December 1977	F - Long-Range Weather Forecasting	
	F - For a Fee, Yankelovich, Skelly and White Tell Supermarkets That Consumer Activists Lack Resolve	
	B - Ethics in Credit Collection	
	A - May 1978 Bring You Happiness	
		The Outlook for 1978 - Courtesy of Ralph Waldo Emerson
		Where is the Convenience Store Industry Headed?
		California State Controller Catches Eastern Cos.
		Where Does the Discount Buyer Buy Cameras?
		Double Decimation
		Are Your Buildings Barrier Free?
		Names in the FTC (Jay Norris Corp./Kroger Co/K-Mart)
		Does Discount Mean Lower Gross Margins?
		High Sales Per Square Foot
		The Quick Brown Fox Jumped Over the Lazy Scanner Front Ends
		Competition on Finance Charge Rates
		A Dollar of Retail Earnings Are Worth Relatively More
		Words Without Meaning (From the Consumers Distributing Co. Limited report)
January 1978	F - Why Business Gets A Bad Name	
	B - Alice in Wonderland at Wells Fargo Bank	
	A -- The Unusual Letter (thanks for correcting inv. error)	
		Not Enough Points is Enough Explanation (Wards)
		Panic Prevails at Saks 5th Avenue
		Selective Distribution Approved in Common Mkt.
		High Profits for Federated Dept. Stores
		Questioning the National Crime Info Center
		Instant Credit Overload? (multiple credit card offer)
		Wards Value Absent Customers Over Good Customers
		Apartment Life
		Man and the Computer
		Kid Porn in Store Newspaper Ads?
		RT Scores Big in the 30th Forbes Annual Report on American Industry
		How to Get Debit Cards Started
		Commercial Bribery (3M/The Gillette Co.)
		Names in the FTC (Sears)
February 1978	F - The Vultures Around Us	
	B - RT Lacks Integrity (charges by Longs execs)	
	A - Retailing is the Same All Over the World	
		Developing Business From a Charge Account List -- The Right Way
		Can "Puffing" in Ads Cost Millions?
		Being on the Consumer's Side
		Competition in Food - in the Los Angeles Area
		Confession is Good for the Soul (Amfac)
		Names in the FTC (Equifax)
		Words Without Meaning - From Quarterly Reports
		Retail Leadership - A Disappearing Art
		Specialty Retailing (Personally Yours/Sewing Corner)
		Fuel for Consumerism
		Trashing a Great Name (Kuppenheimer)

MARCH 1978	F -	Do the Laws Apply to Melville and Marshall's?
	B -	Lack of Ethics at Consumers Union?
	A -	Elimination of the Double Tax on Dividends
		Alberts' Provides Appropriate Information to Shareholders
		Remember the Post Card to Open a Charge Account?
		How to Plan your Board of Directors.
		Remember the "Membership" Discount Stores?
		Can You Do Business With the Dead?
		Federal Government Contributes $100,000 to Growth Companies
		How Significant Are Brand Preferences in Food?
		Retailers and the Law (K-Mart)
APRIL 1978	F -	Poor Taste In Advertising By Playtex
	F -	7th Annual Dollar Per Days Survey of Convenience Stores
	F -	8th Annual Consumer Affairs Program
	B -	Did the Accountants Try to Bankrupt the U.S.?
	A -	Correction (Dec. 77 Sears article)
		The Big Brave NACSM
		Why Sears/Penneys/Wards Resist Bank Cards
		Use of Lockboxes Continues to Grow
		Is Competition Effective Between Types of Stores?
		Retailers in the Top 200 Over-The-Counter Stocks
		"Inflation and Taxes: Disincentives for Capital Formation"
		Will Top Executives Go to Jail When Their Company Violates the Law?
		Rapid Growth is Not Only in the USA
		Good Advice to Business (Walter Hoadley speech)
MAY 1978	F -	Can a City Ruin Your Business to Avoid Condemning It?
	B -	Does God Reside at the Credit Bureau?
	A -	Errata (2 March RT issues, etc.)
		Chiseling on the Suppliers
		The Editor Speaks (speech to Menswear Assn of America on "Men's Wear Outlook '78 - And Beyond)
		Devastating Words From Daylin
		Principles of Retailing - At Marks & Spencer
		So You Want to be a Corporate Director?
		Commercial Bribery (Sanford's, The Ink People)
		Citibank and Credit Cards to the World
JUNE 1978	F -	Nature Intended Retailing To Be Diverse
	F -	Why Not Try Remodeling
	B -	What's Wanted in Top Managers?
	A -	Bank Fraud and EFTS
		The Editor Speaks (speech to Duckwall Stores managers on "Concepts and People")
		A Good Guide for Selling Departments
		Profiting From the Mistakes of Others: Common Threads in Retail Failures
		Operation: Trade-A-Son
		Does ADT Really Watch?
		Making it in the Stock Market
		On Being the Neighborhood Store - and the 18th Largest Retailer in the United States (Southland Corp)

JUNE 1978 (continued)

The Impact of Inflation -- A Lower Standard of Living
Back to the Central City -- For Profit and Benefits
Do You Know What Your Customers Think?

JULY 1978

F - Does Excellent Quality Stimulate Imports?
B - What Would It Take To Steal Your Executives
A - Showing Consideration For Your Customers
Is Humor The Basis of Stanford Superiority Over Harvard?
60 Minutes Gives Free Publicity to Fed-Mart
Your Voice Will Be Heard -- By the FASB
Forbes Pinpoints Asset-Loaded Market-Laggard Stocks
The Growing Childlessness
Truth-In-Menu? Will It Work?
The Peripatetic Editor (Guarantees/names of parent stores)
Commercial Bribery (Golden D'Or Converting Corp.)
The Arrogance of Trade Publications (Conv. Stores editorial denouncing efforts to reduce smoking)

AUGUST 1978

F - Does Sears Still Guarantee Satisfaction or Your Money Back?
B - Chiseling By Government Employees?
A - Are Retailers More Efficient Then the Government?
A Trend Away From LIFO?
Should You Have A Corporate Code of Conduct?
Reporting the Good News (re Berkline chair repair)
The Changing Eating Habits
A Light History of Credit and Scoring
Commercial Bribery (Textan Welhausen Company)

SEPTEMBER 1978

F - Why Are Stores Always Overbought?
B - Now Is The Time To Say "No Gifts"
A - Help Is Coming For The Small Computer User
One Congressman's View on Point Scoring
Can You Believe Dun's Review?
Wards Has Consideration For Their Customer
Jack Friedland Brags About Stealing
Why Was The "Odds Chart" Blurred In the Fred Meyer Ads?
The Time Is Now For Better Garment Care Instructions
Will Joseph Magnin Customers Beliive Ed Gorman?
Doing Something For Your Home Town

OCTOBER 1978

F - Title lost in printing -- Re: NRMA/FAM/UCB Code and extortion from vendors
B - It Takes Larceny In the Heart of the Buyer to Make Fraud Work
A - Marshall's Continues to Flaunt Advertising Codes
Report the Good News (re Home Coffee Brewer)
Do Accountants Have Common Sense?
Does Charles Tandy Have A "Thing" About Debentures?
Duty-Free Knows How To Charge
Bargains Are Not Bargains if You Don't Know What You Got
It's A Woman's World

OCTOBER 1978 (continued)

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

NOVEMBER 1978

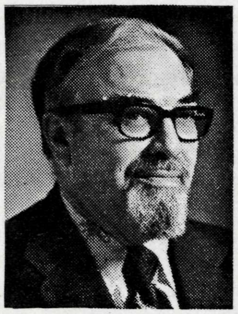
F - Taxing Employee Discounts
B - Do Customers Like Games?
A - Correction (re Oct. 78 issue on "Do Accountants Have Common Sense?")
How Wrong Can The Federal Trade Commission Be?
Reporting The Good News
Seldom Cited Data About Family Income, Size & Education
The Small Business Admn. is Cutting Some Red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

DECEMBER 1978

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

JANUARY 1979

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



RETAILING TODAY

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ROUTE TO

JANUARY 1978

VOL. 13, NO. 1

THE UNUSUAL LETTER

Dear Sirs:

I wish to thank you for your check and for your correcting our invoice error and sending payment for proper amount. You are honest people and it is a pleasure to have a business association with you.

Yours truly.

This letter was sent from G. F. Boy's Wear Inc., in New York to Sherwood Swan and Company in Oakland, California. It is unusual for two reasons–the honesty of Swan's and the courtesy of an acknowledgement of that honesty by G. F. Boy's Wear. So often stores take their profit when the invoice error is in their favor; and for the few stores that do have a policy of always paying for what they received, regardless of billing errors, it is seldom that they get a "thank you" note from the fortunate vendor.

NOT ENOUGH POINTS IS ENOUGH EXPLANATION

The Federal Trade Commission is backing off from their complaint against Montgomery Ward under the Equal Credit Opportunity Act. The complaint filed December 22, 1976 has been dismissed.

That complaint charged that when Wards, using a non-discriminatory point scoring system, advised applicants that their application had been rejected because they did not score high enough (encompassing a number of measurements) that Wards had not provided sufficient explanation to meet the law.

The dismissal of the complaint followed the withdrawal of the matter from adjudication while a consent order, proposed by Wards, was considered–and subsequently rejected.

The Commission weakly explained their position. They claimed that significant amendments to the Equal Credit Opportunity Act and Regulation B had been made since the complaint was filed (most of which were known or anticipated when the complaint was filed).

RThought: Perhaps the FTC will reconsider playing "Catch 22" games.

ALICE IN WONDERLAND AT WELLS FARGO BANK

Wells Fargo may be the 12th largest bank in the U.S. but Alice in Wonderland apparently trains its executives.

All the world hears the newscasters who, when reporting an increase or decrease in the prime rate of interest, describe it as "the rate at which banks lend to their most creditworthy customers."

According to American Banker, Wells Fargo Bank has announced that they now make loans (up to 29 days) at below prime rate to their most creditworthy customers! (Morgan Guaranty Trust previously announced such a program, limited to 10 days, for issuers of commercial paper). Wells then declared that the prime rate is an anachronism. Yet they still are charging many customers, under continuing bank line agreements, **prime plus** something which is no longer measured from the rate charged Wells' most creditworthy customers.

This certainly speaks poorly of the standards at Wells Fargo Bank–but may well be within a bank's concept of how to make money.

Lewis Carroll said, through Alice, the March Hare and the Mad Hatter:

> "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'!"

RThought: We all know about the merchant who constantly advertised that he was selling everything at cost. When asked how he could stay in business he replied that he bought for less than cost! And that is what Wells Fargo Bank has done with hundreds of customers whose interest cost is based on a given amount above what Wells charges their "most creditworthy borrowers." Both prime rate and business ethics may well be anachronisms.

RT is concerned about the trend. Morgan allowed this for 1 to 10 days–Wells for 1 to 29 days. The next bank may go 1 to 89 days or 1 to 270 days.

