Then ask the various groups *why* they or their spouse have become "customers." For example, Wal*Mart, the largest retailer in the world, has more customers than shoppers. The same is true of some independent drugstores and grocery stores in the face of the several major, national chains. Here in Lafayette, California, the owner of the independent grocery store, who also owns a successful store in another town, has the support needed in the face of Safeway, Lucky, Raley's, and other large supermarket chains. It can be done — but only if the CEO knows what he or she wants — CUSTOMERS — and how to get them.

Successful better men's clothing stores, almost universally, have encouraged their salesmen, by using commissions, to develop their PT, or personal trade. For their PT, they send cards to Hickey Freeman customers when the designer's suits arrive at their store and cards to Hart-Schaffner-Marx customers when these suits come in.

To all professors:

Make sure that you send students out into the retailing world understanding the difference between customers and shoppers and that customers *must* exceed the number of shoppers for a retailer to be successful.

You will find among your students some customers and a good number of shoppers, so explain a few facts of retailing.

1. If you *believe* you can save money and improve profit by doing so, you are nevertheless wrong when you significantly reduce the number and/or quality of the people on the selling floor. Your loss will be your customers, and, in all probability, they will never come back. Worse, they will spread the word among their friends that your store just isn't what it used to be.

2. Split up the class with customers on one side and shoppers on the other. Have each give what they believe is the benefit of their side. Have them tell why they have stopped shopping certain stores.

3. Ask about specific stores and see if any students have been *driven* away by The Gap, Dollar General, Brooks Brothers, Nordstrom, Saks Fifth Avenue, Bloomingdale's, Home Depot, Crate & Barrel, Restoration Hardware, TJMaxx, Wet Seal, Radio Shack, Men's Wearhouse, Walgreen, Wal*Mart, Macy's, Target, or Kohl's.

4. If there is a new shopping center in town, have the class visit the stores and then split the stores between those that will get customers and those who will get shoppers. Find out what drove the students away from some.

A SECRET TO RETAILING IN THE FUTURE

Before I tell you the secret, I must admit that it was given to me by Maxwell Sroge in his newsletter, *NSM Report* (the "NSM" standing for Non-Store Marketing). Regarding Jerry Storch, president of credit and new business at Dayton Hudson Corp., I pass on the following without change:

Mr. Storch has just issued a warning that people who sell to Target and Dayton's and Marshall Field better not sell direct on the Internet or they'll get their comeuppance. How? [According to Storch] "We will never allow ourselves to be reduced to the role as a mere showroom for goods sold over the Internet by vendors or others."

I join Max in his reaction.

RThought: Given what Storch has outlined above for Target, Dayton's, and Marshall Field (perhaps Hudson and Mervyn stores have been sold), it is easy to foresee the new retailing of the future: empty 200,000-square-foot-plus, former multilevel department stores and discount stores, because there are no resources to buy from. Why? Because all vendors could either sell direct over the Internet or sell to retail organizations that sell the vendors' products over the Internet.

The question retailers will be asking: Do you think the "Storch-the-earth policy" can work?

'THE INTERNET ECONOMY'

With the above title, a recent article in *Newsweek* emphasized that the Internet will be "the end of shopping malls."

After the article appeared, letters from *Newsweek* readers to the editor expressed their feelings on the matter. Here are quotes from some of the letters of disagreement.

I've been online since 1991, and I can tell you that online shopping has yet to live up to its potential. Faster? Nothing is faster than walking out of the store with the merchandise in your hand. Cheaper? It ought to be, but mostly it isn't.

Kiss your mall goodbye? Yeah, right. It will happen as soon as the radio replaces the newspaper and the computer eliminates paper.

You suggested that the Internet will rapidly replace the 42,000 shopping centers in the U.S. Several years ago, soothsayers were predicting that catalog sales would cause the demise of shopping centers. But in 1997 catalogs accounted for \$81 billion in retail sales – and shopping centers racked up more than \$1 trillion.

The above is just a sample of the many letters *Newsweek* received in *disagreement* with its article's prognostications. And none, to my knowledge, are readers of *Retailing Today!* They just have more common sense than those so-called "experts on retailing," the ones who once again "think" that shopping in person will soon disappear.

TO HELP YOU MAKE A DECISION ABOUT CARRYING CIGARETTES...

Because I am a retired Air Force officer, I receive *Healthy Habits*, a periodical from the Foundation Health Federal Services, Inc., which combines good health-habit news with information on Tricare, the medical service for retired military personnel.

The following, regarding tobacco-related deaths, was published by the World Health Organization in the *American Journal of Managed Care*, Volume 2:

World's Worst Epidemic

Unless things change, within 30 years, tobacco will cause more premature deaths in developing countries than AIDS, tuberculosis, and the complications of childbirth – combined. By the year 2025, 10 million people worldwide will die every year from smoking-related diseases.

RThought: This is not the way we want to solve the problems of Social Security funding, a contribution by workers who die before they receive their benefits. We are a "developed" country; our toll may be less than in undeveloped countries. The impact of tobacco on life expectancy will be there as long as addiction to tobacco continues with teenagers and those who are even younger.

managers. However, in those days, this type of situation would never, never have existed in one of the major retail firms.

In the May case, some 32,000 people nationwide were paid about \$15 million (about \$500 each), plus finance charges, in restitution, and some 27 attorney general offices were paid about \$7 million to fund consumer protection education programs. In addition, May is under an injunction making it illegal for it to collect any money under a reaffirmation of a debt.

RThought: Both Sears and May are fine, old companies. They both should know better. However, part of the fault must be placed on the bankruptcy court. The court should always fully explain the term "reaffirmation," emphasizing that reaffirmation is only permitted when the court has approved it. Just because it is a law, the court cannot assume that the person filing bankruptcy knows the law or that his or her attorney has explained the law.

RThought: If a debtor has an attorney and the debtor signs a reaffirmation and pays under it without the approval of the court, it would appear to me that the bar association should deal with the competence of the attorney responsible for protecting his or her client.

FOR THOSE WHO BELIEVE THAT THE MERGER OF FRED MEYER AND KROGER CAN TAKE ON WAL*MART, A WORD OF ADVICE

I'm not suggesting that Kroger Co. get rid of Ralphs Grocery Co. (a supermarket chain first acquired by Fred Meyer, Inc., and now, along with Fred Meyer, acquired by Kroger), but I am suggesting that it take a look at a cash-register receipt for a four pack of Charmin tissue that I recently received from a reader of *RT* to see how it can keep Ralphs in business.

The four pack of Charmin was advertised by Ralphs in the *Los Angeles Times* at \$1.09. Charmin also ran a coupon for \$1 off on the tissue. Ralphs has a policy of doubling manufacturers' coupons. Thus, the cash-register tape read:

Charmin 4 pk	1.45
Charmin 4 pk/club discount	<u>.36-</u>
	1.09
Scanned coupon	1.00-
Double coupon	1.00-
Credit	2.36
Charge	<u>1.45-</u>
Net credit	.91

At this rate, my reader could become rich if he just buys enough *Los Angeles Times* for the coupons and Ralphs has enough Charmin four packs! There may be a limit as to how many four packs his apartment can hold. But he could quit his job and peddle no-cost, 100% markup Charmin tissue!

HOW'S YOUR SUCCESSION PLANNING?

Marks & Spencer, the United Kingdom's largest retailer, with stores not only in the United Kingdom but in the United States, Canada, Australia, and Southeast Asia, reports a problem in finding a successor to Sir Richard Greenbury.

Sir Richard is both the company's executive chairman of the board and its chief executive officer. But stories have been leaked that the directors, who must make the decision now, *do not* have a succession plan. The board members are divided on their preferences for a successor and are holding meetings and interviews with senior executives, including one whom some board members had *assumed* would be next in line. Apparently, Sir Richard, who has a reputation for hands-on management, has not been present during the interviews.

What about your business? Is there a person whom your directors and senior executives would want to succeed the chairman and/or chief executive officer? Who knows what *you* are thinking. If a company as large and as complex as Coca-Cola Co. can make a smooth transition into a preplanned succession in a number of positions, it should be easier in a smaller business. *Fortune*, as well as other publications, complimented Coca-Cola's recently deceased chairman for doing what every chairman should make sure is accomplished: people who are new to a position know what is expected of them. And it is your responsibility so that your hundreds or thousands of employees will not suddenly be looking for jobs with your competitors who are willing to hire them. Of course, these competitors will expect your former employees to bring some of your trade secrets with them. With their new employer, they may be asked, "How did you do it at your old job?"

MILITARY EXCHANGES NOW OFFER CREDIT CARDS

As an adviser for five years to the Army and Air Force Exchange Service and as a retired military officer, I receive the mailings for both AAFES and NEXCOM (Navy Exchange).

Thus, those outside of the military may be interested to know that exchanges are now offering their own credit cards. For example, in a promotion for the Navy's NEXCARD, a person receives 10% off his or her first purchase and earns a 2% rebate on all NEXCARD purchases. By doing so, it encourages cardholders to buy, perhaps, a TV as their first purchase.

RThought: My American Express card, in white letters on a green background, clearly states "American Express." Below the company name, it states, in black print, "Senior Member." Then, in even smaller black print that is lost in the green, it states, "Charter Member." Following, in even smaller black print, are the words, "Member since '58."

At a dinner earlier this year I sat next to an American Express executive. We got to talking, and I showed him my card. He had *never seen* a card with "Charter Member" printed on it and apparently made note of it.

At the end of August, I received a letter thanking me, as a Charter Member, and expressing gratitude for 40 years (of payments, I guess!).

RThought: How long has it been since you thanked your 50-, 40-, 30-, or even 20-year customers. I can hear a resounding "Never."

RThought: Such customers could be offered 10% off on all purchases in a particular month or other period. Even if you named your slowest month, perhaps they will stop saying, "That store only thinks of me when I owe them money."

MILITARY PERSONNEL ARE STILL HIGHLY ADDICTED TO CIGARETTES

Each year, various military exchanges publish a list of companies from which they purchase more than \$1 million. Out of 200 vendors, NEXCOM printed the following purchases from tobacco manufacturers:

<u>Rank</u>	<u>Vendor</u>	<u>\$ Volume</u>
2	Philip Morris	\$ 40,572,744
4	Brown & Williamson	22,550,270
13	RJ Reynolds Tobacco Co.	10,559,248

<u>Rank</u>	<u>Vendor</u>	<u>\$ Volume</u>
45	Lorillard Tobacco Co.	3,816,378
53	US Tobacco	3,272,078

The approximate total from these five companies: \$75 million!

It has been only within recent years that Veteran Administration doctors realized that they treat so many patients in their hospitals as a result of smoking that they have banned the sale of cigarettes in hospital canteens. And cigarettes had represented their largest-item volume: nearly half of all canteen sales!

If NEXCOM's figures are any indication of the volume of cigarettes sold through the military, you can well imagine what the figures are for the Marine Corps and the Army and Air Force exchanges.

RThought: If President Clinton wants to set a goal by reducing the number of young people addicted to tobacco products, he should start with the military. As you know, most enlistees, male and female, are under 20 when they join a service.

WORDS - OF CONFUCIUS

There are three things that offend the superior man. To find something about which he knows nothing; having found it, not to learn it; having learned it, not to use it.