PANIC PREVAILS AT SAKS 5th AVENUE

Recently Saks 5th Avenue gave News Center 5 in Chicago a brilliant demonstration of paranoic fear of a free press. Of course, Saks likes free speech for their own protection—but the Chairman of the Board has instilled absolute and complete fear in the entire organization.

Chicago General Manager, Walter Ring, was in panic when queried by a female TV reporter. He said that he had to clear all questions with the Chairman of the Board in New York. The same answer came from William Bloom, Credit Manager in New York City, everything had to be cleared with the Chairman of the Board.

Democracy is unlikely to survive under such conditions—although it should be recalled that it was President Kennedy who pointed out that mental health is our most serious health problem.

What was the question the reporter was trying to get answered? She was making a survey of retailers to determine how they computed finance charges—on the previous balance, on the adjusted balance, or on an average daily balance! Is this the kind of question that requires the skills of a $250,000 a year executive? Is this the type of critical information that somehow must be concealed from the inquiring eyes of a free press? Is this the type of information that must be kept from competitors? Is this the type of secret information that the Chairman wants to preserve so that he, alone, can disclose it in his "tell-all" biography that he will write as soon as he retires?

Finally, a nervous Walter Ring found a solution. He gave the reporter a copy of the charge agreement (a printed form, subject to review by the Federal Trade Commission for compliance with several Federal laws and subject to further restrictions by the various states in which Saks does business). Ring suggested that it was within the rules laid down by the Chairman of the Board of Saks 5th Avenue, far away on his throne in New York, for her to read the agreement herself!

RThought: The News Center 5 reporter stated that the General Manager at Neiman Marcus was very cooperative.

SELECTIVE DISTRIBUTION APPROVED IN COMMON MARKET

Recently the United States Supreme Court, in Sylvania v Continental TV, approved the right of a manufacturer to limit the geographic area in which dealers could sell (Continental was franchised by Sylvania in some but not all stores—and moved merchandise into non-franchised stores). Sylvania was not a dominant factor in the TV market and felt they had to restrict the number of outlets in order to get dealers to make the inventory and promotional commitment that was needed to properly present the line.

The same conclusion has been reached by the European Court of Justice which regulates disputes in the Common Market. Again, a TV manufacturer was involved—Saba. The case was brought by a cash-and-carry wholesaler who was refused the Saba line. The wholesaler claimed that the refusal was in conflict with the Common Market rules on fair competition.

As reported by the **Retail News Letter** of the International Association of Department Stores (an outstanding monthly publication—72, Boulevard Haussmann, 75008 Paris, FRANCE), the court held that quality of products represented an important form of competition and that the Saba requirement for dealers (maintain minimum sales volume, place orders several months in advance, carry a complete line of products) combined with the relatively small market share (about 7% of color TV sets) constituted a legitimate form of competitive marketing.

HIGH PROFITS FOR FEDERATED DEPARTMENT STORES

The Department of Justice, in civil and criminal actions filed against I. Magnin & Co., a Federated subsidiary, and Saks 5th Avenue, a Brown & Williamson subsidiary, charged that from 1963 to 1974 the two firms, through their San Francisco stores, conspired to fix prices. The complaint said the firms met, engaged in telephone conversations, exchanged markup charts, established agreed-upon markups and retail prices and adhered to these prices. The result was to maintain an artificial and non-competitive price level. Both firms pleaded nolo contendre and were fined $50,000 each.

Now let's determine the profit to Federated and Gimbels (who owned Saks during most of the period of conspiracy). It cost $50,000 for 11 years or about $4,500 a year. If the prices manipulated represented $5,000,000 a year and the markup was boosted 5%, that would mean a profit improvement of $250,000 a year. Both firms appear to have gotten a great bargain.

RThought: RT often wonders how the Lazeri, Mr. Simon, Mr. Fred Sr., and Mr. Fred Jr., feel about such matters after the high standards they set for years. RT is sure they are watching with displeasure from a cloud in the Heavens.

QUESTIONING THE NATIONAL CRIME INFORMATION CENTER

For the past decade, RT has opposed the development by the FBI of the National Crime Information System (NCIC) which was an attempt to create a master file of so-called criminal records (largely records of arrests without a record of the disposition) on millions of Americans, to be available through thousands of terminals in police (and other) agencies throughout the land.

RT is opposed to basing "criminal records" on arrests without the disposition being recorded (those who disagree say "he must have done something wrong if he was arrested"). RT is opposed to the uncontrolled access and lack of audit trail on inquiries (RT was advised by personal letter from J. Edgar Hoover that if RT had any evidence that the system was accessed for improper purposes he would take appropriate action to correct the user—but not to deny access. His letter, together with the RT articles that prompted it, were the principle items in my FBI file which I obtained under the Freedom of Information Act.)

RT knows of improper access. RT readers reported local police chiefs who, seeking brownie points from retailers, offered to clear all new employee applications through the NCIC without charge!

J. Edgar Hoover is gone. There is more concern in Washington about abuse and invasion of privacy. And a subcommittee of the House Judiciary Committee has under study just these charges—plus additional problem areas.

The hearings have developed the fact that the "hit ratio," exclusive of identifying stolen vehicles, is very low; the cost high; and the system constantly breaking down (about 30 hours a month in addition to scheduled downtime of 2 to 3 hours).

RThought: If retailers who signed consent orders with the FTC (often in the face of criminal charges) were also included in the NCIC files, they would be in the forefront trying to modify the system.

WHY BUSINESS GETS A BAD NAME

California Tomorrow is a well respected California conservation organization, whose officers and board include such business representatives as Clarence Heller (Director of U.S. Leasing and President of Basic Minerals), Victor Palmieri (Chairman/savior of Great Southwest Corp, the subsidiary of Penn Railroad), and Howard H. Hays, Jr. (Newspaper publisher, Director of the American Press Institute and former President of the American Newspaper Editors Association).

They planned an issue of their quarterly on the subject of the energy situation in California and at this point I quote from the President's Report:

> **"We also invited a major California public utility company to outline its perspective on the state's energy posture as it affects employment, population, capital resources and environmental quality. They accepted the invitation, but as copy deadline approached it became apparent that the company would be unable to address the policy assumptions set forth by California Tomorrow. As a company vice president finally put it, candidly, 'Neither I nor any officer of this company can accept energy conservation as a realistic alternative.' "**

RThought: California has only a few utilities that might have been approached by California Tomorrow—and all of them are giants; Pacific Gas and Electric, Southern California Edison, Southern California Gas, Pacific Power and Light, and San Diego Gas and Electric. This is not a case of an opinion from a small utility company that could be considered parochial or uninformed.

What this utility official is saying is that as a matter of policy they cannot conceive of sponsoring gas stoves without a pilot light, homes that are required to meet insulation standards, stores subject to a maximum foot-candle limit, limits on the neon signs on gambling halls in Las Vegas and Reno, building codes that require toilets that consume less water, requiring agriculture to use less water-intensive irrigation methods, recycle equipment on car washes, and on and on.

It may well be typical of all utilities that their only thought—their sole aim and goal—is to use more and more energy, more and more natural resources, more and more and more.

How does one make a public utility, which operates as a monopoly, responsive to society?

SHORT SHORTS

Credit humor from the Farmer's Almanac—A retailer sent a large order to a manufacturer and received back a wire, "Can't ship until you pay for your last consignment," to which the retailer answered (collect), "Can't wait that long. Cancel order."

"You're on KGO with Sherry and Stanley"—that would be a radio talk show with Stanley Johnson, Executive Director of the Northern California Grocers Association and Sherry Harris, the Director of Consumer Affairs. The questions from the interviewer and the listeners were difficult ones—with a number of people trying to get an explanation of why their packages of ground meat were red on the outside and brown on the inside. This apparently defied the chemical reaction of oxygen with meat—but then what meat department managers (even in large chains) took much chemistry?

Data processing salaries rise less than cost of living according to Datamation (November 1977, $3 single issue, 1301 South Cienega Blvd., Los Angeles CA 90035). Retailers should order this issue for salary comparisons. Weekly salary ranges are given based on a survey of 61 retail firms with 4,689 employees and a total for all industries of 1,157 companies with 88,166 employees.

Hechingers shows imagination with a 10 million cubic foot corporate headquarters and central distribution center. Just think—100' by 100' and only 1,000' tall!

Sunset Magazine keeps telling the world that the West is different. Take the matter of cars—an object of romance for most Americans. Nationally, the best selling cars for the period October 1976 (start of model year) through June 1977 were Chevrolet, Cutlass, Toyota, Monte Carlo and Ford. Only one of that list made the 5 best sellers in the West—Toyota was the leader followed by Datsun, Honda, Volkswagon and Granada. No American car until 5th place! If you feel you should know often and factually how the West is different, write Armand Schwartz, Editor, SUNSET Newsletter, Lane Publishing Co., Menlo Park, CA 94025.

Tandy Corporation "simplified and expanded its financial disclosure format" which intermixes 12 month and 3 month reports. Their fiscal year ends June 30th—but the first page of the September 30th quarterly report shows a 12 month statement (earnings per share are up because of reduced shares outstanding despite a 10% drop in total profits) followed by "Review of Operations" for the quarter! On the 5th page, one finally reaches the figures for the quarter being described, with a 27% drop in profits but a 7% increase in earnings per share.

Rapid Growth is not just in the USA—RT's reviewer of foreign publications forwarded an advertisement for Felix Potkin, a food chain operating 1560 stores in the Paris Region. The ad points out that from 1960 to 1977 they increased their number of employees from 1,000 to 7,000 and that the annual rate of increase of profit was 17.4%, of dividends 16.3% and return on net worth by 14.8%. That would rate high in the Forbes Annual Survey—but the purpose of the advertisement was to report that 95% of their purchases were products of France and that "This is our way of contributing to the development of the French Economy." **RThought**: As American retailers buy more imported goods, they obviously are precluded from claiming to help the American economy. **RThought**: When James Williams, President of NRMA, deplores the unfavorable trade balance, he never asks department stores to purchase less from Hong Kong or Taiwan.

A retailer makes banking pay. Everyone laughed when innovative octogenerian Fred Meyer purchased a savings and loan association, changed the name to Fred Meyer Savings and Loan Association, and started opening branches in his superstores. In their 3rd quarter report Fred Meyer, Inc. announced that assets had doubled in 9 months to $178 million and reached the status of 8th largest S&L in Oregon. And after-tax income for the S&L for the first 9 months was up from $196,000 last year to $714,000 for this year. Now they have announced Fred Meyer Tours—economy package tours, available (of course) in all stores.

CREDIT OFFICE RATING

There are some outstanding credit office billing performances that are not reflected in our ratings. John Campbell, President of Miller & Paine in Lincoln, Nebraska, and a long-time RT reader, reports "While our store is not reported in your credit office Honor Roll, we still mail every bill on the first of the month including every transaction made up until store closing on the last day of the month." Miller & Paine has many interesting facets of their computer system–single cycle monthly billing, computer-to-bank transfer of bank credit cards, and much more.