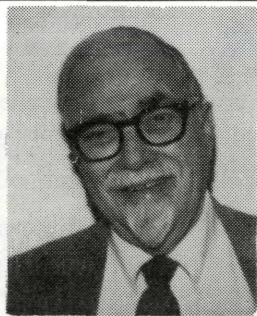
RETAIL MONTHLY / YEAR-TO-DATE SALES COMPARISON (Unadjusted \$ millions)

<u>SIC Code</u>	<u>Category</u>	<u>1998</u>	<u>October 1997</u>	<u>Percentage Change</u>	<u>Year to Date 1998</u>	<u>1997</u>	<u>Percentage Change</u>
52	Building Material Group *	\$ 14,964	\$ 13,642	+ 9.7%	\$ 139,467	\$ 126,999	+ 9.8%
57	Furniture Group *	13,265	12,299	+ 7.9	125,391	115,067	+ 9.0
571	Furniture Stores	6,568	6,217	+ 5.6	61,184	57,366	+ 6.7
572	Appliance, TV, Computer and Radio Stores	5,758	5,206	+ 10.6	55,360	49,476	+ 11.9
5941	Sporting Goods Stores *	1,684	1,596	+ 5.5	18,671	17,407	+ 7.3
5942	Book Stores *	929	910	+ 2.1	10,262	9,969	+ 2.9
5944	Jewelry Stores *	1,559	1,465	+ 6.4	14,844	13,766	+ 7.8
531	Department Stores *	23,431	22,225	+ 5.4	214,142	200,686	+ 6.7
531Pt	Conventional Stores	4,537	4,628	- 2.0	41,384	40,377	+ 2.5
531Pt	National Chain Stores	<u>3,391</u>	<u>3,403</u>	- 0.4	<u>30,608</u>	<u>31,083</u>	- 1.5
	Subtotal	7,928	8,031	- 1.3	71,992	71,460	+ 0.7
531Pt	Discount Stores	15,503	14,134	+ 9.7	142,152	129,226	+ 10.0
539	Miscellaneous General Merchandise Stores *	5,361	4,953	+ 8.2	48,954	46,065	+ 6.3
541	Grocery Stores *	35,485	33,924	+ 4.6	342,021	333,534	+ 2.5
56	Apparel and Accessory Stores *	10,587	9,986	+ 6.0	94,651	90,850	+ 4.2
561	Men's and Boys' Stores	996	921	+ 8.1	8,719	7,932	+ 9.9
5623	Women's Stores	2,613	2,600	- 0.5	24,371	24,365	- 0.0
565	Family Clothing Stores	4,277	3,942	+ 8.5	36,468	33,824	+ 7.8
566	Shoe Stores	1,684	1,607	- 4.8	16,911	16,460	+ 2.8
591	Drug Stores *	8,947	8,248	+ 8.5	85,726	79,829	+ 7.4
596	Nonstore Retail *	7,465	6,979	+ 7.0	62,540	59,589	+ 5.0
5961	Mail Order	5,154	4,640	+ 11.1	42,380	37,575	+ 12.8
* RETAILING TODAY TOTAL							
	STORE RETAILING (1)	123,677	116,227	+ 6.4	1,156,669	1,093,761	+ 5.8
	GAF TOTAL (2)	60,811	57,098	+ 6.5	562,880	525,803	+ 6.9

(1) Excludes car dealers, auto supply stores, variety and miscellaneous general merchandise, eating and drinking places, service stations, and some specialty stores.

(2) General, Apparel, and Furniture

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RETAILING TODAY

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ROUTE TO

FEBRUARY 1999

VOL. 34 NO. 2

NOW THAT INTERNET SHOPPING IS BOOMING

...we should take into consideration the Associated Press articles claiming that states will lose as much as \$20 billion in sales taxes because people have now begun to take advantage of tax-free shopping.

Because interstate sales-tax problems by mail and by telephone have not been resolved – a problem which has existed since the first mail-order catalog came on the scene – I suspect the same sales-tax problems created by the Internet will not be solved in your children's lifetime.

According to Table 478 in the 1997 edition of *Statistical Abstract*, the total state revenue from sales and gross-receipt taxes was \$298 billion. The estimated loss was 6.7% of the amount collected by the states.

RThought: Unless all state and local sales-tax rates are the same (i.e., a national sales tax), this question may never be resolved.

If we assume the average state sales-tax rate is 5%, \$20 billion in tax revenue indicates total taxable sales of \$400 billion. Total 1997 sales for gas stations and GAF, automotive, drug, and liquor stores was \$1,582 billion. Four hundred billion dollars would represent about 25% of taxable sales, an amount not likely to be found on the Internet. Is that realistic? We are far from doing 25% of sales subject to sales tax on the net.

WHAT WOULD YOU HAVE DONE?

We all read about or watched TV news which told of the fire aboard *Ecstasy* last summer on the first day of a four-day cruise. Fortunately, no one was seriously injured, but the passengers certainly had their vacation spoiled.

What did Carnival Cruise Lines, Inc., do in an attempt to pacify its disgruntled passengers?

1. It arranged and paid for transportation and hotel rooms in Miami that night.
2. If people had air transportation arranged through Carnival or had done so on their own, they were rebooked out of Miami the next day.

I OFFER THE FOLLOWING OUTLINE FOR YOUR COMPANY

1. The goal
2. The fulfillment
3. The how to
4. The why to
5. The steps of management

In seeking to develop your company...

Divide responsibility, as our Constitution does by dividing the responsibility between the legislature, the executive, and the courts; as nature does in dividing a day and night into 24 hours by having the earth revolve on its axis.

We will call your source of development COMA...

The College of Maverick Associates.

You must...

Make room for those who think differently;

Be comfortable with those who disagree with you, because they make you think more and longer and better; and

Honor and respect those who force you to do something better, something that you thought you did perfectly.

Keep in mind that your company can be taken over by one which dictates what is to be done — or your company may fail and the miracle of *your* company will end.

RThought: As Ralph Waldo Emerson once said, "A foolish consistency is the hobgoblin of little minds."

3. It gave a full refund to everyone and offered a future complimentary cruise of the same length (without airfare).
4. People who were booked on one of *Ecstasy's* two cancelled July cruises received a full refund PLUS a 50% discount on any future cruise.

RThought: What do you think these hundreds of people had to say about their mishap? Did they speak well of Carnival? Did they criticize it? I am inclined to believe that they told their friends about the wonderful way in which the cruise line handled the situation. The only drawback I see is that Carnival could not replace its passengers' lost vacation time.

RThought: What do you do when, perhaps, the bride's wedding dress arrives late? or a man finds out that his suit's alterations haven't been finished as promised? or the set of china for a wedding gift is the wrong pattern? Will your customer be lost forever? or will your customer be able to tell his or her friends how wonderful you were when you acknowledged the mistake. The choice is up to you. In retailing, solving such problems is something customers *expect as being part of a company's "service."* Unfortunately, it is what too few retailers give.

OUR NEWSPAPER CARRIERS ARE BETTER MERCHANTS THAN MOST RETAILERS

Twelve days before Christmas my wife and I received a flyer attached to our edition of *The New York Times*, an 8 1/2 by 11-inch green sheet of paper, with a holly-leaf border, wishing us season's greetings and the following message:

Dear Subscriber:

All of us at Lafayette News Delivery hope you have a wonderful Holiday Season and a joyful New Year!

With thanks and appreciation for the opportunity to serve you.

Your carrier,

Joshua Johnson

We also received a similar greeting from our *Wall Street Journal* news carrier. But we did not receive a message from the *Contra Costa Times*, *Oakland Tribune*, or *San Francisco Chronicle*.

RThought: Despite regularly using credit cards for payment, we did not hear from retailers — not even Citibank Visa, where we have a high limit and a \$2,000 to \$5,000 balance each month, even though we pay regularly with no finance charge; or Bank of America, with whom we have had an equity line since it was first offered and where our credit rating shows that we have never made a late payment in 20 years.

RThought: Not only did we not hear from any bank, we did not hear from any local merchant — or, for that matter, any national merchant — not a single "thank you" for our patronage.

RThought: Retailers say that there is no longer any Christmas spirit. And they're right. But if anyone has spoiled the Christmas spirit, it's the retailers.

2 - RETAILING TODAY - FEBRUARY 1999

WHAT'S HAPPENING IN CANADA?

First, an advocacy group is calling for privacy legislation after two Ontario supermarket chains asked welfare recipients to thumbprint their checks before they cashed them.

RThought: In 1952-54, I was working for the only downtown Oakland, California, retailer who would cash welfare checks. Thus, welfare recipients were a large part of our business. (The check-cashing total was about twice our annual sales!)

To cash a check — welfare, salary, or personal — a person had to press his or her four fingers against a pad with a fluid which could be seen in infrared light and then press them on the back of the check. As a result, we didn't have many bad checks.

Having solved the problem of check losses, we then established a coupon-book credit program that had practically no losses. Our welfare recipients paid as agreed. The result: After we debugged the coupon system, we enjoyed increases of 40% to 50% in sales for the next two years!

Second, in January, the Consumers Association of Canada filed a complaint to the Competition Bureau (a bureau we do not have in the U.S.), opposing the proposed merger of two large supermarket chains: Loblaw Cos., Ltd., and Provigo, Inc. The association noted that there had been antitrust judgments in the U.S. against such supermarket mergers because they result in higher consumer prices and substantially less competition.

RThought: It appears that some countries more strongly protect their consumers by creating a separate "competition bureau" to which consumer organizations can appeal. In the U.S., the Federal Trade Commission acts on its own initiative and seldom on the appeal of a consumer organization (none of which is a government agency).

DIDN'T JA HEAR ABOUT THE DEPRESSION IN JAPAN?

But, with good management, look what one of the top 15 retail companies in the world did during the first six months of 1998.

The following figures were extracted from the interim report of Ito-Yokado Co., Ltd.:

Comparison of First Half of 1998 to 1997

<u>Revenues from Operations</u>	<u>Percentage Change</u>
Total revenues	+2.1%
Superstores and other retail operations	+ 2.0
Convenience store operations	+ 9.9
Restaurant operations	- 2.1

These figures could certainly be representative of any large U.S. company in the best of times: *its income before taxes was -6.8%.*

WOULD YOU CONSIDER THIS SURVEY 'HELPFUL KNOWLEDGE'?

Women's Wear Daily recently devoted 19 pages to "The Consumer Psyche." In all, 20 questions were asked.

But the methodology appeared on the ninth page in 3 inches of a small column:

WWD commissioned International Communications Research, Media, PA, to conduct the telephone survey with custom questions developed by WWD. The survey took place from Oct. 23 to Nov. 1 and reached 534 women with household incomes of more than \$25,000. This provides a nationally representative and statistically projectable database reflecting 52.9 million American women over 18 in that income bracket.

Some numbers in the survey do not add up to 100% because of women who declined to answer or who responded "don't know."

There is just one fact that is available in statistical tables: the plus or minus percentage, resulting, in this case, from a sample of 534 women drawn from a universe of 52,900,000!

Is it $\pm 1\%$? $\pm 5\%$? $\pm 10\%$? or $\pm 20\%$?

The 19 pages treat the data as being *precise* merely because it carries results in percentages to one-tenth of 1% accuracy! For example, one of the questions asked: "Time spent shopping now versus five years ago?" Eight percent spent less than one hour, which is more than they spent five years ago! On the other hand, 14% spent four to six hours, which is the same as five years ago!

Here is another example picked at random: "Are you staying current with fashions now versus five years ago?" With the survey boasting a figure of accuracy at one-tenth of 1%, 58.4% now find it less important; 18.7% find no difference; and 20.8% find it more important.

SHORT SHORTS

Don't count on fewer bankruptcies. The first six months of 1998 showed an *increase* of 9.2% in bankruptcies. Some states showed an increase of 20% or more. The only states showing a decrease were Massachusetts, down 1.17%; Minnesota, down 1.29%; and Oregon, down 8.28%. **RThought:** Be sure your reserve for bad debt is adequate.

Bankruptcy rates, however, are not all the same. If you are granting credit in all or almost all of the 50 states, plus Washington, D.C., you will be interested in knowing that the highest rate (per thousand households) of 25.78 is in Tennessee,

Upon reading this report, I wondered if anyone on the staff of WWD understands the concept of sampling. It appears that all they understand is the fact that Fairchild Publications gave WWD enough money to pay what International Communications Research wanted for a survey!

The narrative below the question read: "By a vote of nearly three to one [Note: It should be 75% to 25% for three to one], 58% of the women surveyed said staying current with fashions is less important today than five years ago. Just 21% (rounded off from 20.8%) said it was more important, and 19% (rounded off from 18.7%) indicated no difference."

Guess what was one of WWD's conclusions: "Earning the most frequent-shopper award typically was a young woman from an upscale household who prefers specialty stores and department stores." Gee! Now you know something. The report concluded that "this type of woman" does not shop at Target, Kmart, or Wal-Mart, opting for Saks Fifth Avenue, Nordstrom, Neiman-Marcus, and the like!

If you weren't aware of this type of woman, you must have come into retailing just yesterday. The closest 1/10 of 1%!!!

RThought: I have trouble with another bit of information from the survey:

The percentage of women who shop for clothes...

Once a week or more	5.4%
Three to four times a month	12.3
Once a month	26.2
Once every two to three months	27.8
Once every four to five months	10.4
Twice a year or less	15.4

Now that we have these percentages, we can assume that every one of the women questioned mark their calendars every time they shop!

RThought: So what?

RThought: The article is deficient. And it says nothing about how these 19 pages of questions and answers might be useful to WWD readers or, for that matter, anyone else.

while the lowest rate of 6.0 is in Alaska. **RThought:** I would have thought the highest would have been in Nevada, but it was second.

What company is the largest optical chain in North America? The answer: Cole National Corp., which operates under the name of Sears and Pearle Vision. Why did this bit of knowledge startle me? Because I remember, as perhaps do many of you, that Cole National once was the only large chain of *key-making stands* (here, again, it used the Sears name, among others). **RThought:** Perhaps they saw the new "key to a better future."

WHEN YOU OFFER A MONEY-BACK GUARANTEE...

it means *all of the money*!

When Gateway, a PC direct marketer, promised a "money-back guarantee policy" and an "on-site service provision," it did not always come through. For example, Gateway allegedly deducted shipping charges, averaging \$62 per transaction.

When the Federal Trade Commission accused Gateway of misrepresentation, the company agreed to a settlement of \$290,000.

RThought: Charles Lutwidge Dodgson said it better than I:

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

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

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

By now, you probably recall that Dodgson's nom de plume is Lewis Carroll (1832-98).

DOES SAVING ON TRAINING OFFSET A LOSS OF CUSTOMERS?

The U.S. Department of Labor conducted a survey in 1995 on employer-provided training, but the department's results were not published until the June 1998 issue of *Monthly Labor Review*. (A single copy at \$8 can be ordered by credit card from the Government Printing Office, 202-512-1800.)

The article, which was based on a 1995 survey, consisted of 1,433 privately owned establishments (retailing included), with employees ranging from 50 to 500-plus. The department's trained interviewers obtained their data by interviewing two persons per company. In addition, data was obtained from each company's data log.

The Department of Labor's data on retailers was as follows:

Percentage of establishments that provided formal training in the last 12 months	88.7%
Percentage of employees who received some formal training in the last 12 months	48.8%
Hours of formal training per employee	4.2
Hours of informal training per employee	32.6

The survey resulted in employers stating that employees received 4.2 hours of *formal* training, with an estimated 36.8 hours spent in training.

The survey of wholesale companies showed that they spent *twice the hours* of retailers in training their employees, although, I suspect, wholesalers had fewer changes in items handled and fewer contacted customers.

RThought: To fully measure a company's training program, one must know the turnover rate, since new employees normally require more training. In addition, informal training may be overstated, since department managers regularly have meetings with their people, with much of the talk being in the nature of "announcements" rather than "training."

WHAT EXPERIENCED SHOPPERS WANT IN A SUPERMARKET

Test yourself:

	Yes	No
Have real chefs on hand to supervise food preparation?	___	___
Have prepared foods hot enough to take home hot?	___	___
Provide a suitable selection of affordable gourmet-type food?	___	___
Provide a better selection of prepared meats?	___	___
Do more food preparation right in the store?	___	___
Provide a better selection of prepared vegetables?	___	___
Provide a better selection of basic American foods?	___	___

Additional supermarket questions and answers were included in the May 1998 issue of *The Shopper Report*. If you are interested in these types of studies, just call Mona Doyle at 215-235-2400 and subscribe to *The Shopper Report* at \$145 a year. Say that Bob Kahn sent you.

RThought: By checking the answers given by experienced shoppers to the questions above, you will find that Mona's shoppers had answers in agreement from 12% to 50%. See if you can choose which question 50% was agreed upon and by which had only 12%.

And Ito-Yokado did not maintain its volume by giving away its gross margin. Nor did it abandon its expansion: total assets increased by 8.5%, because capital expenditures on the three divisions increased by 76%.

Ito-Yokado did not report its number of associates at the end of each period; but knowing the Japanese culture, there would have been no massive layoffs, especially of salespeople, cashiers, or restaurant servers. In fact, retaining its associates probably accounted for its stellar performance during a turbulent year insofar as Japanese business was concerned.

BY BEING THE VERY BEST IN YOUR TRADE, YOU, TOO, MAY HAVE AN OBIT IN THE NEW YORK TIMES

I am referring to window trimmer Gene Moore who died at the age of 88 in November of last year.

Moore spent 39 years, 20 years as vice president of window display, at Tiffany & Company. As many of you know, Tiffany has only five small windows in its Fifth Avenue shop, but over the years Moore decorated those windows with over 5,000 displays. And if you have ever walked along the street, I'm sure you were just like me, turning your head or stopping to check out the striking, simple beauty of the window displays. Now you know that the person who designed those head-turning windows was a vice president of Tiffany's! What rank is the head of your window displays?

Quoting from the obituary, "...just try not to stop when, out of the corner of your eye you spot, say, a bird, its beak extended, pulling – hey, that's not a worm, that's a diamond necklace! – out of the earth."

Moore began his career as a freelance window dresser, first with I. Miller shoe store chain, then at Bergdorf Goodman and its Delman shoe division, and later at Bonwit Teller. In 1990, Moore's illustrated autobiography, entitled *My Time at Tiffany's*, written by Jay Hyams, was published.

RThought: If you have a special skill, often it will be recognized. It happened to Moore, once a freelance window dresser on the street of the most demanding retailers in the U.S., if not the world.

IN SEARCH OF CUSTOMER SERVICE

Summarized herein is an article about Meier & Frank Department Stores that appeared in *Oregon Business* and was sent to me by an RT reader. I remember when Meier & Frank had only one store in downtown Portland. And I believe that there were members of both the Meier and the Frank family in the business.

Meier & Frank (founded in 1857) had the same great reputation enjoyed by many old, leading, family-owned department stores. Today, however, there are no more Meiers or Franks. The company is now a division of May Department Stores Co.

The article in question states that two successful Oregon executives became "mystery shoppers" for *Oregon Business* at the Meier & Frank store in Lloyd Center. One of the executives was the developer of Farrell's Ice Cream Parlors (over 100 stores). His method of operation was to make customers feel "special," including showering them with bells and whistles and balloons, especially children. (My wife and I first visited Farrell's about 35 years ago when it had just one store.)

The two executives wandered into the women's clothing department and found that it obviously needed help. There were many clerks, but, as the "shoppers" reported, *all* of them were too busy "behind racks, rearranging clothing, or on their knees, adding stockings to displays.... We hovered. We stood still in our tracks. We looked like we needed help and more. No one looked up. No one said anything to us. We flitted our dazed eyes. No one looked up. No one said anything. Four or five minutes passed. Finally a clerk moved toward us. 'Excuse me,' she said to us politely...." But I must end: the *Oregon Business* has a copyright. I could argue, however, that the copyright would not hold up, because it just describes what happens in all but a few major department stores. Store and department managers live with this type of conduct everyday.

The message I would like to convey, however, is that this scenario may well be happening in *your* stores. We know that it happened in a leading department store founded way back in 1857!

Kahn's Department Store is no longer in Oakland, California; but often, when I meet people who remember Kahn's, I tell them that the store was built in 1914 by my father and granduncle. In nine out of ten cases, they tell me how wonderful the service was when they shopped at the store. (**Note:** One of my associates added that she remembers a very friendly saleswoman at Kahn's years ago who helped her choose just the right two-piece, tailored, comfortable and washable suit for her first Bay Area teaching job.)

Each month I watch the dollar sales reported for the three types of department stores: conventional, such as Meier & Frank; national, such as Sears, J. C. Penney, and Montgomery Ward (now coming, thank goodness, out of Chapter 11); and discount, such as Wal-Mart, Kmart, Target, and Ames. In any month, conventional department stores might have a slight increase; national chains have a small increase; and discount stores have a significant increase.

Two thousand, five hundred years ago, Confucius said: "People vote with their feet. If the population increases, the king is providing good government; if the population falls, there is poor government."

RThought: Both shoppers and customers are voting with their feet – or, more accurately, with their ears — because they are voting for discount department stores! They hear what others say about discount stores, re assortment, in-stock merchandise, and, yes, service.

WORDS – REGARDING STEPS TO TOP MANAGEMENT

*If everybody agrees on something,
Nobody has thought about it lately.*

Robert Kahn, c. 1959

In retailing, we must remember that there is nothing that is right forever. It is only right compared with what all other retailers are doing today.

When they change, we have to change. Hopefully, we will innovate before or better than others!

We must shop in “a world of ideas.” To do so, we must go outside our industry to...

Management training programs;

Conventions, seminars, and conferences; and

Form special task forces of middle-management associates to go out and investigate new forms of retailing and new ideas among competitors, reporting back on what is found, with recommendations on what could be done.

We must expand our thinking. Let never be said about your company what was once said about IBM Corp. in *Success* magazine:

“I enjoyed reading Mary Rowland’s piece because it finally pinpointed the weakness of monolithic institutions like IBM. Creativity is suffocated at the expense of conformity.” (Letter to the Editor)

RTThought: In my consulting work, I regularly meet with clients to challenge, criticize, and innovate. For example, I spent every Friday afternoon for 21 years with my client, Merv Morris, while “we created” Mervyn’s.

The secret to any retail company is an atmosphere where anyone can suggest an idea – and have it seriously considered. And if it is not accepted, it should be done in a manner which encourages the associate to come forth with another idea.

A company will move faster than anyone else if...