The Honor Roll is short this month.

HONOR ROLL

Company	Days	Company	Days
Rubenstein's	3.0	Mervyn's	3.9
Oshman's	3.5	Jurgensen's	4.0
Hess'	3.7	Macy's NYC	4.0
Levy Bros	3.7	I. Magnin SF	4.0
Liberty House	3.7		

Levy Bros. merits a special comment. For years they struggled with billing, sick operators, and machine breakdowns. Last fall a machine breakdown forced a fast conversion to Bank of America billing. Today they can regularly meet Honor Roll standards. Perhaps there is a message here.

	OCT.–NOV. 1977			AUG.–SEPT. 1977		
Information From Reporters	No. of Reports	Days to Bill Average	Range	No. of Reports	Days to Bill Average	Range
Bloomingdale's (NY)	1	8.0	8	––	––	––
The Broadway (LA)	3	9.0	9	2	8.0	7-9
Bullock's (LA)	1	5.0	5	1	5.0	5
Bullock's (N. Cal.)	4	8.5	6-10	7	5.9	4-8
Capwell's (N. Cal.)	3	7.3	7-8	7	6.1	6-7
Emporium (SF)	3	5.7	4-7	1	7.0	7
Grodin's (N. Cal.)	1	5.0	5	2	5.0	5
Jurgensen's (LA)	1	4.0	4	––	––	––
Liberty House (N. Cal.)	3	3.7	2-5	––	––	––
Livingston's (SF)	2	5.5	5-6	2	6.0	5-7
Macy's (NY)	1	4.0	4	1	4.0	4
Macy's (N. Cal.)	6	6.5	6-7	7	4.0	4
I. Magnin (SF)	1	4.0	4	3	4.3	4-5
Joseph Magnin (SF)	4	5.3	4-9	2	4.5	4-5
May Co. (LA)	1	5.0	5	1	7.0	7
Penney's (Oakland)	1	7.0	7	––	––	––
Penney's (Buena Park)	2	5.5	5-6	2	7.0	5-9
Podesta Baldocchi (SF)	1	10.0	10	––	––	––
Robinson's (LA)	1	5.0	5	1	4.0	4
Roos/Atkins (NY)	4	5.8	5-7	2	13.0	4-22
Sears (Alhambra)	4	8.0	4-11	5	7.4	7-8
Shreve & Co. (SF)	1	8.0	8	2	5.5	5-6
Weinstock's (Sacramento)	1	6.0	6	2	5.5	5-6
TOTAL	56	5.7	2-11	48	6.3	4-22

	OCT.–NOV. 1977			AUG.–SEPT. 1977		
Information From Stores	No. of Reports	Days to Bill Average	Range	No. of Reports	Days to Bill Average	Range
Hess' (Allentown)	13	3.7	3-5	8	2.6	1-4
Holman's (Pacific Grove)	10	6.3	4-8	6	4.8	5-8
Iver's (Los Angeles)	10	5.0	3-7	10	4.3	3-5
Levy Bros. (San Mateo)	16	3.7	3-5	16	3.8	2-5
Maison Mendessolle (SF)	2	4.5	4-5	2	3.5	3-4
Mervyn's (N. Cal)	20	3.9	3-5	20	3.9	3-4
Oshman's (Houston)	12	3.5	3-4	11	3.5	3-4
Penn Traffic (Johnstown)	10	5.9	5-7	10	6.3	4-9
Routzahn's (Hagerstown)	2	6.0	5-7	2	5.0	5
Rubenstein's (Shreveport)	3	3.0	2	––	––	––
Wineman's (Hntingtn Pk)	5	7.8	6-9	7	7.4	6-9
TOTAL	103	4.5	2-9	92	4.5	1-9

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

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

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

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

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

INSTANT CREDIT OVERLOAD?

Timesaver is running full-page ads offering a handful of credit cards with just one application. Available are Visa/ BankAmericard (43 states), Master Charge (37 states), Diners Club, Carte Blanche, Ward's, Ward's Auto Club, National Car Rental, Playboy Club International Key and Timesaver Credit Card Protection (at $15 per year).

WARDS VALUES ABSENT CUSTOMERS OVER GOOD CUSTOMERS

That's about the conclusion I have to draw from the lovely letter from Ashley D. DeShazor at 535 West Chicago Avenue, Chicago, Illinois (is this the same place known as One Montgomery Ward Plaza which is used when not trying to conceal who sent the letter?)

Mr. DeShazor said that it had been a long time since I used my account and so he is offering me an 8-piece WoodenGourmet Kitchen Tool Set FREE with my next Chargall purchase of $5 or more.

I gather that Mr. DeShazor is not offering this to the wonderful people who charge 2 billion dollars at Wards. Apparently they do not get anything, not even a thank you!

APARTMENT LIFE

Apartment Life–that's the name of one of the most stimulating magazines received each month at RT. In fact, all department stores, furniture stores, appliance stores, home improvement centers and many others should spend the $7.97 a year (that's right–a sale price all the time!)–send your subscription to 1716 Locust Street, Des Moines, Iowa 50338.

Your display manager, window decorator, merchandise managers–all of them–will get ides for merchandising to the apartment dweller. Their numbers are growing and their needs are different. They could be your customers if you addressed their problems.

MAN AND THE COMPUTER

That was the title of the symposium at which John G. Kemeny, President of Dartmouth College, gave the keynote address–and on which Bob Dimond, Publisher of **Infosystems**, reported in the November issue. Dr. Kemeny discussed the meaning and occurrence of symbiosis–the "intimate living together of two dissimilar organisms in a mutually beneficial relationship."

To use Bob's words, "He makes a lot of sense to me when he points out that the computer offers speed, accuracy, phenomenal memory and many other things, while human beings provide intuition, judgement and creativity. And, he warns against taking less and less advantage of the talents of human beings."

RThought: The computer can tell you what to reorder and what to markdown–but it can't tell you what new item to buy in the first place. A computer can run a Pic-A-Dilly or a Gap or a Limited Store or a Rite Aid or a Fotomat or any of the other successful specialty chains–but it cannot tell you whether or how to start a specialty chain. There is an old saying that the man who knows how will always have a job working for the man who knows why–and computers will work for the man who knows why.

KID PORN IN STORE NEWSPAPER ADS?

That's a question that top executives might ponder. The increased attention being given to pornography involving children and child prostitution should cause increased sensitivity to this issue by retailers–who, through their advertising, have a major impact on a community.

There should be even more sensitivity now that more stores are using photography and live models rather than art work in their ads.

The San Francisco District Attorney reacted to an ad run by The Emporium (Carter-Hawley-Hale) of a teenage model in bra and bikini panties holding a Coca-Cola and biting a potato chip. The items were "Goodeez Bras and Matching Bikinis from Teenform."

It is the District Attorney's view that nothing was illegal–but that stores should "exercise self-discipline and self-regulation with this kind of ad in the future." RT feels there is merit to his position.

What is particularly distressing is that when the District Attorney (and The Examiner newspaper) tried to reach responsible executives in the store, they were unable to do so. It speaks poorly for retail management when the District Attorney in your headquarter city cannot reach a responsible executive.

RT SCORES BIG IN THE 30th FORBES ANNUAL REPORT ON AMERICAN INDUSTRY

Forbes rated 5 types of retail firms on 5 factors–and in most cases (81%) the leading firms were subscribers to RT. In fact, the subscriber, in more than half of the cases, was the CEO!

Number of RT Subscribers in Top 5 Firms

Type of Firm	Return On Equity	Return On Total Assets	Net Profit %	5 Year Sales Growth	5 Year Earnings Per Share Growth
Department Stores	4	4	5	4	4
Discount & Variety Stores	5	5	4	5	4
Drug Chains	4	4	4	5	4
Specialty Retailers	3	4	2	3	4
Supermarkets	4	4	5	5	3

RThought: Frankly, it is doubtful that RT contributed to the great performance of these leading firms. But one of the explanations of why the leaders performed so well may be their openness to ideas that are at variance with conventional wisdom–the kind of ideas that are often found in RT.

HOW TO GET DEBIT CARDS STARTED

Everyone is concerned about the implementation of debit cards–plastic cards that permit transfer of cash from a customer's account to the store's account. Banks have the absurd idea that they can charge stores who use this service just like they charge for bank credit cards (about 1½-3½% of the transaction) rather than the way they charge for processing a check (2¢-3¢ per item).

The real test won't come in confrontations between stores and debit card issuers—the real test will come when customers present debit cards and want to use them. Then the store has to decide—"Do I, or don't I, accept the card?" Stores said "No" for years to bank credit cards—but each passing year sees more and more stores with mature credit systems saying "Yes" to bank cards.

But, what if a bank provides a true incentive to the debit card user? Then what do you do?

Convenience Store News (Dec. 9, 1977, 50¢ single copy, 254 W. 31st St., New York, NY 10001) reports that the debit cards from Wilmington Savings Fund Society are being honored by all 42 of the 7-Eleven Stores (Southland Corporation) in Delaware. 7-Eleven is paying a 2% fee which is added to the customer's savings account at the end of the month. Wilmington Savings has 2,000 participating merchants, 24,000 depositors with cards and in September handled 44,071 transactions for $1,034,938!

RThought: This will get broader acceptance for debit cards than offering a discount for payment by check or cash—because Wilmington Savings will be pushing the customer.

COMMERCIAL BRIBERY

3M is at it. They now compound illegal political contributions to Nixon's 1972 campaign with bribing your "Vice Pres. Operation," as the computer-prepared card reads. An RT subscriber passed on their offer "This magnetic Chess Set can be yours as a free gift . . . Return the enclosed card and this magnetic chess set is yours, free, for a few minutes of your time." All of this bribery is done just to sell their Business Music Service. If this is what it takes to get a hearing—the system may not be as good as competition which doesn't have to offer a chess set.

The Gillette Company has undertaken commercial bribery on a broad scale. An RT reader in Los Angeles has sent a copy of a quarter-page ad that appeared in the financial section of the **Los Angeles Times**, where it may be read by dozens of office managers and others who have authority to spend company money on office supplies. It offered a Gillette Promax Compact Hair Dryer with the purchase of 1-1/2 gross of Flair felt-tip pens, a Weber Smokey Joe Barbecue Kettle with 3 gross of Flair pens, and a General Electric portable AM/FM radio with TV bands with 6 gross of Flair pens. Apparently Flair, by the PaperMate Division of Gillette, is unable to sell against competitive brands on its merits.

SHORT SHORTS

Merchantile Stores makes a sound move—their third quarter report indicated that the Company had adopted a policy of expensing and funding the unfunded prior service pension costs over a period of 10 years instead of 30 (which is less than the maximum allowed of 40 years) resulting in an additional after-tax charge of $1,300,000 or 22¢ a share for the year ending January 31, 1978.

Discount Store News has a problem reporting on sex discrimination at K-Mart. The article said, "Although a K-Mart spokesman acknowledged . . . she said the investigation . . ." How about spokesperson?