It is open to ideas from anyone, anywhere, and anytime;

It gives high recognition to those who bring forth new ideas, even if not adopted; and

It does not believe that two or even 100 people can provide all of the ideas needed to continually grow as in the past – *and as it must in the future.*

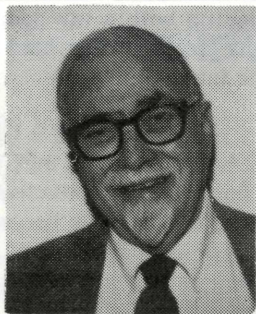
RETAIL MONTHLY / YEAR-TO-DATE SALES COMPARISON (Unadjusted \$ millions)

SIC Code	Category	November 1998	November 1997	Percentage Change	Year to Date 1998	Year to Date 1997	Percentage Change
52	Building Material Group *	\$ 13,249	\$ 11,739	+ 12.9%	\$ 152,738	\$ 136,738	+ 11.7%
57	Furniture Group *	14,654	13,688	+ 7.1	140,036	128,755	+ 8.8
571	Furniture Stores	7,057	6,746	+ 4.6	66,230	64,112	+ 3.3
572	Appliance, TV, Computer and Radio Stores	6,639	5,972	+ 11.2	61,998	55,448	+ 11.8
5941	Sporting Goods Stores *	1,772	1,738	+ 2.0	20,437	19,145	+ 6.7
5942	Book Stores *	964	979	- 1.5	11,225	10,948	+ 2.5
5944	Jewelry Stores *	2,007	1,890	+ 6.2	16,858	15,656	+ 7.7
531	Department Stores *	28,274	26,821	+ 5.4	242,337	227,507	+ 6.5
531Pt	Conventional Stores	5,723	5,771	- 0.8	47,068	46,148	+ 2.0
531Pt	National Chain Stores	18,371	16,795	+ 9.4	34,786	35,338	- 1.6
	Subtotal	24,094	22,566	- 6.8	81,854	81,486	+ 0.5
531Pt	Discount Stores	18,371	16,795	+ 9.4	160,523	146,021	+ 9.9
539	Miscellaneous General Merchandise Stores *	6,047	5,487	+ 10.2	55,001	51,542	+ 6.7
541	Grocery Stores *	34,536	33,658	+ 2.6	376,488	367,192	+ 2.5
56	Apparel and Accessory Stores *	11,592	11,137	+ 4.1	107,229	101,787	+ 5.3
561	Men's and Boys' Stores	1,101	1,049	+ 5.0	9,814	8,981	+ 9.3
5623	Women's Stores	2,819	2,809	- 0.4	27,184	27,174	- 0.0
565	Family Clothing Stores	4,996	4,665	+ 7.1	41,472	38,490	+ 7.7
566	Shoe Stores	1,669	1,689	- 1.2	18,576	18,149	+ 2.4
591	Drug Stores *	8,848	8,072	+ 9.6	94,574	87,901	+ 7.6
596	Nonstore Retail *	7,826	7,152	+ 9.4	70,363	66,741	+ 5.4
5961	Mail Order	5,625	4,951	+ 13.6	48,013	42,526	+ 12.9
* RETAILING TODAY TOTAL							
STORE RETAILING (1)		129,769	122,361	+ 6.1	1,287,326	1,213,912	+ 6.0
GAF TOTAL (2)		70,346	66,491	+ 5.8	632,151	592,294	+ 6.7

(1) Excludes car dealers, auto supply stores, variety and miscellaneous general merchandise, eating and drinking places, service stations, and some specialty stores.

(2) 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 or write the Government Printing Office, (412) 644-2721/2828; Box 371975M, Pittsburgh, PA 15250-7975. The current cost is \$57 per year and is handled the same as a magazine subscription (i.e., will receive notice of renewal).



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VOL. 34, NO. 3

WHEN YOU OFFER A MONEY-BACK GUARANTEE...*Continued*

In last month's *RT*, I reported that Gateway, a PC direct marketer, paid a \$290,000 settlement to the Federal Trade Commission because the company, in promising a "money-back guarantee policy" and an "on-site service provision," allegedly deducted shipping charges averaging \$62 per transaction when making a refund.

In keeping with this thought, how much should Macy's West pay the FTC because of incorrect statements in its ads? For example, Macy's ran an ad in Los Angeles on January 23 that claimed "the lowest prices of the season" on its entire stock of mattresses. The advertised price for one model of a twin mattress was \$57 – BUT, according to a Los Angeles buying office that brought the ad to my attention, Macy's had apparently advertised the same model *five days earlier* at \$37!

Somehow, retail management that heavily advertises *must establish who is responsible* for overseeing the advertised merchandise and the services, making sure they are correctly advertised and that only honest statements are printed.

RThought: I believe such a responsibility should be shared by department managers, divisional merchandise managers, and the advertising department. In other words, department managers should check for accuracy in the description of the merchandise, divisional managers should be responsible for comparisons, and the advertising department should be responsible for FTC rules and state and federal laws.

THE MERCHANT VERSUS THE MONSTER

The Booksellers Association may have sued super bookstores, but at least one smaller competitor – our local bookstore – acts as a merchant and not as a plaintiff.

As mentioned previously, I purchase all of my books through Lafayette Book Store. When I learn of a book that I want to purchase, I call the bookstore. Within 30 seconds, I am told if it is in stock. If the book is not in stock, after another 30 or 40 seconds, I am told if the supplier has it in stock. If the book needs to be ordered, I can usually pick it up two to three days later.

Continued

DO YOU OWN OR LEASE YOUR TRUCKS, TRACTORS, OR TRAILERS? HOW MANY WERE MANUFACTURED BEFORE DECEMBER 1, 1993?

If you own or lease trucks, tractors, or trailers, you are most likely aware that each unit manufactured after December 1, 1993, is required to have red-and-white reflective sheeting placed in standardized locations and shapes along the sides and on the rear, as required by the National Highway Traffic Safety Administration (NHTSA). Even with the required reflective patterns on units built after December 1993, the 1996 death toll, as reported by NHTSA, in accidents between large trucks and passenger vehicles was 3,209, with only 67 deaths being truck occupants and 3,142 being occupants of passenger cars. (Keep in mind, however, that big rigs are usually not the cause of the accident: passenger cars are notorious for cutting them off and passing unsafely.)

Perhaps some of those killed were your good employees or your good customers.

NHTSA does not have the authority to require retrofitting, but the Federal Highway Administration proposed a rule in June 1998 that would require truck companies to retrofit units made prior to December 1993 with the above mentioned reflective tape or reflex reflectors applied to the sides and rear. NHTSA added the safety provision on trucks, tractors, and trailers in an effort to avoid highway deaths and costly repairs.

If you operate a business that uses these vehicles, don't you have an *obligation* not to kill people in accidents? I can just about hear every one of my *RT* readers saying "yes."

If you own such vehicles, it is incumbent upon you to take the next step and contact NHTSA at 800-424-9550 for the regulations. You will sleep better knowing that your trucks, tractors, and trailers now comply with the highest standards and that they are less likely to cause death on our highways, especially in smaller passenger cars.

RThought: I have had great satisfaction in attending award presentations to drivers who have driven hundreds of thousands of miles without incurring an "at fault" accident. On the other hand, you may be aware of accidents involving your vehicles that may have happened because reflectors were not in place.

Continued

Continued from Page 1

RThought: How do retailers keep abreast of such matters? Subscribe to the *Lemon Times*, published by the Center for Auto Safety, an organization founded by Ralph Nader. Send a check for \$30 to Center for Auto Safety, 2001 S Street, NW, Washington, DC 20009-1160, or telephone 202-328-7700.

PS For those of you who drive a BMW, you might find it of interest that 340,000 BMWs, as reported in the *Lemon Times*, were recalled between 1988 and 1995. Recalled models included the 3, 5, 7 and 8 Series, despite BMW's claim to having the best-engineered vehicles.

PPS While talking to a distributor after this article had been drafted, he said that he has 1,000 tractors and 3,000 trailers, and *all* of his units that had not been fitted with reflectors have since been retrofitted.

Lafayette Book Store is owned by Dave Simpson, who purchased it about a year ago from a couple who wanted to retire. Dave purchased the store despite his knowing all about Amazon.com, Barnes & Noble (about five miles away from his store), Borders, etc. He purchased it because *he likes books*.

Dave knew he had inherited a great staff who loves to read books and a core of loyal customers – like me – who prefer to support local businesses. At the same time, he knew he needed to do more and believed his customers would accept more. Being a former second- and third-grade teacher, Dave developed a curriculum for second- and third-grade children and invites a class from one of the local schools to participate every Wednesday morning. The students, along with their teacher and some parents, arrive at the bookstore and immediately head for one of the five stations set up for them. Besides finding books they might enjoy – learning that you can't always judge a book by its cover – they also make bookmarks, bind a picture book, and test the inventory computer. As for the parents who accompany the students, they have nothing but praise for Dave and his contribution to the community. And they support him by purchasing books from him.

Teachers receive a 20% discount, so Dave doesn't worry about the monster bookstore chains or Internet competition. In addition, Friends of Lafayette Library raises \$25,000, an amount that is matched by the city council, so that hours at our local library branch can be extended. Members of this organization receive a 10% discount.

Dave also hosts or sponsors author events. For example, a local obstetrician/gynecologist, Darlene Lanke, wrote a book entitled *Perimenopause*. The book was Dave's best seller last year – 400 copies – something even a Barnes & Noble store would appreciate! In addition, Dave has organized book clubs which meet in the evening after store hours.

For the many parents who accompany school children to Dave's store for a lesson in books, he has added a section of books on parenting. In other words, he is doing things that almost any

bookstore *could do*, if they just came up with a few ideas, although programs like Dave conducts are somewhat hard to do at the monster bookstores or on the Internet.

RThought: A merchant is always a merchant. And a true merchant is a happy merchant, because he or she enjoys making people happy. And those who are happy with a merchant-operated store tend to shop at that store. Thus, they become "customers," those who come back "out of habit or custom," as the *Oxford Unabridged English Dictionary* states was first used in about 1450 AD.

Unfortunately, many merchants today have too few "customers." Merchants may blame someone or something (never themselves), such as a Wal*Mart, Barnes & Noble, Amazon.com, or a lack of parking spaces – anything but their own failure to be true merchants.

DO YOU EXPECT THE UNITED STATES TO PROTECT YOU AND YOUR BUSINESS?

You most likely would answer this question "yes," thinking that the U.S. Army, Navy, Air Force, or the Marines will protect you after the government has collected "excessive" taxes about which you may have complained.

In fact, I am almost positive that you would answer "yes." Why? Because many of you spent some time in one of the armed services. I also believe that most of you did not stay in the active reserve or the National Guard. You probably are unaware that over the past decade or two a larger and larger responsibility for the defense of our country or the fulfillment of our international obligations is carried out by the reserve or National Guard units.

Many of you have associates who are active in these organizations. They give up evenings and weekends and vacation time to maintain a unit that is an integral part of our national defense.

The Retired Officers Association surveyed company policies regarding pay and benefits of employees who are reservists or National Guard members when they are called to active duty. The polled companies listed in this year's *Fortune 500* indicate that only 20 were retailers. However, only 93 of the 500 companies replied, and many of the companies that did respond said that they "do not participate in surveys." This type of answer serves as a handy cover-up: the company does not wish to disclose its poor policy toward associates in the reserve or the National Guard, no matter how many years the associates may have been loyal to their company.

Upon reading the retailers responses, I was embarrassed by all but two: Nordstrom and Sears. The policymakers in these two companies may have weighed their responsibilities toward their associates, something the other 18 retailers did not do or did not disclose.

You can have a copy of the published list by contacting me by mail, telephone, or fax.

RThought: I ask only that you study the list and that you take into account your responsibility toward those associates who either make or break your business.

THE UNDER-DISCUSSED WEAKNESS OF SOCIAL SECURITY

The U.S. Congress passed the Social Security Act in 1935. Payment of benefits began in 1940. The act specified the age of 65 at which benefits would be paid, and an amendment provided *reduced* benefits under certain conditions starting at age 62. (In writing this item, I have been unable to confirm the fact that age 65 was set, if I recall correctly, based upon the age that the steel companies used when they reduced employment during the 1930-35 Depression. Many were entitled to a pension at 65.)

At the time Social Security was enacted, no one was concerned about any future drop in life expectancy, although, according to the table below, between 1900 and 1935, life expectancy had increased from 47.3 years to 61.7 years. According to government statistics, the composite life expectancy table from 1900 to 1995 of everyone in the U.S. (male, female, black, white, Hispanic, etc.) was as follows:

1900	47.3 years	1950	68.2 years
1905	48.7	1955	69.6
1910	50.0	1960	69.7
1915	54.5	1965	70.2
1920	54.1	1970	70.9
1925	59.0	1975	72.6
1930	59.7	1980	73.7
1935	61.7	1985	74.7
1940	64.8	1990	75.4
1945	66.7	1995	75.8

When payment began in 1940 to qualified individuals, the expectancy rate for those born in 1900 had not yet reached age 65, the eligible age for benefits. On the other hand, today, a high percentage of men live beyond age 65 and their spouses, who may have no Social Security benefits of their own, live even longer, receiving payments based on the earnings of their husbands.

A word about stock investments. I am *not* in favor of individual accounts being invested in the stock market, but one of the arguments is that over the past two decades the stock market has yielded about 7% adjusted for cost of living.

What is seldom mentioned, however, is what the present Social Security Trust Fund earns. For the years 1997 and 1998, the trust earned an overall income of about 7.5%. The federal government pays a higher rate on these borrowed funds than it pays on any other bonds – 30-year U.S. Treasury bonds yield about 5%; those of shorter duration yield less.

RThought: At some time we must face the problem of raising the age for eligibility.

RThought: When I passed age 65, my wife and I discussed applying for Social Security. We had yet to make a decision. Then, when I passed 72, Social Security checks began being mailed to me automatically, much to our surprise and that of a friend who spent many years in the House of Representatives and had never heard of it. Imagine! The U.S. government paying automatically at 72!

Dealing only with sex, the projected life of males and females, as summarized by the U.S. National Center for Health Statistics, shows the following:

Year	Male	Female
2000	73.0	79.3
2005	73.0	79.7
2010	74.1	80.6

RThought: There is nothing in the future of medical research to indicate that life expectancy will *lessen*. For a white male over 85 years old, the life expectancy is 5.2 years; for a white female, 6.4 years; for a black male, 5.2 years; and for a black female, 6.3 years.

At some time, the government must recognize that the solution to the tax burden on Social Security must be reduced by postponing the age at which benefits are paid rather than raising the tax rate. What we are dealing with here is the problem of greater longevity and what it will mean to Medicare.

RThought: I don't often discuss politics, but, in all likelihood, if either the Democratic or the Republican party suggested that Social Security benefits be postponed until age 68, that party would lose almost every seat in the House at the next election! The probability that both parties can join together to adjust the benefit ages of Social Security is nil. There are not enough broad-thinking politicians in either party.

The benefits problem could have been solved if Franklin Roosevelt had seen far enough into the future to tie the benefit-payment age to the life-expectancy tables of the National Center for Health Statistics - had the agency existed in 1935.

IT'S HARD TO BELIEVE THAT IT ONCE TOOK UP TO 18 PEOPLE TO MAKE ONE STRAIGHT PIN!!!

I recently perused some old school books and was drawn to one in particular: Book I of *The Wealth of Nations* by Adam Smith, entitled "Of the Causes of Improvement in the Productive Powers of Labour and of the Order According to Which Its Produce is Naturally Distributed Among the Different Ranks of People." It was published in 1776, the same year as the Constitution of the United States was drafted. Combined, they created the largest economy in the world by practicing what Smith wrote about under the governance of the Constitution.

Below is a quote from the third paragraph of Chapter 1, entitled "Of the Division of Labour," regarding the division of labor in making straight pins.

...To take an example, therefore, from a very trifling manufacturer; but one in which the division of labour has been very often taken notice of, the trade of the pin maker; a workman not educated in this business (which the division of labour has rendered a distinct trade), nor acquainted with use of machinery employed in it (to the invention of which the same division of labour has probably given occasion), could scarcely, perhaps, with this utmost industry, make one pin in a day, and certainly could not make twenty. But in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater parts are likewise peculiar trades. One man draws out the wire, another straightens it, a third cuts it, a fourth points it, a fifth grinds it at top for receiving the head; to make the head requires two or three distinct operations; to put it on is a peculiar business, to whiten the pins is another; it is even a trade by itself to put them into the paper; and the important business of making a pin is, in this manner, divided into about 18 distinct operations, which in some manufactories, are

all performed by distinct hands, though in others, the same man will sometimes perform two or three of them. I have seen a small manufactory of this kind where ten men only were employed, and where some of them consequently performed two or three distinct operations. But though they were very poor, and there but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins a day. There are in a pound upwards of four thousand pins of a middling size. These ten persons, therefore, could make among them upwards of forty-eight thousand pins a day.

Perhaps Smith was familiar with a passage in Mandeville's *Fable of the Bees*, which used the term "division of labour," because the following example was given:

Man, as I have hinted before, loves to imitate what he sees others do, which is the reason that savage people all do the same thing: this hinders them from ameliorating their condition, though they are always wishing for it; but if one will wholly apply himself to the making of bows and arrows, whilst another provides food, a third builds huts, a fourth makes garments, and a fifth utensils, they not only become useful to one another, but the callings and the employments themselves will, in a number of years, receive much greater improvements than if all had been promiscuously followed by every one of the five.

RThought: As retail businesses become larger, tasks become more specialized, people become more remote from customers, service deteriorates, and customers tend to search out smaller retail businesses that maintain service.

SHORT SHORTS

The Nilson Report, Issue 681, of December 1998 reported that another company is guilty of not knowing bankruptcy laws. First North American National Bank has agreed to pay \$11.7 million to settle claims that it illegally collected from persons filing for bankruptcy. **RThought:** Will it never end?

The renovations to the Washington Monument's observation deck are now completed and, once again, it is open to the public. I only hope that with the

reopening on Monday, February 22, proper credit was given to Target Stores, the company, along with its suppliers, which led the effort by raising about \$6.5 million. The total project, which will cost about \$9.4 million, is also funded by the National Park Service and the National Park Foundation. **RThought:** There is still much to be done: the exterior walls of the obelisk, with 38,000 white marble and granite slabs, must be cleaned and repaired. When completed by mid-2000, people will not have to worry about a marble or granite plate falling on them from 200 feet above.

Consider whether you are treating fairly your associates who voluntarily assume a direct responsibility for defending our country. Because of their service, our children will not have to be drafted. And remember, without the reserve and/or the National Guard, taxes would be increased in order to have a larger standing military force.

RTthought: I write this item as Lt. Col. Robert Kahn, USAF (Ret.). I was a member of the Air Force Reserve from 1939 to 1978, which also included six and a half years of active duty.

IN THIS CASE, 'RT' STANDS FOR 'RETAIL TECHNOLOGY'

If you don't read *RT (Retail Technology) Magazine*, you may not know of the theft of people and systems involved in a suit by Wal*Mart Stores, Inc., against Amazon.com.

When Chief Logistics Officer Richard Dalzell of Wal*Mart Stores retired, Amazon.com hired him for the position of chief information officer. The announcement read: "He [Dalzell] led the development of world-class chain systems that set the standard for international retailing and merchandising systems and more."

The attorneys mentioned in the *RT* article suggested that *important people in the information systems area should have to sign non-compete arrangements and not take jobs with named competitors.*

The article further pointed out that as retailing becomes more sophisticated the temptation to *steal* key persons from competitors, rather than pay the cost of reinventing the system, is on the rise.

RTthought: *RT Magazine* can be obtained by telephoning 781-848-2613. The publication is free to qualified individuals in appropriate technological positions; \$99 a year for others within the U.S.

ELECTRONICS INDUSTRY TO TAKE ON TASK OF STANDARDIZING GARMENT SIZES AND SHAPES

It is my recollection that Germany is the only country that has attempted to standardize women's sizes every 10 years. Please correct me if I am mistaken.

If I am correct, that is about to change, according to *Retail News Letter* of the International Association of Department Stores. Great Britain is about to undertake its first national sizing survey since 1951. Every half century, however, is not frequent enough.

The project is a joint effort by a retail consortium of 20 groups, the electronics industry, and a university. They plan to install body scanners around the country to develop 3-D measurements of body sizes and shapes for clothing manufacturers and retailers." The survey will involve measuring a group of 30,000 women, men, and children to get a representative sample. If this type of survey was attempted in the U.S., perhaps with a larger sample, there would be two profit improvements in retail: electronic retailing could better serve more people (thus, there

would be more electronic retailing) and catalog companies would have less than their present 30% to 40% return of women's garments.

RTthought: We would, of course, have to do it "our way." But the U.K. will be using the scanners developed by the University College in London. Each scanner will have a low-powered infrared light that will measure a *dressed* body at 100,000 points in 10 seconds.

RTthought: Perhaps the U.K. could lend the scanners to us, as part of the Reverse Lend-Lease that is still unpaid from the end of World War II!

A LISTING OF OLD RETAIL FIRMS

Periodically, I list retail firms of old that you may want to peruse.

<u>Company</u>	<u>Founded</u>
Avon Products, Inc. (California Perfume Company); New York, NY	1886
J. Bacon & Sons; Louisville, KY	1845
L. Bamberger & Co. (now Federated Department Stores); Newark, NJ	1892
Bartell Drug Store; Seattle, WA	1890
Belk Bros.; Charlotte, NC	1895
Henri Bendell (now The Limited); New York, NY	1896
Bergdorf Goodman (now Neiman-Marcus Group); New York, NY	1901
P. A. Bergner; Peoria, IL	1889
Best & Co.; New York, New York	1879
Black, Star and Gorham; New York, NY	1810
Bloomingdale's (now Federated Department Stores); New York, NY	1872
Bon Marche (now Federated Department Stores); Seattle, WA	1890
Bonwit Teller; New York, NY	1895
Boston Store; Milwaukee, WI	1900
Boyd's Men's Clothing; St. Louis, MO	1876
Brentano; New York, NY	1853
Bresser's; Oneato, NY	1899
John Breuners Co.; Sacramento, CA	1856
The Broadway (now Federated Department Stores); Los Angeles, CA	1896
Brooks Bros. (now Marks & Spencer); New York, NY	1818
Browning & King and Co.; New York, NY	1822
Bullock & Jones (now Saks, Inc.); San Francisco, CA	1853
Bullock's (now Federated Department Stores); Los Angeles, CA	1907
Burdine's (now Federated Department Stores); Miami, FL	1898

WHY IT'S SOMETIMES DIFFICULT TO BUY GOODS MADE IN THE USA

The Federal Trade Commission's *FTC News Notes* of January 18, 1999, reported that the following companies have agreed to settle charges relating to the making of misleading "Made in USA" claims:

The Stanley Works
 American Honda Corporation
 Kubota Tractor Corporation
 Johnson Worldwide Associates, Inc.
 USDrives Corporation
 Rand International Leisure Corporation, Ltd.

RThought: It breaks my heart to learn that The Stanley Works has falsely identified products as "Made in USA"; every owner of a hardware store must share my dismay. Stanley has always been trusted as a manufacturer of quality products and has always identified them correctly. How many extra pennies did Stanley make on an item falsely identified as "Made in USA"?

Should every hardware store in America put up this sign:

The Stanley Works has admitted that some of its products were falsely identified as "Made in USA."
We want our customers to be aware of this misinformation – and we hope that it will not occur again.

RThought: My first carpenter kit at age 6 or 7 was a wooden box that contained chisels, a block plane, a hammer, etc., all stamped with the Stanley name. At that age, I wanted to be a carpenter.

KUDOS TO MACY'S WEST

Last fall, Macy's West held its 16th annual Passport fashion show simultaneously in two California cities. The sold-out event, which included many celebrity guests and models, drew 2,954 people in Los Angeles and 2,854 people in San Francisco. And it raised over \$2 million for AIDS research!

RThought: Unfortunately, 1998 was a more difficult year for raising money than in past years: people are falsely under the misconception that not as much money is needed due to all of the recent advances in AIDS research. But the truth remains that funds are still very much needed in searching for a cure to AIDS.