Worried about how long to keep records? Electric Wastebasket Corp. (145 West 45th Street, NY, NY 10036) puts out a handy "Records Retention Timetable" available on request—as well as making machines that will handle the disposition when the time comes.

Double-standard in retailing. Women's Wear Daily reports about the success of Trans World Recovery Systems which is a collection agency specializing in collecting claims of retailers against suppliers. This certainly is a problem. RT was interested in the names tossed out by Herbert Bobchin, President—A&S, Bloomingdale's, Hartfield-Zody, Macy's, McCrory's, Vornado, King's, National Shoes and Strawbridge & Clothier—as being "Big-name" accounts. RT knows A&S and Bloomingdale's from vendor reports of payment after the discount terms expired and still deducting the discount. **RThought**: continued double standards (improper deduction of discount as buyer and collection action as seller) certainly does not help the standards of the industry.

NAMES IN THE F.T.C.

Sears, Roebuck & Co.: A complaint was issued alleging deceptive and unsubstantiated claims for the cleaning performance of Lady Kenmore dishwashers such as ". . . do-it-yourself . . . no scraping . . . no pre-rinsing . . . surging hot water with enough force to scrub every dish . . . even baked-on food comes off . . . everything is hygienically clean." **RThought**: What appears to be in question is the right of the advertising department to romanticize the housewife's work.

WORDS TO LIVE BY

For 20 years I had the pleasure of reading Maria Monahan in our local weekly paper—and for 13 of those years my column, PRO AND KAHN, appeared with hers. Cancer took Maria from us recently but friends kept her words alive by publishing a book of her poems under the title "Everyone Needs a Tree House." I though you might enjoy sharing the poem from which the book took its title.

EVERYONE NEEDS A TREE HOUSE . . .

It may be just a cozy chair
That you can call your own,
A corner of the porch out back
Where you can sit alone—

It may be in a crowded park,
You have your special seat,
A stroll along sandy dunes,
A mountain-top retreat.

To each his own, a private place
That needs no "Keep Out" sign—
Beside a book, or brook, a window nook
Your "Castle on the Rhine."

For each of us need shelter
Seclusion from the storm
To right things helter-skelter
Sans intrusion to our "warm"

And so if you can't find me
Consider that it's only
Because I'm in my tree house
Where I'm never ever lonely . . .

File w/ January 1978 RT in binder

November 13, 1978

Ms. Nancy Cassone, Research/Promotion Manager
APARTMENT LIFE
750 Third Avenue
New York, N.Y. 10017

Dear Ms. Cassone:

I am enclosing a copy of the January 1978 issue of RETAILING TODAY and you have permission to reprint the two paragraphs on page 3 in which I encourage my readers to become fully acquainted with your magazine.

This is not the first time that I have mentioned it favorably -- I am very much concerned about the inability of established retail firms to meet the changing lifestyles within the community of consumers that they profess to serve.

What usually happens is that new types of outlets develop to meet the needs of new groups -- and the old established outlets, which could have done the job in the first place, end up being the followers rather than the leaders.

Your credit line is correct except that I would prefer that it be by permission of "Robert Kahn and Associates".

May I make a suggestion?

I know that there are mailing lists available for Chief Executives of department stores(associate members of National Retail Merchants Association have the right to use such lists so you may want to consider an associate membership in that organization)-- and I believe that a mailing to them to acquaint them with your publication would expand the number of stores addressing themselves to the requirements of your readers.

May I also commend you on the manner in which you give complete instructions on how to obtain products or information on products mentioned in your publication.

I am enclosing a copy of the September issue of RETAILING TODAY and have circled an entry that appears in each issue -- at the bottom of the brown page -- in which I explain why I give the type of information that you also give. I will be very frank that my move on this was the result of a query from a reader on why I did it and my knowledge of your excellent presentation.

Sincerely,

Robert Kahn

APARTMENT LIFE

MEREDITH CORPORATION 750 THIRD AVENUE NEW YORK, NEW YORK 10017 (212) 557-6600

October 30, 1978

Mr. Ro
ROBERT
P.O.Bo
Lafaye

Dear Mr. Kahn,

My request is twofold:

1. May I have a copy of your January 1978 (Volume 13, Number 1) "Retailing Today"?

2. And may I have permission to reprint the two paragraphs you donated to Apartment Life magazine?

The purpose of my requests is to obtain use of these materials in slide form for a presentation I'm putting together on response to our editorial. Credit to you and your company will be as follows:

January 1978 issue of <u>RETAILING TODAY</u>
by permission of Robert Kahn, CMC

Thank you for your time, consideration and cooperation.

Sincerely,

Nancy Cassone
Research/Promotion Manager

/nc
cc: Bob Phelps
Harry Myers

APARTMENT LIFE

MEREDITH CORPORATION 750 THIRD AVENUE NEW YORK, NEW YORK 10017 (212) 557-6600

October 30, 1978

Mr. Robert Kahn, CMC
ROBERT KAHN & ASSOCIATES
P.O.Box 343
Lafayette, California 94549

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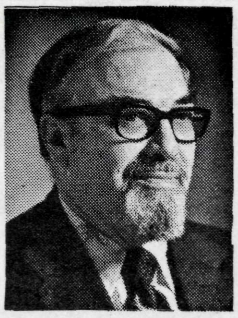
N. Cassone

Nancy Cassone
Research/Promotion Manager

/nc
cc: Bob Phelps
Harry Myers



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ROUTE TO

FEBRUARY 1978 VOL. 13, NO. 2

RETAILING IS THE SAME ALL OVER THE WORLD

The January 1978 issue of the **Retail News Letter**, published by the International Association of Department Stores, reaffirms that retailing has many common patterns. Aldi, the German food chain that operates Aldi-Brenner in the U.S., has moved into Denmark with food stores carrying only 500 dry grocery items at very low prices (in the U.S. they run 800-1000 items). "Plus Stores," part of the Tengelmann food group in Germany, runs 400 stores handling only 900 items.

Southland (7-Eleven) has ended its partnership with the Birrell-McColl group and is going on its own way with 4,000 sq. ft. stores (compared to 2400 sq. ft., in the U.S.) despite the law banning the long (16 to 24 hour) openings that are common in the U.S. Woolworth has given up 2 Woolco superstore sites—even though permits for superstores have become more difficult to get as Great Britain strengthens its policy of protecting center city shopping areas before permitting superstores on the perimeter. (RT again points out that the fantastic performances of hypermarchés in Europe are largely the result of being protected in oligopolistic—semi-monopolistic—marketing situations).

Germany has had a pattern of a decreasing number of food stores yet an increasing total square footage with a declining number of total store employees. High construction costs have led the Edeka Buying Group to develop pre-fab concrete components that can be combined into individualized food stores ranging from 6,000 to 22,000 sq. ft. at significant savings.

European mail order firms continue to report faster sales growth than conventional store groups.

RThought: The Chairman of the Board of a major foreign retail group recently wrote, "I have for a long time been wanting to write to you and tell you how much I enjoy your newsletter. What is interesting is that so much that you say has total applicability in this country; but then I suppose that morality really knows no boundaries."

DEVELOPING BUSINESS FROM A CHARGE ACCOUNT LIST—THE RIGHT WAY

So many times the Bank of America shows real class (offsetting other times when it does not).

RT LACKS INTEGRITY

That, in essence, is the charge made recently by two senior executives at Longs Drug Stores. In their letter they pointed out that in 1974 they had objected to an item in RT relating to a Small Claims Court decision in favor of a discharged employee. RT had relied on published reports of the case and had added a number of comments that were critical of Longs. When Longs contacted RT, RT agreed to thoroughly investigate the matter and, if the published facts were incorrect, to restate the matter correctly.

For a variety of reasons which are not pertinent to the present time, this investigation was not completed. Therefore the original article was never modified. In a recent mailing of sample copies of RT, these executives received the issue with the article "How Accurate Are Trade Association Bulletins" which contained the statement "**If you are a director of a trade association that publishes information bulletins for association members you might review the manner in which the association determines the accuracy of the information being disseminated.**" RT strongly suggested that this admonition applied to newsletters—and particularly to RT.

RThought: The Longs executives are correct. Integrity is based upon doing **all** things according to an absolute standard—not just some of the things. RT was advised by a responsible source that the facts as reported in 1974 could be in error and RT failed to follow through. If they were not correct, the result was to unjustly impugn the operations of Longs.

The most recent favorable move was the BankAmericard Visa Customer Survey asking cardholders which types of mailings they would like to receive—offering a choice of 8, such as travel packages, sports/vacation or Books/Records—or "I request that my name not be included in your list of customers who will be receiving new product and service-related statement inserts."

But B of A is to be commended most for the statement "You may rest assured that we will maintain the confidentiality of our credit card mailing list." Let's hope that this promise includes a promise not to rent the list out to others.

RThought: RT maintains its long-time position that a customer gives his name and address to a credit grantor for **the sole purpose** of permitting the credit grantor to collect the money owed—and for no other purpose. It is an abuse of that disclosure to sell the mailing list to any other party.

CAN "PUFFING" IN ADS COST MILLIONS?

Perhaps.

Stretching the description of the Kodak Pocket Instamatic Camera has led to a class action against Eastman Kodak in the Los Angeles Superior Court that could cost millions—plus the cost of legal defense—plus the adverse publicity.

Advertisements in many papers throughout the state (2 column by 14 inches) state, "By its advertising and promotion (Eastman) represented that Kodak Pocket Instamatic cameras were capable of taking flash pictures of persons which resulted in a normal image with flash cubes (or magicubes) mounted directly on the cameras. In fact, the cameras lack that capability because the size of the cameras increased the degree of 'red-eye.' 'Red-eye' is the appearance of red reflections in the eyes of persons in photographs. Red-eye in the cameras can only be corrected by mounting a flash cube (magicube) on an extender. This fact was concealed from consumers and (Eastman) represented to consumers that no extender was necessary. Each member of the class was damaged because (1) he or she must buy the extender at an additional cost, (2) film was wasted in flash pictures of persons, (3) flashcubes were wasted, (4) film processing costs were wasted and (5) once-in-a-lifetime pictures were ruined. Punitive damages are also sought."

The advertisement seeks the names of persons who were California residents on January 29, 1973, who are still residents of California when the ad for the class action suit appeared, and who purchased or otherwise acquired (proof of which is required) a Kodak Pocket Instamatic camera in California between March 17, 1972 and January 29, 1973.

RThought: The pocket Instamatic was such a great breakthrough—even more so than the original Brownie camera—that it should not have been necessary to make claims that could not be supported.

Eastman responded that the camera is not defective nor is the advertising misleading, that red-eye is a phenomenom that occurs in all cameras, that it can be avoided by means other than an extender and that the instruction booklet informed users about red-eye and how to avoid it.

RThought: The point of the case is that the advertising and the promotion represented that the camera could do things that the small print (the instruction booklet) explained it could not do. The concept of the Instamatic was so simple that most purchasers never read anything in the booklet except how to load the camera and set the controls—and perhaps even this was explained to them by a clerk.

The Instamatic was an advance by Eastman on a par with the original folding camera and the Brownie—which brought photography to the mass market. The obvious advantages should have been enough to sell it by itself. Win, lose or draw—Eastman Kodak will be the loser.

P.S.: On February 5, 1978, a jury in a district court in Minnesota held that a television commercial showing a Ford Motor Company 4-wheel drive pickup truck dashing over rough terrain and sailing through the air is as much a warranty as the paper that an owner gets when he buys the vehicle. So Ford will have to pay $500 for repairs to dents from a trip through mud and sand that was less strenuous than the treatment shown in the commercials. Ford's attorney bravely said that Ford has no plans to change the commercial!

BEING ON THE CONSUMER'S SIDE

The statement stuffer from Blocks of Pocatello, Idaho, headlines "Only A consumer?" and then cites a short poem written in 1911: "The milkman waters milk for me;/there's garlic in my butter,/But I'm only a consumer,/and it does no good to mutter."

The stuffer proceeds to advise the consumer that his voice should be heard. The advice urges complaining when necessary, shopping carefully, knowing one's rights, giving credit where credit is due, dealing honestly with the retailer, and doing one's own work up to the quality one expects of others.

The stuffer contains some good citations from The Christophers and suggests the reader write to The Christophers for their Consumer List.

It ends with two quotations.

From Nate Block, the founder, who said in 1914, "Our policy is to satisfy every customer. Make certain styles are right. Guarantee unquestioned quality. When a person places enough confidence in BLOCKS to spend some of his hard earned money here, he must receive in return more than he expects."

And from Isaiah 32:17, a much older source, "Integrity will bring peace, justice give lasting security."

RThought: If you write to Sy Block, BLOCKS, P.O. Box 8, Pocatello, Idaho, 83201 and enclose a stamped self-addressed envelope I am certain he will send you a copy.

COMPETION IN FOOD—IN THE LOS ANGELES AREA

Professor Ben Torres, at San Bernardino Valley College, with the assistance of his students, has conducted a price comparison study of major Los Angeles food chains twice a year for the past 7 years.

The study covers 90 items that might be bought in a supermarket—grocery, frozen food, meat, deli, produce and household. If you bought the lowest price item regardless of how many stores you had to shop, the November 1977 survey shows that the 90 items would cost $200.62. But if you did all your shopping in one store, here is how the prices compare:

Gemco (Lucky Stores discount chain)	$212.82
Stater Bros. (Petrolane)	214.24
Von's (Household Finance)	215.01
Lucky Stores	216.08
Ralph's (Federated Dept. Stores)	216.72
Market Basket	218.51
Fazio's (Fisher Foods)	219.60
Safeway	219.94
Thriftimart	223.08
Food King (Smiths)	224.05
Alpha Beta (American Stores)	224.92
Albertson's	224.95

Alpha Beta advertises "The last word in low prices" but perhaps they should say "The next to last word in low prices." Stater Bros. is giving stamps. Ralph's is pushing double coupon value.

NAMES IN THE F.T.C.

Equifax, Inc. (formerly Retail Credit Company): An administrative law judge ruled they had violated the Fair Credit Reporting Act primarily through establishing production requirements that a substantial number of employees were unable to meet (although admitting that a majority probably did meet the standards). As a result, employees listed sources not actually contacted, falsified the length of time the source knew the applicant, failed to contact logical sources and failed to ask a full range of questions of sources. In addition the judge found that some offices failed to reinvestigate disputed information, reports were provided to unauthorized persons, obsolete adverse information was left in the file, file information was not disclosed to consumers when required to do so, plus a series of smaller transgressions. All of this by a company that maintains files on 45 million people and issues more than 20 million reports a year. (Note: Not included as reports is the practice of banks–specifically Bank of America–according to Privacy Journal, Box 8844, Washington, D.C. 20003, $45/yr.–to submit criteria for BankAmericard to Equifax who then send names which B of A solicits. Credit is granted based on the coded reply thus avoiding the technicality of ordering a credit report on the prospect.) **Note:** This action does not involve credit reports provided to retail credit grantors.

CONFESSION IS GOOD FOR THE SOUL

When Amfac came to the mainland in 1969–acquiring J. Magnin and Rhodes Western–one wondered about the rationale of the purchases. JM made sense–it was a well established and profitable women's specialty chain with a relatively clear focus on a specific customer. Rhodes Western was an anomoly among retailers–with 13 stores stretching from Tacoma, Washington to San Antonio, Texas, doing a total volume of $65,000,000, it did not dominant a single market.

JM had a future if they continued to serve the customer that Cyril Magnin and his family (2 sons, a daughter and a son-in-law) had identified. Rhodes had a limited future unless one set out to concentrate on developing a dominant position, market by market.

Neither path was followed. Each successive management in each chain tried to apply new ideas on top of the old–missing the fact that it was easier to drive away old customers than it was to attract new customers.

The creation of a second chain of department stores under the Liberty House name and the ill-conceived Rhodes-Way discount chain (to their credit Rhodes got out faster than Penney did with an equally unfortunate discount venture) did little to simplify the mainland retail structure.

In 1977, Amfac solved the JM problem by selling the chain and attacked the problem of mainland Liberty House stores by sending in Donald Onasch from Liberty House-Hawaii. (The sale of one major store to the Emporium-Capwell division of Carter Hawley Hale is a start.)

Henry A. Walker, Amfac Chairman and CEO, was frank in stating (7 years late) "There are lots of things we should have done seven years ago. We had the attitude that all we had to do was open a store any place and people would beat a path to it. Sadly, we have found that's not true. Stores should be in good locations and clustered and, (if) properly managed, they can make it."

RThought: Every retail CEO should have his display department make a sign for the wall of his office with the words of Henry Walker. His secretary should remind him to read it each month–at the time he receives his monthly P&L–so that a great performance in his present operation will not convince him that he could be invincible in a discount chain, catalog showroom, specialty apparel chain, pants operation, fabric chain, restaurant, convenience chain, or any of the other temptations placed in the way of a successful retailer.

Pliny the Elder, who lived from 23 A.D. to 79 A.D., said it all in Book XXXV of his Natural History. He concluded a story about Apelles with Apelles reminding a shoemaker "that a shoemaker should give no opinion beyond the shoes." Colloquially we now say "Let the cobbler stick to his last." And RT says "Let the successful retailer stick to his success."

SHORT SHORTS

Why central city population declines even though new houses/apartments are constructed. The average population per household has declined without interruption for 4 decades. Look at these figures:

Year	#/Household
1940	3.67
1950	3.37
1960	3.33
1970	3.14
1975	2.94
1977	2.86

Can you run a supermarket after flunking mathematics? Apparently one can–as evidenced by successful Continental Markets in Northern California who headlined "Save from 50% to 200% on food cost: Eat at Home!" I can understand eating free and saving 100%–but to be paid the full price in addition in order to save 200% is truly amazing.

Remember when paperbacks were inexpensive editions? That time is gone–the sales of successful titles reaches into the millions. Initial publicity expenses are tremendous–and publishers are reaching for gimmicks to get their books put on display. New American Library is including colored cards in their cartons–that bring money to the clerk who unpacks the carton and finds it. $500 for a gold card, $100 for a silver card and $25 for a bronze. There's gold in that receiving room!

General Motors shows how to sell an ancient idea–as if they just invented it! Oldsmobile is advertising "This year the Cutlass Cruiser (station wagon) features a split tailgate. The window swings upward, out of the way . . . Swing the bottom section down and you've got a loading platform." Just like they did from the time Henry Ford made the first Model T station wagon in the 1920s until the 1960s.

THE VULTURES AROUND US

Every great retail organization is the result of the efforts of a small number of people (often one man) who have a dream. Sometimes we know the people through the stores named after them—Marshall Field, Wanamaker, Gimbel, Macy, Lord & Taylor, Filene, Lazarus, Neiman-Marcus.

Among such organizations I would place Kings Department Stores and Mervyn's—and I join them together because on the same day—January 23rd—they reported publicly that they had agreed to merge with larger companies. Kings was merging with W.R. Grace and Mervyn's with Dayton-Hudson Company.

I have known Merv Morris, of Mervyn's, for 20 years and he has been a client as well as a friend. I have known Bill Kenney of Kings a shorter time and through him the others at Kings.

I was shocked at the reaction of the financial community to these two announcements. Analysts claimed the price was too low (although the same analysts only recommended the stock to their clients when they thought it was depressed). Salesmen protested that their clients had been cheated by denying them the opportunity for profit that might be larger if Kings and Mervyn's continued as independent companies. Brokers that made an over-the-counter market in Mervyn's were unhappy because they lost a stock with good activity.

Let's look back a bit. Both firms were started in 1949—Mervyn's in a 2400 square foot store with 2 employees (one of whom is still with him) and King's in a pioneer 11,500 square foot self-service discount store operated by Murray Candib, to be joined later by Aaron Cohen and Bill Kenney.

Over the years these small stores grew into giant organizations—for 1977 Kings will do over $500 million and Mervyn's over $375 million. For much of the period since Kings went public in 1961 and Mervyn's in 1971, neither stock sold at a reasonable price. Every minor negative thought that some analyst expressed—for lack of something substantial to say—led to a drop in price. If they reported great earnings, the price went down. Analysts advised "buy on weakness" and then tried to create the weakness.

Then when the principals—the people who caused the two companies to come into being, who caused the two companies to grow to giant size, who caused the two companies to earn as much as they did—when these principals decided that it was prudent for them to affiliate with a larger company, they were criticized rather than complimented or thanked.

When I called each of them the following day to tell them that I was happy for them and that they deserved the security of a larger company that was promised through the merger being proposed, it was the first such call that they had received. Virtually every other call was critical or complaining. The stockholders, in both cases, will enjoy much more income from their holdings and in the case of Mervyn's the price jumped 20%. But still people in the financial community complained.

RThought: There is little of a constructive nature that analysts offer a company. It is true that some of the really good analysts can bring to the management of a company the way others look at the company—but often the analysis is not factual. Sometimes analysts bring information on the fads to which the investors succumb—such as the rejection of stocks that don't pay dividends (even though the company earns 20% or more on the stockholders equity).

But more often the analysts are like United Business Service (UBS) who, on the same day that King's and Mervyn's announced their mergers, described Mervyn's as "it caters particularly to families that would normally be low-income except that both husbands and wives work. Merchandise is concentrated in depth at two price points, the upper level for 'ego' customers and the lower level for 'non-ego' customers." It is unbelievable that investors pay good money to get comments like this. I dare the analyst at UBS to tell a California family with two workers and making $20-$25,000 a year that they "would normally be low-income."

And, of Miller-Wohl, UBS said, "it has been called a textbook example of a company that went through Chapter XI bankruptcy and then went on to be a super-success ... expansion and earnings growth have reflected expert management approaches comparable to those of Petrie" without pointing out that two of the key people in "management" are the same ones that led the company during the discount store days that put it into Chapter XI.