RThought: If possible, make a notation on your calendar to support Macy's 17th annual Passport show in September of this year. Help to eliminate AIDS – not only in the U.S. but throughout the world!

WORDS – SELECTED BY THE WISE MAN

The following epitaph was the choice of the chairman of Mensa for his column in the November 1998 issue of *Mensa Bulletin*:

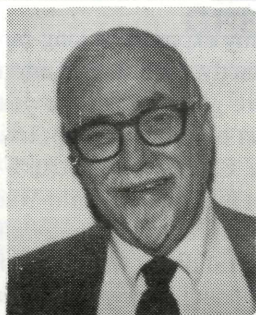
**What I spent is gone
 what I kept is lost,
 but what I gave to charity
 will be mine forever.**

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

Code	Category	December		Percentage Change	Year to Date		Percentage Change
		1998	1997		1998	1997	
52	Building Material Group *	\$ 13,394	\$ 11,086	+ 20.8%	\$ 156,118	\$ 143,193	+ 9.0%
57	Furniture Group *	19,291	17,232	+ 11.9	159,326	141,266	+ 12.8
571	Furniture Stores	7,937	7,594	+ 4.5	76,156	73,038	+ 4.3
572	Appliance, TV, Computer and Radio Stores	9,591	7,921	+ 21.1	71,596	58,705	+ 22.0
5941	Sporting Goods Stores *	2,979	3,157	- 5.6	23,048	23,297	- 1.1
5942	Book Stores *	1,796	1,631	+ 10.1	13,017	11,824	+ 10.1
5944	Jewelry Stores *	5,445	4,619	+ 17.9	22,295	19,569	+ 13.9
531	Department Stores *	41,136	38,432	+ 7.0	185,891	165,125	+ 7.1
531Pt	Conventional Stores	9,403	9,729	- 3.4	56,471	58,335	- 3.2
531Pt	National Chain Stores	<u>6,347</u>	<u>6,309</u>	+ <u>0.6</u>	<u>41,133</u>	<u>41,293</u>	- <u>0.4</u>
	Subtotal	15,750	16,038	- 1.8	97,604	99,628	- 2.0
531Pt	Discount Stores	25,386	22,394	+ 13.4	185,891	165,125	+ 12.6
539	Miscellaneous General Merchandise Stores *	7,937	7,534	+ 5.3	62,913	60,821	+ 3.4
541	Grocery Stores *	38,149	36,329	+ 5.0	414,613	406,775	+ 1.9
56	Apparel and Accessory Stores *	16,767	15,988	+ 4.9	124,028	116,809	+ 6.2
561	Men's and Boys' Stores	1,646	1,651	- 0.3	11,459	11,077	+ 3.4
5623	Women's Stores	4,450	4,524	- 1.6	31,635	32,820	- 3.6
565	Family Clothing Stores	7,183	6,643	+ 8.1	48,658	44,771	+ 8.7
566	Shoe Stores	2,259	2,164	+ 4.4	20,876	19,510	+ 7.0
591	Drug Stores *	11,167	10,549	+ 5.9	105,746	98,527	+ 7.3
596	Nonstore Retail *	8,960	8,185	+ 9.5	79,389	71,190	+ 11.5
5961	Mail Order	6,850	6,735	+ 1.7	54,931	52,822	+ 4.0
* RETAILING TODAY TOTAL							
STORE RETAILING (1)		167,021	154,742	+ 7.9	1,443,988	1,358,024	+ 6.3
GAF TOTAL (2)		104,311	97,500	+ 7.0	736,396	685,599	+ 7.4

- (1) Excludes car dealers, auto supply stores, variety and miscellaneous general merchandise, eating and drinking places, service stations, and some specialty stores.
 (2) 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 or write the Government Printing Office, (412) 644-2721/2828; Box 371975M, Pittsburgh, PA 15250-7975. The current cost is \$57 per year and is handled the same as a magazine subscription (i.e., will receive notice of renewal).



RETAILING TODAY

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ROUTE TO

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YOUR IMMEDIATE ATTENTION PLEASE!!!

In the hope that you are a fair-minded person, and if you employ people, you must make a policy decision NOW.

In 1994, the U.S. government began cutting the budget deficit by cutting our defense. The cuts included airplanes, the "air arm" of the Marines, and it deferred some aircraft carriers and related personnel operating them.

By 1995, the planned defense for the U.S. was based upon a one-war active force backed by well-equipped, well-trained National Guard and Reserve members. Saving about \$90 billion was the "surplus" about which many talked. However, the number of fully equipped and trained air wings never happened. And by the end of 1995, people complained about the cost of the B-2 bomber. (Today, we are using the few that we have – and wish that we had more!)

In 1996, again the public complained about defense expenditures, although it was those in Congress who increased the amount the Administration recommended, in order to have contracts placed in their states or districts.

By 1997, there was the quadrennial Bottoms-Up Review, placing more of our defense on the National Guard and the Reserves.

THE DAY HAS COME!

It has come at a time when the Air Force is short of active-duty pilots. Many are retiring after 20 years. Why? Because there are so many temporary assignments overseas – jobs without their families but jobs having the appeal of higher pay. For example, we learned during the settlement of the American Airlines sick-out earlier this year that most of its experienced pilots earned over \$100,000!

And it comes at a time when we now have our first call up of 33,000 air reservists! As a reminder, most of the 500,000 "allies" in the Persian Gulf War were Americans, the largest number drawn from the National Guard and the Reserves.

WHAT ARE YOU GOING TO DO FOR YOUR CALLED EMPLOYEES?

The Retired Officers Association (of which I am a member) conducted a survey of Fortune 500 companies regarding their

policies when employees are called to active duty in the National Guard or the Reserves. Far more than a majority of those studied refused to answer or stated that they "do not respond to surveys." I interpret those responses as "doing nothing." *RT* once again renews its offer to send you a copy of the survey. Remember, most policies disclosed provided nothing or they cut off their employee's benefits, as well as the benefits to his or her spouse and/or children after 15 to 30 days. The call-up was "for the duration."

LET ME TELL YOU OF MY EXPERIENCE.

I served four and a half years in World War II – three of which were overseas. After the war, I stayed in a "disorganized" reserve with fellow spirits (who believed we were dismantling too fast). Ultimately, I spent a weekend a month (with my employer's support) developing a competent Technical Supply Squadron.

Back in mid-January 1951, with the Korean War under way, I was the happy controller of Smith's of California. In addition to my position, I would conduct staff meetings of 100 to 120 people each Saturday morning. At one such meeting, I remember when the phone rang at the Will-Call desk across the room the woman who answered it exclaimed, "Mr. Kahn, it's for you." I said, "Tell them I will call back in 15 minutes." With that reply, she informed me out loud, "It's General Jones, and he says you will answer his call NOW!" The order: be in the General's office, in uniform, in Sacramento (90 miles away) by 12 Noon that day. I obeyed, and in less than 30 days, I was no longer a controller but a squadron commander headed for French Morocco to support four B-52 bomb groups whose job was to see that the Russians did not invade eastern Europe.

PLEASE PREPARE A FAIR POLICY FOR RESERVE AND NATIONAL GUARD MEMBERS IN YOUR EMPLOY. Thirty-three thousand is probably just the first call.

PS Don't forget, please send me a copy of your policy. Be proud of it! If I print it, others may also set a policy that is a good one.

CORRECTION

For those *RT* readers who noted that in my extraction from *The Wealth of Nations* by Adam Smith (back page of the Feature Report, March 1999 issue), where I placed the date of the United States Constitution as 1776, when the U.S. had barely declared its independence from England, my apologies!

Several academics noted the error and suggested that my BA and MBA be withdrawn.

I would like to point out, however, that my "warranty" for errors expired about 40 years ago. And although both my BA and my MBA certificates are still on the wall of my office, they are terribly faded, and perhaps anyone looking at them might think that they are award certificates received way back in grammar school!

THE FEDERAL HIGHWAY ADMINISTRATION HAS CHANGED ITS MIND!

In the boxed article last month, I urged those who own or lease trucks, tractors, or trailers built before January 1, 1993, to "voluntarily" retrofit them with reflectors on both the sides and the rear so as to reduce accidents between big rigs and passenger cars.

Although I mentioned that the National Highway Traffic Safety Administration stated that it did not have the authority to "mandate" such retrofits, the Federal Highway Administration (one step up from NHTSA) has announced that reflectors or reflective tape will be required on *all trucks and trailers* made prior to 1993. There will be a 10-year grace period. However, for a clear conscience, DO IT NOW!

RThought: I hope that your conscience will force you to spend the approximate \$50 per vehicle much faster than the new law requires. Remember, an individual who is killed in an horrific accident between a big rig and a passenger car could be a member of your family, an associate, or a customer.

IT BOTHERS ME TO SEE A HEADLINE REPORTING THAT SALES AND PROFITS ARE OFF BECAUSE OF WEATHER

Why does it bother me? Because I have been telling the retail trade since 1974 that long-range (one-year) weather forecasts can be made with 70% accuracy. Today, Sears, J. C. Penney, Wal*Mart, and dozens of other retail companies – both large and small – rely on Strategic Weather Services, a service that exhibits at the National Retail Federation and International Mass Retailing Association gatherings. Be sure to visit its exhibit.

The company referred to in the title shall remain nameless, but the headline read, "Warm Weather Damages Sales...as Net Slips."

RThought: If weather affects your sales and, thus, your profit, I suggest that you contact Strategic Weather Services, 1325 Morris Drive, Wayne, PA 19087.

2 - RETAILING TODAY - APRIL 1999

RThought: Let me chat a bit about my exposure to long-range weather forecasts. I don't recall exactly when I first met the late Dr. Irving P. Krick, but we were good friends for years. However, going back beyond the start of our friendship, Irving was teaching meteorology at the California Institute of Technology when "Hap" Arnold met him *before* World War II and learned of Irving's method for predicting long-range weather. Greatly impressed, Arnold said that it was something the Air Force greatly needed; and although Irving had a Navy Reserve commission, he immediately became an Army Air Force major.

During World War II, Irving was the chief meteorologist for the 8th Air Force in England. (I have been in contact with a B-17 group over the years, and it is my impression that its pilots never fully understood why they were able to take off in impossible weather only to find that it was clear, as forecast, over their targets.)

Now, let's jump to D-Day preparations. General Dwight D. Eisenhower relied on three weather forecasters: the Royal Navy, the Royal Air Force, and Irving. With Eisenhower's concern that the gathering of massive troops would signal Adolph Hitler that an invasion was in the works, he wanted as early date as possible. Irving made a forecast for June 6, 1944, although both of the British forecasters said that an invasion would be impossible on that date due to inclement weather. Toey Spatz, then the commanding general of the 8th Air Force, gave Eisenhower a very short message: "When Irving says go, you go." Eisenhower did, with the weather exactly as Irving had predicted, and the rest is history.

For those *RT* readers who do not use Strategic Weather Services when planning a buying season, a promotional program, or even summer or winter vacations, you can eliminate most of the "variable" in weather.

Strategic Weather Services' 1998 fourth-quarter periodical, *The Weather*, contained the following statement: "Maggie Gilliam, analyst at Gilliam & Co., told *Women's Wear Daily* that Wal*Mart seemed to be doing everything right," including precluding markdowns by having the appropriate seasonal offerings in place during hot weather, in both apparel and hard goods." Wal*Mart did not use this service in the 1980s, when I recommended it to the board, but it does now!

RThought: Weather-advance information is available. Use it!