There is a conclusion. The analysts won't have Mervyn's and Kings to kick around any more. And, I am happy for Merv Morris, Murray Candib, Ollie Cohen and Bill Kenney. I hope there are others reading this that share my feelings.

P.S.: Earl S. Hamlin, CFA, of Hambrecht and Quist (Investment Bankers), who has reported on Mervyn's for years (and who owns stock in Mervyn's) closed out his January 25, 1978 report analysing the merger, saying:

> "The Mervyn's story has been an exciting and profitable one for investors since Mervyn's came public in 1971. Now Mervyn's is apparently about to pass from magic to myth, and in the process become a benchmark against which to measure future emerging growth companies. Good luck and farewell!"

SHORT SHORTS

Deserting retailing? Many people were unhappy when Mobil Oil used their opportunistic profits from the oil embargo to buy Montgomery Wards. This indicated a desertion of the oil industry and less future energy for the United States. How then does one classify the move of Hartfield-Zody to spend $11,000,000 buying a better-priced women's dress and sportswear house (1) whose merchandise they do not carry in their stores and (2) whose future success depends upon retaining management in the company with no backup or substitute management available from H-Z?

Wanted: Department Store Manager in Muscat, Capital of Oman, on the romantic Arabian peninsula. The store handles furniture, carpets, fabrics, china, glass, cutlery and kitchen equipment. Salary: £9,000 tax free plus "generous fringe benefits including accommodation, car and free return air passage." Ideal age 30 to 40, write to M. D. O'Mahony, c/o Peat, Marwick, Mitchell, Management Consultants (Chartered Accountants might frighten prospects away?), 11 Ironmonger Land, London, EC2V 8AX.

WORDS WITHOUT MEANING–FROM QUARTERLY REPORTS

Wickes, in their third quarter report, said, "In the retailing sector, a noteworthy performance is being achieved by the strengthened management team of the Wickes Furniture Division, where operating income for the year is expected to improve by about $6 million compared with last year." The missing information is that "last year" this division had a loss of $2,409,000 **before** allocating any of the corporate expenses (about 3% of sales which, if applied uniformly, would be another $2,500,000). A $6,000,000 improvement certainly is good–but it probably brings pre-tax profits to about 1½%.

Dayton-Hudson: One must wonder what is happening in the Target Stores. Let's look at the record.

In the letter to shareholders in the 1976 Annual Report, K. N. Dayton, Chairman, and William A. Andres, President and CEO, said, "Target widened its lead as our largest sales producer with a 20% increase in revenues and . . . a 23% increase in earnings contribution." In the section devoted to Target it is noted that, "(Target's) return on sales continued to rise." **No warning of a change.**

In the 1st quarter report for 1977, the letter to shareholders said "Target's sales strength was outstanding–a 15% increase in revenues . . . Target combined sales growth with effective expense control to lead the low-margin group to an 18% increase in earnings contribution." **No warning of a change.**

In the second quarter report, "Target . . . continued to set the pace in revenue growth with **first-half** increases of 18% . . . The low-margin group had a 12% increase (in earnings contributions) on the strength of Target's performance." **No warning of a change, although earnings are not keeping up with sales.**

Should the careful readers have learned that Dayton-Hudson was undertaking a new policy in regard to Target? As reported in the third quarter report, "Target . . . maintained their pacesetting revenue growth with increases of 19% . . . Earnings contribution was up 5% in the low-margin group, where margins are running somewhat below a year ago. **This is in line with Target's strategy of generating additional sales volume through planned reduction in gross margin, as well as the expenses connected with its more rapid rate of expansion.**"

RThought: This appears to be a case of making the policy, retroactively, to fit the facts. It certainly casts doubt on the authenticity of the information conveyed to Dayton-Hudson shareholders in the earlier reports. This is unfortunate because D-H is a fine company. If they were changing their policy in Target, (there is some question as to whether the operating changes resulted from a policy change) they could have told the owners when it was adopted rather than retroactively.

Fingerhut: In the December 1977 RT we commented on the statement in their report for the quarter ending September 1977, to the effect, "While the increase in the next three quarters may not be as dramatic as the first quarter (54% in earnings), given a reasonable economic climate, we fully expect to be on budget and in line with the growth plans for the Company." The Chairman of the Board of one of the 10 largest retailers wrote, "While your quote was interesting, I thought an even more exciting quotation was that which follows:

"In addition, results for the quarter reflect a decision by management to bring the level of sales and earnings more in line with the other quarters."

RThought: There is no better comment than that of our reader–"Wonderous!"

Super Valu: The third quarter report (12 weeks ending December 3, 1977) contains, in the CEO's letter, the information, "Earnings for the third quarter were $8.3 million, 58% higher than the $5.3 million reported for the third quarter last." Five paragraphs later, after talking about new stores opened, there is the statement, "Strong growth also came from the wholesale food operations. A major contributor was Charley Brothers division of Greensburg, PA, which Super Valu acquired last spring." This is possibly an understatement because a footnote to the Financial Statements reveals that, if Charley Brothers was included in the 1976 third quarter, Super Valu would have reported a gain in profits of only 32%.

RThought: This is still a great performance–so why not be satisfied with it?

RETAIL LEADERSHIP–A DISAPPEARING ART

When the great stores–Marshall Field, Wanamaker's, Filene's, Rich's, Meier and Frank–were founded, the founders also helped build their communities.

Today leading stores are managed by "professional managers" who often look elsewhere for their future. The efforts put into developing their community is, in most cases, minimal. Much is devoted to work that bring the executive social contacts/ social satisfaction/chances for advancement for themselves rather than the community.

But there are a few retailers who are permanently dedicated to their community and to making a major contribution to the community. Often they are the "home town" retailers. (RT does not intend to denigrate the contribution of a well-run business that provides stable employment at fair wages for an increasing number of people plus revenue for supporting businesses that service a growing retail establishment.)

One of the leading candidates for outstanding merchant/ citizen must be John Hechinger of Hechinger's in Washington, D.C. In addition to heading a rapidly expanding regional chain of home improvement centers, John has served in many public capacities. John worked for self-government for the District of Columbia and when it came he served as the first Chairman of the City Council.

More recently he has been Chairman of the National Coalition for the Consumer, an organization devoted to passage of legislation to create an independent Office of Consumer Representation. Retailers, who profess to be the purchasing agent (and friend) of the consumer have been conspicuous by their absence from this effort and a number of retail trade associations have actively lobbied against this effort.

And now, when Hechinger's is moving their warehouse/ lumberyard to a much larger facility (they speak of a warehouse of 10,000,000 cubic feet), they have proposed the redevelopment of their old site into a 350,000 square foot shopping mall which would include a new and modern 80,000 sq. ft. Hechinger's. This plan, if approved and supported by the city government, would be the first real redevelopment effort in the northeast district, a long-forgotten area.

SPECIALTY RETAILING

Specialty direct mail catalogs continue to multiply—now we have **Personally Yours** with 24 pages of personalized items. Have you ever considered having your name on the face of your gold putter? Perhaps you would prefer a personalized modern version of the 1936 Auburn Dual-Cowled Phaeton Convertible for $60,000? More practical might be silver initials on a 4½" pocket comb.

Even more specialized is the 48-page catalog from the **Sewing Corner** which offers more than 450 different thimbles! How about a first issue thimble of a limited edition series of thimbles of just 2,000 called "The Romance of Old Vienna" for just $49.50? Or a patriotic thimble with a picture of George and Martha Washington or the Crossing of the Delaware? Then there are the Hummel thimbles, or one for each state, or each month, or each sign of the Zodiac or even with your own portrait! And they come in wood, cloth, metal, glass and semi-precious stones! Don't forget a tapered glass "gallery" to display your collection—for just $29.95.

FUEL FOR CONSUMERISM

Businesses buy and use the packaging equipment, scales, meters, and pumps that are used to measure, package or dispense the products that consumers buy by the pound, count, or gallon. If these pieces of equipment are not accurate, either the customer or the retailer is the loser.

Thus it is interesting that the Pennyslvania State Bureau of Standard Weights and Measures reported that during their fiscal year 1977 they rejected the following percentage of items tested:

- 9.3% of standard package lots (i.e., each package lacked the stated measure)
- 15.5% of random package lots (i.e., varying weight packages)
- 23.5% of larges scales
- 11.2% of tank meters
- 25.6% of LPG meters
- 12.2% of gasoline pumps
- 8.4% of small (store) scales
- 60% of bulk milk tank calibrations

RThought: You probably got mad when you saw that 1 out of 8 gasoline pumps shorted the customer—perhaps one pump is where you buy gas. Why, that's cheating! But most businesses really don't pay much attention to the accuracy of measuring devices—if they are caught by the authorities they will have the device adjusted. I have never known a supermarket to advertise "We check all our scales every month" or a gasoline company to advertise "We check our pumps every 10 days." An RT reader once brought to a supermarket company's attention a package of 6 English Muffins that was 1 short! The Company was sure surprised that such a mistake could occur.

TRASHING A GREAT NAME

When I first entered retailing before World War II, it was a lucky men's store that was allowed to offer Kuppenheimer suits to its community. One men's store—and sometimes one department store—that was the limit in each town. B. Kuppenheimer & Co. of Chicago made the top grade of ready-made suits with hand finished interlining. When one looked at the seam down the back of a glen plaid coat, one had to admire the perfection of the match—a tribute to the skill of the cutter and the tailor, but most of all a tribute to the quality standards of the management.

But hard times came to Kuppenheimer—first it was saved by Louis Roth & Co., and more recently it was sold to a Southern manufacturer who turns out suits that sell for under $100. He is putting the Kuppenheimer name on suits that Kuppenheimer wouldn't want their employees to bring into their plant.

RT reported on the Dallas warehouse and its advertising in the November, 1977 issue. Ed Stern of Straus, a men's chain out of Fargo, North Dakota, has sent RT an ad from the Minnepolis **Tribune** for another Clothing Distribution Center featuring "New Kuppenheimer" (the key word is New—which they can argue "clearly" distinguishes it from the "real Kuppenheimer.")

RThought: Those still in the men's wear field who build their own reputation under the shelter of the Kuppy reputation might get together to do two things—run local ads where the Clothing Distribution Centers open telling the sad history of the Kuppenheimer name and then offer to buy back and retire the famous name. Perhaps Menswear Retailers of America should start a program of retiring famous old names to a "Hall of Famous Names."

WORDS TO MANAGE BY

I am indebted to a column by Sam Feinberg entitled "How Do You Manage?" that appeared in **Men's Wear** some time ago (unfortunately the page does not have the issue). He headed the last section of the column—

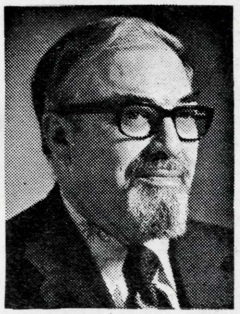
Philosopher-Executive

Ralph G. H. Siu, psychologist and social strategy consultant, submitted "10 proverbs for the journeyman executive trying to become a philosopher-executive in day-to-day activities."

First, his definition of a philosopher-executive: "He or she possesses a firm philosophical base and a strong strategic posture. He or she is endowed with a reflex readiness that can absorb what the situation throws against him or her and come up smelling like a rose. Such a manager reminds me of a great, deep, steadily flowing river. The winds may churn up violent waves on the surface or a rock may cause ripples to appear. But all of these disturbances gradually but assuredly disappear back into the great, deep, steadily flowing river as it moves inexorably along."

His five proverbs for planning: 1) The shrike hunting the locust is unaware of the hawk hunting him. 2) The mouse with but one hole is easily taken. 3) In shallow waters, shrimps make fools of dragons. 4) Do not try to catch two frogs with one hand. 5) Give the bird room to fly.

Five proverbs for operations: 1) Do not insult the crocodile until you have crossed the river. 2) It is better to struggle with a sick jackass than carry the wood yourself. 3) Do not throw stones at mouse and break precious vase. 4) It is not the last blow of the ax that fells the tree. 5) The great executive not only brings home the bacon but also the applesauce.



RETAILING TODAY

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ROUTE TO

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ELIMINATION OF THE DOUBLE TAX ON DIVIDENDS

With good quality bonds yielding better than 8% and the price/earnings ratio of the Dow Jones Industrials below 9 and with the market for public issues of new or young companies virtually nonexistent, many people are worrying about how we can stimulate the investment in equity capital.

This leads many concerned people to the question of the double taxation on cash dividends paid by corporations—the payment is from after-tax income of the corporation and then becomes taxable income in the hands of the individual investor (corporations pay taxes on only 15% of the amount of dividends received).

Two proposed solutions are being advanced—one is to treat dividends paid by corporations similar to interest payments. This would make the amount of the dividend actually paid a deductible item and thus reduce the tax liability of the corporation. Dividends would still be taxable income in the hands of the individual investor but the proponents expect that corporations would share the tax savings with the individual stockholders by paying higher dividends. This would make common stocks more attractive, boost the price and increase the demand for new stocks, thus providing new capital investment.

The other approach is to pass through a credit with the dividend representing a proportionate share of the taxes paid by the corporation (with a 48% tax rate this would mean that the income tax credit would approximately equal the amount of the dividend!).

But there are some dangers in the second method. If you are a retailer reporting income on your credit sales on the installment basis you know that there are years when your public report shows a good profit and a large amount of income taxes—but, for tax purposes you may actually have reported a loss if receivables grew enough. You would then claim a refund instead of making a tax payment. Further, the taxes actually paid can be distorted by how you handle depreciation and the amount of investment credit taken on a flow-through basis.

Thus the latter method would certainly surprise many investors in retail companies—if the credit was determined by the taxes actually paid (no one has ever suggested that credit be given for deferred taxes accrued but not paid).

RThought: If the double tax is to be eliminated, it should be handled at the corporate level and the expectation that competition for investors will force higher dividends to be paid.

LACK OF ETHICS AT CONSUMERS UNION?

It looks that way. RT has for years tried to get both the Federal Trade Commission and Consumers Union to investigate the questionable pricing practices of magazines. Virtually no one except a sucker pays the "regular" subscription rate. If you wait long enough on your renewal billings from most popular magazines you will get successively lower price offers. If you get offers at bargain rates for magazines you already receive, save the offer and use it for your renewal (most magazines will accept this).

RT objects to special offers to the non-customer ($5 on inactive charge accounts, for example) when nothing is done for the customer that supports the store. RT takes the same attitude toward magazine offers.

Therefore, it is with great regret that RT is watching and listening to Consumers Union as it goes down into the gutter with other magazines. A $14 value is being offered for $6 **to new subscribers** who call an 800-number. Consumers Union has been losing money in recent years ($542,000 for the year ending May 1977). This may explain why they are doing this. Perhaps they will take a different attitude toward hard pressed merchants—now that they have shown their own true colors when being hard pressed financially.

ALBERTS' PROVIDES APPROPRIATE INFORMATION TO SHAREHOLDERS

In the report of Alberts', Inc., for the year ending July 31, 1977, Alberts' provided data on the number of stores, total store area, and net sales **by States**! Mighty Federated is apparently afraid to publish data by major divisions (A&S, Filene's, Bloomingdale's, etc.) and Sears/K-Mart/Penney are unwilling to provide data by regions, let alone States or metro areas.

But then Alberts' is unusual on some other grounds. For the past 10 years they have not, as of year-end, had any short or long term debt on their balance sheet. Despite the absence of leverage, they reported a 16.2% return on average shareholders' investment for their most recent year, a figure many retailers dream of with the help of leverage.

Alberts' also follows an extremely conservative policy of not reflecting layaway transactions as sales until the merchandise is delivered to the customer.

RThought: It would be great if more firms competed to bring meaningful information to their stockholders so that major surgery such as Genesco, Daylin, Miller-Wohl, etc., is not such a shock to shareholders.

REMEMBER THE POST CARD TO OPEN A CHARGE ACCOUNT?

While shopping in a Frederick & Nelson branch (part of Marshall Field) in Seattle, I picked up a form for opening a charge account. Perhaps "form" is not really descriptive—"document" might better convey the idea. It was a special 3-part snap-out document.

The cover sheet—printed solidly on both sides—included instructions on how to complete the form—starting with the importance of indicating whether it is a personal account (your own creditworthiness) or a joint account (using the creditworthiness of both parties). Then followed the agreement covering the account—all 10 provisions. I must say that the attorneys appear to have been overruled in favor of simple English. Each point is simply and clearly made.

That was followed by "Notice to Buyer" with the warning that it was required by Washington Statute and contained some language inconsistent with Federal Regulations, including a warning to holders-in-due-course.

Then you are directed to go to the backside of the sheet—for instructions in case of errors or inquiries about your bill. Finally, you come to the application form itself—with little boxes in which to put each letter. It makes life harder for you—but what are you compared to the time saved for a key punch operator?

It almost takes extra postage to mail it back to the store!

HOW TO PLAN YOUR BOARD OF DIRECTORS

RT is indebted to **The Week In Review**, an outstanding newsletter published by Haskins & Sells, for reporting the statements made by Harold M. Williams, Chairman of the Securities and Exchange Commission and former dean of the University of California at Los Angeles on how to plan your board of directors.

Although Mr. Williams was speaking in terms of publicly held companies, regulated by the SEC, his comments on the nature of boards of directors and the persons who should and should not be on the boards is good advice for privately held companies.

RT would add only one thought about boards of public companies—one would hope that the outside directors would not accept positions unless they had enough confidence in their contribution to the future of the company to acquire a reasonable stock holding.

The remarks that follow were presented at the Fifth Annual Securities Regulation Institute.

"I personally do not look forward to the possibility of federal chartering, federal incorporation, or similar measures designed to bring in their wake a body of federal corporation law directed at the structure and governance of the corporation. The emphasis should be on fostering private accountability rather than on devising ways of intervening in the mechanism of corporate governance in an effort to legislate a sort of federal corporate morality. I want to outline an alternative to federal intervention—the development of a corporate structure which compels that those who exercise corporate power are held accountable for the consequences of their stewardship.

"The first requirement is that those in business understand and recognize the accountability gap which much of the public perceives. Second, effective accountability depends on identifying certain tension-producing forces and putting them to work in the corporate environment. We need to support the creation and institutionalization of pressures which operate to balance the natural forces that otherwise exist. For example, management quite naturally is the source of pressure for a totally compatible, comfortable, and supportive board. We need to create a countervailing force that works against that tendency towards comfort.

"In concrete terms, how can this environment be created? First, **it must be recognized that there are some people who do not belong on boards**—members of management, outside counsel, investment bankers, commercial bankers, and others who might realistically be thought of as suppliers hired by management. Some of these, as individuals, can and do make excellent directors. Yet all must be excluded unless a mechanism can be designed whereby they can establish their ability to function on a basis independent of their management-related role.

"Second, **management should not be represented on the board by other than the chief executive.** Such a board environment would not preclude other members of management, counsel, and bankers from being present to contribute their expertise to the deliberations in an uncontentious context. Yet, when it comes to the discussion and vote, the independent director would not be faced with, and discouraged or worn down over time by, what is so often a stacked majority against him.

"Third, **the chief executive should not be the chairman of the board.** Control of the agenda process is a powerful tool, and the issues presented at board meetings should be determined by a chairman who is not a member of management. The substance and process of board deliberations, and the priority which the board assigns to the matters before it, should not be management's prerogatives.

"The answer lies in creating an environment in which managers are subject to meaningful scrutiny, by an independent board of directors, of the manner in which they discharge their stewardship responsibilities. Our goal should be to create processes which encourage that scrutiny, not to draw lines which confine or restrain it."

REMEMBER THE "MEMBERSHIP" DISCOUNT STORES?

All of them are gone—well, not quite. Lucky Stores doesn't know that they aren't supposed to work in the face of K-Mart, Korvette, Zayre, Woolco, Wal-Mart and so forth (nor does Fedco). Not knowing they won't work, Lucky continues to expand their Gemco-Memco chain. One of the reasons for their continued growth is adherence to basic principles. Note the moderation in advertising—"Gemco has lower food prices than many supermarkets in your area!" And, they put a guarantee with that:

> "After you have made your normal weekly grocery purchases at Gemco, compare with any other supermarket. If the total amount for the same or comparable items is less at the other supermarket, WE'LL REFUND YOU DOUBLE THE DIFFERENCE! Simply bring us your shopping list of 25 or more different items (worth at least $20) and your Gemco receipt, along with the prices of the other supermarket. When it comes to your food bill, we guarantee no other supermarket saves you more than Gemco!"

RThought: Compare this mild claim with the claim of Marshall's discussed in the Feature Report.

DO THE LAWS APPLY TO MELVILLE AND MARSHALL'S?

Marshall's, a very successful chain of close-out junior department stores, recently acquired by Melville Corporation, is now spreading to the West Coast. I had a chance to shop at Marshall's recently.

I was tremendously disappointed by the lack of integrity of the method of doing business.

Much of the merchandise is irregular. In some cases the "Famous Label" is nothing more than the stamp "IRREG" where a label would normally be sewn.

The price ticket is clearly labelled "IRREGULAR" and on the back is printed "Our policy is to buy only selected irregulars. If by chance this garment has more than a slight imperfection, please return it for a full refund." But on the face of the ticket is printed "Famous Name," which often is not true, and "Compare at" which shows a price that quite obviously is the price for perfect merchandise.