Late Note: Strategic Weather Services has just announced a "Weather-Based Risk Strategies" conference for retailers and manufacturers on June 15 and 16 in New York City. Sears, Roebuck will tell of its success. Call 1-610-640-9485 for details. Say that an old friend of Irving Krick's has sent you.

SOME RETAILERS – EVEN WHEN IN BUSINESS 130 YEARS – HAVE YET TO LEARN

T. Eaton Co., Ltd., has announced the elimination of 200 administrative jobs, thereby, according to analysts, saving about

GREEN STAMPS – I MEAN ‘GREEN POINTS’ – ARE BACK!

I hope that my gray-haired readers will explain to younger retailers how Sperry & Hutchison (S&H) used to permit one of each type of retailer in a trading area (i.e., one men's store, one women's store, one department store, one variety store, etc.) the right to give a customer one Green Stamp per 10 cents of a purchase. The retailer would also provide the customer with an S&H book into which the stamps were placed. And when the desired amount of stamps had been collected, the customer would "buy" items from either the S&H catalog or the S&H stores in larger towns. (During most of the four years that I spent with Smith's of California, "The Largest Men's Store West of Chicago," we gave Green Stamps to our customers. We had a good location — about half a block from an S&H store!)

The stamps became so popular with the public that competition developed in the form of Blue Chip Stamps. And Blue Chips could be awarded by *any store in any trading area* and at *any rate* — even 50 per \$50! Thus, there could be 5, 15, or even 25 supermarkets in one trading area offering Blue Chip Stamps to their customers.

Both the S&H and Blue Chip stamps were precursors of the present-day continuity programs offered by so many retailers, especially supermarket chains. However, this form of competition amongst stores eventually dwindled; and the only stamps customers now purchase are postage stamps.

Now, thanks to electronic marketing, stamps — I mean "green points" — are back again! In a recent *In-Store* newsletter, Carlene Thissen reported that in S&H's new program points earned by consumers at S&H stores are electronically stored on magnetic stripe cards and redeemed for everything from traditional household items, such as toasters to movie tickets, fast-food certificates, and even frequent-flyer programs.

S&H's four-step program:

1. Customers sign up for the Green Points card...to be used at any store offering S&H Green Points.
2. Customers shop...Green Points card is scanned at checkout.

3. Customers insert card at S&H recording center and Green Points are added electronically.
4. Customers make selection at a reward center (a kiosk) for redemption options.

Options include:

1. Regular points — for all purchases
2. Bonus points — special purchases by department, category, and events
3. Loyalty level points — gold, silver, etc.
4. Network points — other noncompeting retailers

RThought: It is my impression, from discussions with my associates, that this plan has considerable appeal over conventional continuity programs now offered by supermarkets, pet stores, etc.

For further information, please call Bob Charcia at 212-598-3256.

To keep abreast of such matters, read *In-Store, The Newsletter of In-Store Marketing and Business*. Contact Carlene Thissen at Retail Systems Consulting, 5091 Tamarind Ridge Drive, Naples, FL 34119; or call 941-352-4422. Say that Bob Kahn has sent you. A year's subscription price is \$295 (\$345 if outside the U.S.).

RThought: If you conduct focus groups, ask them if they would prefer electronic marketing points over present continuity programs, and then please let me know. Electronic marketing would appear to have many side benefits for a store, including fewer error rings. With the S&H Green Point Program, you only give points on the total purchase, and only one price is used for an item. Thus, two prices do not have to be juggled.

SPEAKING OF SMITH'S OF CALIFORNIA...

I started with "The Largest Men's Store West of Chicago" in Oakland, California, immediately following World War II.

The store's nickname was unique. William Smith, who founded the store in 1886, would advertise, "Satisfaction or your money back." Thus, his customers began to call the store "Moneyback Smith's."

Another unique factor about Smith's was that it catered to union members. In those days, unions required their members to parade on Labor Day (now, just a three-day weekend), and each member had to wear a fixed number of garments with union labels. In those days, the only place in Oakland (or, perhaps, in Northern California) where a union member could purchase a necktie, a belt, a handkerchief, a pair of shoes, a cap, a pair of socks, and a few other items with the appropriate union label was at Smith's.

Labor Day sales were bigger at Smith's than back-to-school sales!

As time went on, the store not only was enlarged and beautified but the merchandise was traded up. Originally, Smith's sold Clippercraft men's suits; then, it added Botany 500. Finally, the No. 7 make, the top-quality Kuppenheimer suits, were introduced. When we contracted with Kuppenheimer, its management explained to us that it always made labels which had its name and the store's name. However, Kuppenheimer felt that customers would not want to wear a label reading "Kuppenheimer/Moneyback Smith's"! Thus, we changed our name to Smith's of California.

Smith's also had another unique factor. We were the only men's store in Northern California that gave Green Stamps!

IF YOU OPERATE CONVENIENCE STORES, DO YOU HAVE GASOLINE PUMPS OUTSIDE?

If you answered yes, you should read the March 1999 issue of *In-Store*, "The Newsletter of In-Store Marketing and Business."

Although all convenience stores are not known to sell gasoline at deep discounts, they are nonetheless taking away profitable gasoline business from oil companies. To counter, oil companies are getting into a massive food business at more of their stations!

In-Store additionally reported that 500 supermarkets now have gas pumps; the projected number is 800 by the end of 1999. Supermarkets see an average increase in sales of 15% when they add gas pumps.

My question is: Do you compete with supermarkets on any range of merchandise?

My next question is: With the assumption that supermarket prices are *lower* than convenience store prices, do you believe that customers will combine their gasoline and food shopping purchases at a supermarket?

Eight hundred supermarkets by the end of 1999 is not a large number. However, by the end of 2000, how many supermarkets will have gasoline pumps? In addition, discount stores are now experimenting with gasoline pumps. They are not only offering gasoline at lower prices but are also competing with one or more types of merchandise!

RThought: Again, if you want to stay current with what is happening in this field, subscribe to *In-Store* at \$295 a year

(\$345 if outside the U.S.). Contact Carlene Thissen at Retail Systems Consulting, 5091 Tamarind Ridge Drive, Naples, FL 34119; or call 941-352-4422. Let her know that Bob Kahn sent you.

DO YOU HAVE STORES NEAR A UNIVERSITY OR A COLLEGE CAMPUS?

If the answer is yes, you know that target buyers have changed over the years, especially from *your* time and, even more, from *mine*!

According to *U.S. News & World Report*, February 8, 1999, in 1961, there were approximately 140,500 women and 224,500 men enrolled in higher learning. By 1982, the numbers were equal, each at about 265,000. However, by 1998, the numbers changed to about 500,000 men and 650,000 women!

There's definitely a new gender gap: and the estimate for 2007 is 530,000 men and 735,000 women!

With these statistics, the future appears to be with such stores as Talbots, Inc., which had its initial success with women's fashions in the Northeastern women's colleges.

RThought: Either change your merchandise mix accordingly or grant unlimited scholarships for men!

RThought: If this change proceeds, what must you do to serve the university/college market?

SHORT SHORTS

The "softer side of Sears" can also be applied to its credit card policy. The *Washington Times* reported last November that Sears was a creditor in one-third of all personal bankruptcies filed in 1997. One out of 70 people filed bankruptcy that year. Sears has issued 32 million credit cards, especially during its campaign between 1993 and 1996. As a result, too many customers proved unable to pay off their purchases. According to the *Times*, the average monthly balance on individual Sears accounts in 1995 was \$912!

Pharmaceutical companies spent \$1.58 billion on television advertising from January through November 1998 – and although I may not watch TV on a regular basis, except for the CBS evening news, I believe I saw every one of them! As most of you know, these ads are running rampant on TV. The pharmaceutical company that spent the most: Schering-Plough Corp., maker of Claritin, which spent more than \$75 million aiming its product at people who suffer from allergies. **RThought:** Each pharmaceutical drug that is advertised must mention the side effects. And they can be endless – almost to the point where you would hesitate taking it!

Retailing down under: Under Australia's 1995 federal law, a pharmacy *cannot* be built within 2km of another. **RThought:** If that law existed in the U.S., pharmacies would account for about 20% of their present general merchandise sales. However, department stores would benefit.

Canadian retailer closes its only U.S. store. Harry Rosen, the leading Canadian men's clothing chain, has closed its branch store in Buffalo, NY. Despite the store's closeness to Canada and Buffalo's residents being well aware of the company, the store was closed after 10 years in business.

One wonders about the cost of making a pair of Nike shoes. As of April 1, 1999, Nike increased the monthly wages for 17,500 entry workers in Indonesia to about \$30 per month. (52,500 Indonesian factory workers already receive \$45 or more per month). This is a country where inflation is running around 80%, so the increase in wages was with the knowledge that the government was about to increase all wages. A spokesman for Nike said that the company could *double the wages without increasing the retail price of its merchandise*. **RThought:** How comforting! **RThought:** Are you a part of this cycle?

\$10 million to \$12 million annually. However, with this cut in Canada's 130-year-old department store chain, nothing was said about its services or sales improving as a result.

It took an analyst with Groome Capital in Montreal to observe that it was a good first step, but "this alone isn't going to make the company profitable and a good investment.... I still don't see a compelling reason to go to Eaton's versus another retailer [perhaps the Hudson Bay Company department stores?]."

When was the last time you heard a retailer in trouble state that in order to return to profitability the following changes are now in effect?

1. Give all salespeople one hour a day training in how to please *shoppers* so that they will become *customers*.
2. Upon completion of their training, raise employee pay 50 cents to \$1.00 an hour *if* they carry the training onto the selling floor.
3. Give customers a gift certificate for perhaps \$10, anytime an advertised item is out of stock in the two days following the ad.
4. Have a policy in place, with signs around the store, recommending that anytime a customer is pleased by a salesperson's performance the customer should give to the floor manager or the department manager the salesperson's name or number so that he or she may receive perhaps a \$5 bonus.

RThought: I cannot recall any retailer that has failed when it has *concentrated* on improving its service, the friendliness of its salespeople, in reducing its personnel turnover, and keeping in stock on advertised items.

AN ALERT FOR THOSE OF YOU WHO SELL NICORETTE PRODUCTS

If you sell Nicorette gum and NicoDerm CQ patches, you may wish to know that the attorney generals of Connecticut, Florida, Illinois, Massachusetts, Minnesota, New Mexico, New York, Pennsylvania, Texas, Vermont, and Wisconsin have obtained an Assurance of Voluntary Compliance from SmithKline Beecham Consumer Healthcare (SBCH), maker of smoking cessation products Nicorette gum and the NicoDerm CQ patch. The attorneys general allege that SBCH used misleading advertising and overstated its products' abilities to help consumers quit smoking.

SBCH had claimed that smokers would be able to quit smoking permanently, when, in fact, *most smokers are unsuccessful* in their attempts to quit merely by using its products. In addition, the company implied that the American Cancer Society endorsed its products by featuring the society's logo and the phrase "partners in helping you quit" in its advertisements. SBCH had actually paid \$1 million, plus royalties, to use the society's name and logo.

Finally, SBCH claimed that NicoDerm CQ was superior to other nicotine patches when no studies exist to support that claim. Under the terms of the settlement, SBCH agreed to:

1. Refrain from using the phrases "power to quit," "power to quit successfully," or "you bring the commitment, NicoDerm CQ brings the rest" in its ad campaigns;
2. Clearly disclose that a consumer's chances of quitting *may* improve with a counseling program;
3. Cease making unsubstantiated claims about its products' superiority;
4. Include disclaimers regarding any implied endorsements by the American Cancer Society or other organizations; and
5. Cease using the American Cancer Society's name and logo in ads that mention a competitor's product.

In addition, the company must pay \$600,000 in investigatory costs and \$1.9 million for anti-smoking public health initiatives.

This item appeared in the January 1999 issue of *Consumer Protection Report*, published by the National Association of Attorneys General. By calling Valerie Gibson at 202-326-6018, this publication may be purchased for \$145 a year.

RThought: Be careful about using some of these terms. Several state attorneys general are visiting stores. One may find and fine you!

THE FULLER BRUSH COMPANY

When I was a kid *just* 70 years ago, the Fuller Brush man would arrive at our home with brushes, cleaning compounds, samples, and a brochure from which Mother could select items that he would deliver a few days later.

Today, the Fuller Brush man still comes to our home, but he arrives in the form of a 96-page catalog, by mail, called *Home Trends, Your Home Care Experts*. I can understand why it arrives by mail: if the Fuller Brush man showed up at our door with a catalog featuring approximately 1,000 items, he could make only a call a day!

While perusing *Home Trends*, I noticed that some things never change: *The Original Fannie Farmer 1896 Cook Book* is still available.

To make up for the loss of convenience which resulted from the one-on-one meeting at the door, you can now phone, mail, fax, or order products through its Web site. Although I can't imagine Mother ordering products through the Web, I know many seniors and shut-ins who are now taking advantage of this convenient service.

WORDS - QUOTH THE BANKER — 'WATCH CASH FLOW'

Once upon a midnight dreary as I pondered weak and wary 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
While, 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 the cash flow."

Herbert S. Baily, Jr.

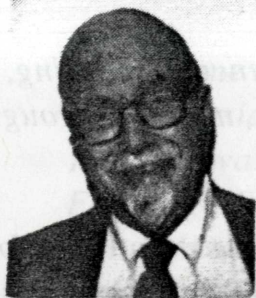
Note: Our thanks to Marshall Kline of the Marshall Kline
Buying Service in Los Angeles for providing these "cash-flow"
words.

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

SIC Code	Category	1999	January 1998	Percentage Change
52	Building Material Group *	\$ 10,891	\$ 10,076	+ 8.1%
57	Furniture Group *	12,778	12,237	+ 4.4
571	Furniture Stores	5,825	5,764	+ 1.1
572	Appliance, TV, Computer and Radio Stores	6,118	5,585	+ 9.5
5941	Sporting Goods Stores *	1,546	1,458	+ 6.0
5942	Book Stores *	1,453	1,443	+ 0.7
5944	Jewelry Stores *	1,206	1,164	+ 3.6
531	Department Stores *	18,962	17,420	+ 8.9
531Pt	Conventional Stores	3,150	3,112	+ 1.2
531Pt	National Chain Stores	2,599	2,571	+ 1.1
	Subtotal	5,749	5,683	+ 1.2
531Pt	Discount Stores	13,213	11,737	+ 12.6
539	Miscellaneous General Merchandise Stores *	4,708	4,229	+ 11.3
541	Grocery Stores *	34,648	33,405	+ 3.7
56	Apparel and Accessory Stores *	7,850	7,479	+ 5.0
561	Men's and Boys' Stores	819	778	+ 5.3
5623	Women's Stores	2,050	1,999	+ 2.6
565	Family Clothing Stores	2,923	2,712	+ 7.8
566	Shoe Stores	1,312	1,284	+ 2.2
591	Drug Stores *	8,990	8,405	+ 7.0
596	Nonstore Retail *	6,194	5,690	+ 8.9
5961	Mail Order	4,378	3,948	+ 10.9
* RETAILING TODAY TOTAL				
	STORE RETAILING (1)	109,226	103,006	+ 6.0
	GAF TOTAL (2)	51,721	48,294	+ 7.1

- (1) Excludes car dealers, auto supply stores, variety and miscellaneous general merchandise, eating and drinking places, service stations, and some specialty stores.
(2) 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 or write the Government Printing Office, (412) 644-2721/2828; Box 371975M, Pittsburg, PA 15250-7975. The current cost is \$57 per year and is handled the same as a magazine subscription (i.e., will receive notice of renewal).



RETAILING TODAY

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ROUTE TO

JUNE 1999

VOL. 34, NO. 6

Dear Readers:

We – the “associates” of Robert Kahn & Associates – regret to inform you that our beloved leader, Robert Kahn, suffered a fatal heart attack on June 1, 1999, at the age of 81.

First, we would like to thank each and everyone of you for your readership and comments over the years.

Many of you are longtime readers of Retailing Today and know of Bob's numerous accomplishments. However, in memory of his lifetime, we would like to take this opportunity to reflect not only on his business career but on some of his personal endeavors: being born in Oakland, California, on May 17, 1918, to Irving and Francesca Kahn; beginning his retail career as a teenager at his grandfather's store, Kahn's, one of Oakland's finest department stores; finding the girl of his dreams, Patricia Glenn, in San Antonio, Texas, and marrying her on Valentine's Day in 1946; serving in the U.S. Army Air Force during World War II and, as a reservist, during the Korean War; and having two wonderful children, Christopher and Roberta, of whom he often spoke with pride.

But Bob would probably be the first to confess that his passion in life was retailing, retailing, retailing!

Perhaps no one has ever loved being in the business more than Bob and having the privilege of writing about it each month in Retailing Today, his newsletter of more than 34 years.

Upon graduating Phi Beta Kappa from Stanford University with a BA cum laude in economics, Bob went on to Harvard Business School and received an MBA in retailing, accounting and statistics. While attending Harvard in 1937, he was selected to be one of the founding members of the Baker Scholar Society. But those weren't the only degrees bestowed upon him: Bob received an honorary LLD in 1977 from Franklin Pierce College in New Hampshire for his work in the field of ethics in retailing.

in his home office in Lafayette. During the same period, from 1977 to 1980, Bob was a vice president of Hambrecht & Quist, Inc., investment bankers. And, from 1987 to 1991, he was a consultant to the commanding general of the U.S. Army and Air Force Exchange Service. In recent years, he was a member of the advisory board of the Retail Management Institute at Santa Clara University; on the review board of the Journal of Retailing; and served as ethics editor of the Journal of Management Consultants.

In his youth, Bob was a gifted pupil at Galileo High School in San Francisco. Actually, Bob, his older sister, Elinor, and his younger brother, Tom, were "Termanites" (part of a Stanford University study started in the 1920s of gifted children) who scored high on the Binet scale! As an Eagle Scout, Bob volunteered for a Community Chest fund-raising drive. And, during the Great Depression, he and his brother volunteered time helping in a San Francisco soup kitchen.

From 1946 to 1980, Bob was active in the United Way of the Bay Area and predecessor organizations as vice president, trustee, director, and treasurer. He held the position of chairman on such committees as finance, allocations, publicity, personnel, by-laws, development, membership, and affiliate members. In 1980, he was the first recipient of the Fleishhacker Award as Outstanding Volunteer. During the same time frame, Bob was active in the San Francisco Bay Girl Scout Council, as a director, secretary, treasurer, and as a member of the executive committee. In addition, he was chairman of the nominating and finance committees. He was a director of the Oakland Area Boy Scout Council; director of the Oakland Chapter of the American Red Cross; director and treasurer of the Fannie Wall Children's Home; and director and secretary of the League to Save Lake Tahoe.

As a Lafayette civic leader, in 1970, two years after Lafayette's incorporation, Bob co-founded Lafayette Forward. This nonprofit organization encourages multiple candidates to run in City Council and school board elections by mailing flyers to all Lafayette registered voters at no cost to the candidate.

Bob ran for the East Bay Municipal Utility District's board in 1974 and the Lafayette City Council in 1984. His family's charity, the Kahn Foundation, endowed the original study which led to the founding of the East Bay Regional Parks District. In addition, the family funded the Kahn Collection of early California art at the Oakland Museum of California.

During the 1970s and 1980s, Bob wrote the widely read column "Pro and Kahn" for the Lafayette Sun. His outspoken and well-reasoned opinions never failed to arouse

Speaking of ethics, often referred to among his peers as "the conscience of retailing," Bob will certainly be remembered as a true crusader of moral values, not only through his newsletter but in everything he pursued.

Fresh out of Harvard in 1940, Bob accepted a position as an executive researcher for R. H. Macy & Company, Inc., at its 34th Street store in New York City. Although he was at Macy's only a year, judging from the many stories in Retailing Today relating to that job, it certainly left an impression on him! He likely would have stayed with Macy's longer, but with World War II underway, Bob signed up for active duty in the U.S. Army Air Force for what would become another main component of his life: serving as an officer in Iran, the Philippines, and Japan, from September 1941 through March 1946, and again during the Korean War in French Morocco, from February 1951 through September 1952. Upon retiring from active duty, he entered the U.S. Air Force Reserve at the rank of lieutenant colonel.

When Bob left active duty in 1946, he immediately traveled to San Antonio to ask Patty to marry him and to move to California, where they began their life together. That same year he became controller of Smith's of California, a men's and boys' clothing store in Oakland. In 1953, he changed jobs and became vice president and treasurer of Sherwood Swan and Company, an Oakland department store plus supermarket. Then, after three years, he struck out on his own.

*Robert Kahn and Associates, business counselors, was founded in 1956. It operated primarily in the retail field, serving companies with sales ranging from a few million dollars to several billion dollars. Some of Bob's clients had been served on a continuing basis for more than 30 years. A client he held in high regard was Mervyn's. In the very beginning of Mervyn's, when there was only one store in California, Bob struck up not only a business relationship with its founder, Mervin Morris, but a friendship that endured throughout the years. Another client he was most proud of was, of course, Wal*Mart Stores, Inc. Not only did Sam Walton become one of his friends, but Bob had the privilege of being a consultant to and serving on the board of directors of Wal*Mart for 13 years. At the time of his death, Bob was serving on the board of directors of Cycle Gear, Components Corporation of America, Piedmont Grocery, and Nurserymen's Exchange. He was also on retainer with retail chains in South Africa, Australia, and New Zealand. One of Bob's favorite quotes, "Give the lady what she wants," by Marshall Field, will be remembered by us all!*

From 1973 to 1990, Bob and his then partner, Bob Harris, were financial counselors of a company doing business as Kahn & Harris, Inc. Located on Montgomery Street in San Francisco, Bob would spend half the week there and the remainder of the week

both praise and indignation from readers! In addition, as a prolific letter writer, his remarks often graced the editorial pages of newspapers nationwide. And, as a result of his expertise, Bob was regularly called upon by the local, national, and international press to comment on retail events.

As for Bob's diligent work as a Certified Management Consultant, he was a founding member of the Institute of Management Consultants and one of the first 140 people in the United States designated a Certified Management Consultant, thus authorizing him to use the appellation "CMC." Earlier this year, the IMC, which made him a Fellow in 1996, awarded him its Lifetime Achievement Award in recognition of his contribution to the organization and to the profession, an award he was especially proud to have received. He was also a past president of the Association of Management Consultants and a consultant affiliate of the National Merchants Association.

For more information on Bob, please read about him in Who's Who in the World (since 1980), Who's Who in Finance and Industry (since 1957), Who's Who in the West (since 1956), and Who's Who in America (since 1977). A quote of Bob's in the latter is most appropriate: "Each night as I put my head on my pillow I think back over the day. I hope I can say, 'I spent this day the way I should have spent it.'"

Robert Kahn has touched the lives of so many in so many unique ways. We will miss him dearly; but we believe that Bob was looking forward to being with some of his friends and relatives who have gone on before him. He's most likely setting forth his ideals in Heaven at this very moment! And Bob, if you can hear us, we want to say from the bottom of our hearts, "Thank you. We have benefited immeasurably from your wisdom, integrity, and beauty. We know you will rest in peace."

Sincerely,

Annabelle Farrell · Jean Bilafer · Mary King · Lynn Hiden