The Federal Trade Commission "Guides Against Deceptive Pricing" says of the use of retail price comparisons:

> **"Another commonly used form of bargain advertising is to offer goods at prices lower than those being charged by others for the same merchandise in the advertiser's trade area (the area in which he does business) . . . Whenever an advertiser represents that he is selling below the prices being charged in his area for a particular article, he should be reasonably certain that the higher price he advertises does not appreciably exceed the price at which substantial sales of the article *are* (Note: the FTC did not use the word *"were"*) being made in the area—that is, a sufficient number of sales so that a consumer would consider a reduction from the price to represent a genuine bargain or saving . . .**

> **"A closely related form of bargain advertising is to offer a reduction from the prices being charged either by the advertiser or by others in the advertiser's trade area *for other merchandise of like grade and quality* (emphasis added)—in other words, comparable or competing merchandise—to that being advertised . . . The advertiser should, however, be reasonably certain, just as in the case of comparisons involving the same merchandise, that the price advertised as being the price of comparable merchandise does not exceed the price at which such merchandise is being offered by representative retail outlets in the area."**

The fact is, of course, that Marshall's is not setting forth a "Compare at" price for comparable merchandise—but for admittedly non-comparable merchandise.

In the manual prepared some years ago by the National Retail Merchants Association for use in complying with FTC Regulations, Carleton A. Harkrader of Wald, Harkrader & Rockefeller, specifically warned:

> **"The other problem . . . is the identity or similarity of the item compared. In the first place, the advertisement must make clear whether the articles are identical or merely comparable. If they are identical, there is no problem; the seller's item may be advertised with such words as 'Elsewhere' or 'Retail Value.' If however, the articles are different, they may not be compared unless the different item is 'of like grade and quality—in other words, comparable or competing merchandise—to that being advertised.' Moreover, the advertiser must assure himself that this merchandise 'of essentially similar quality' is actually obtainable at a reasonable number of the principal retail outlets in the area.**

> **"It should not be difficult for the retailer to document the 'reasonable certainty' as to price, availability and identity or comparability of competitive merchandise.** *Those who plan to use this type of advertising should be prepared to back up each advertisement with contemporaneous comparison shopping records of the principal competitive retail stores in his area."* **(Emphasis added)**

RThought: If one asked Frank Rooney, Chairman of Melville Corporation, if he was running an ethical retail organization he would probably be incensed by the question. Melville was built on value and is dedicated to value. The Thom McAn shoes (manufactured in their own plants) are probably the best shoe value in the country. They have the same goal with Metro Pants and their Chess King stores.

But ethical conduct rests not in the thoughts but in the end result (it may well be that Marshall's brings great savings to its customers). There must be the appearance of honesty and integrity.

There is no way that the price shown as "Compare at" relates to someone else selling comparable irregular merchandise. There is no way that the prices of such merchandise are checked against other "principal competitive retail stores in the area."

This is a gimmick. It flies in the face of the FTC standards on advertising (there is some question as to whether price tickets constitute advertising—this matter has been before the courts a number of times—but certainly Melville Corporation should not stand on such a narrow basis).

It remains that Melville is bringing good values to the market—with the wrong presentation. As a billion dollar plus retailer they have a responsibility to set a better example for the rest of the industry.

CREDIT OFFICE RATING

The HONOR ROLL gets shorter.

Macy's NY	2.0	Hess's	3.3	Mervyn's	3.9
Rubenstein's	2.0	Maison Mendessolle	3.5	Brooks Bros	4.0
J. Magnin	3.0	Oshman's	3.9	I. Magnin	4.0

Information From Reporters	DEC.-JAN. 1978 No. of Reports	Days to Bill Average	Days to Bill Range	OCT.-NOV. 1977 No. of Reports	Days to Bill Average	Days to Bill Range
B. Altman - NY	1	7.0	7	–	–	–
Broadway - LA	2	11.5	10-13	3	9.0	9
Brooks Bros. - NY	1	4.0	4	–	–	–
Bullock's - LA	2	5.5	4-7	1	5.0	5
Bullock's - No. Cal.	7	9.0	7-13	4	8.5	6-10
Capwells - No. Cal.	7	10.0	9-11	3	7.3	7-8
Emporium - S.F.	2	9.5	8-11	3	5.7	4-7
Grodin's - No. Cal.	2	6.5	4-9	1	5.0	5
Hasting's - No. Cal.	1	6.0	6	–	–	–
Liberty House - No. Cal.	4	7.0	6-9	3	3.7	2-5
Livingston Bros. - S.F.	3	5.0	5	2	5.5	5-6
Lord & Taylor – NY	1	6.0	6	–	–	–
Macy's - NY	1	2.0	2	1	4.0	4
Macy's - No. Cal.	9	7.0	5-8	6	6.5	6-7
I. Magnin's - S.F.	5	4.0	3-5	1	4.0	4
J. Magnin's - S.F.	1	3.0	3	4	5.3	4-9
May Co. - LA	1	7.0	7	1	5.0	5
Montgmry Ward - No. Cal.	1	6.0	6	–	–	–
Neiman-Marcus - Dallas	1	8.0	8	–	–	–
Penney's - Oakland	2	6.5	6-7	1	7.0	7
Robinson's - LA	1	9.0	9	1	5.0	5
Roos/Atkins - NY	2	8.5	7-10	4	5.8	5-7
Sears - Alhambra	7	7.7	7-9	4	8.0	4-11
Smith's - No. Cal.	2	6.5	6-7	–	–	–
Weinstock's - Sacto.	1	9.0	9	1	6.0	6
TOTAL	67	7.3	2-13	44	6.3	2-11

Information From Stores	DEC.-JAN. 1978 No. of Reports	Days to Bill Average	Days to Bill Range	OCT.-NOV. 1977 No. of Reports	Days to Bill Average	Days to Bill Range
Hess's - Allentown	16	3.3	1-5	13	3.7	3-5
Iver's - LA	10	5.0	5-9	10	5.0	3-7
Levy Bros. - San Mateo	16	5.6	3-9	16	3.7	3-5
Maison Mendessolle - S.F.	2	3.5	3-4	2	4.5	4-5
Mervyn's - No. Cal.	20	3.9	3-5	20	3.9	3-5
Oshman's - Houston	10	3.9	3-5	12	3.5	3-4
Penn Traffic - Johnstown	10	5.6	4-7	10	5.9	5-7
Routzahn's - Hagerstown	1	7.0	7	2	6.0	5-7
Rubenstein's - Shreveport	3	2.0	2	3	2.0	2
Wineman's - Hntgton Prk.	8	8.5	7-10	5	7.8	6-9
TOTAL	96	4.7	1-10	93	4.3	2-9

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

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

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

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

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

CAN YOU DO BUSINESS WITH THE DEAD?

Macy's, Saks, Sears, Wards, Penneys and United California Bank apparently feel that you can. The only thing they require for the dead person is an address in the 94549 ZIP Code area.

It seems that today the way to be a great merchant is to buy someone else's list (it is obvious that all five retailers bought the same list), stuff the tape into a computer and grind out form letters. Since retailers no longer worry about "good taste," don't worry about the impact of your letter if the list is wrong.

If there is misinformation in the list—and if the mailing upsets the recipient—the store can always write apology letter #6 and forget it.

Somewhere on some list was the following name:

Thomas L. Kahn
P.O. Box 343
Lafayette, CA 94549

Tom was my brother—but he died in December 1976. Apparently some eager person picked up the change of address and decided he could make money on it.

It started with Macy's. A computer printed label on a bulk mailing envelope contained a printed letter that started "Dear Neighbor" and was signed Charles Evans Hughes, Vice President, Credit Sales (I didn't know he lived near here!). "We have just learned of your recent move and wish to extend our best wishes to you in your new home! ! !" I sent a strong letter to Hughes, copy to Philip Schlein, President of Macy's of California. I received a reply saying, in part, "Unfortunately, the solicitation list which is furnished by an independent concern relates only to address changes as they affect the mailing list of certain national magazine companies. In view of your letter we plan on contacting our sources to determine if some method exists which will enable us to more accurately project the circumstances giving rise to the address change."

Then came a letter from Saks Fifth Avenue in San Francisco, signed by James J. Ludwig, General Manager, starting "We would love to have you join us by opening a Saks Fifth Avenue option charge account . . . Perhaps you already enjoy a Saks Fifth Avenue option charge account. If not, applying for an account is the easiest thing **in the world.**" The reply to my letter from Ludwig said, in part, "We most sincerely regret this incident and, quite frankly, had believed that the use of the mailing list provided us for this type of letter had been discontinued since we found this method to be not at all compatible with our very personal approach to our customers."

Then came the offer from Ward's—and following my letter to Ashley DeShazor, I received from him a defense of this system—"While it is true that outside firms handle various promotional efforts on our behalf, their sources of information may not always reflect accurate information as in this case of the demise of your brother; **however, we have found that these firms are often the best way of introducing the opportunity to do business with Wards to thousands of individuals.**" (Emphasis added).

Then came a letter from my friend Mort Schwartz of Penneys, formerly of Wards, saying "Welcome to the neighborhood." He's in New York City and I don't think that is where Tom is. Mort went on to observe "Settling into a new home is always hectic. You need many new things, and in an unfamiliar neighborhood, they may be hard to find." I must admit to Mort that I haven't any idea what shops are available where Tom is—and I don't think Mort knows either. At this point I quit writing letters of complaint. Major retailers had worn down my resistance.

Next came a **two page letter** from Frank H. O'Reilly, National Credit Marketing Manager for Sears—and this time he really was presumptious—he addressed it "Dear Mr. and Mrs. Kahn" (Tom was divorced). O'Reilly apparently didn't have the slightest idea who he was writing to when the letter was prepared—it starts "If you've just moved to a new home, or if you're thinking of redecorating your home . . ." O'Reilly claims "Your Sears Credit Card is good at 3,600 Sears stores across the U.S." but an RT reader recently pointed out that it is only good after the store you are in checks with the store that issued the card to confirm the card.

I thought that the matter was finallv closed—Macy's, Saks, Wards, Penney and Sears. Who else could there be?

From another source came a letter of even greater stupidity though less offensive. Apparently L. P. Juckett, Senior Vice President of United California Bank, thought it would be a great idea to push the value of an American Express Gold Bank Card to accounts that showed a substantial checking account balance. That is the explanation for a letter addressed as follows:

Estate of Thomas L. Kahn
P.O. Box 343
Lafayette, CA 94549

Dear Estate of Thomas L. Kahn:

One T. M. Gregory, Banking Officer, admitted their gross incompetence when he replied to my letter to Mr. Juckett with the statement "The solicitation was mailed to all of our checking account customers and **we could not differentiate between types of accounts.**" (Emphasis added). It makes you wonder if they can be trusted with billions of dollars. You can just hear someone say "Whoops! I just burned up $1 billion of currency!"

RThought: Why go all through this explanation? For several reasons.

1. Every time big business goes through this type of gross exercise—attempting to be "personal" in a printed form relationship which offends the recipient, they add to the argument that business is insensitive to anything relating to people and is sensitive only to extracting money from the public.

2. When each of 5 retail firms has so little originality that they have to buy the same list, the cumulative effect of my first point is horrible. In addition, it underlines the lack of competence of all of the firms.

3. Use of such lists demonstrates how little privacy an individual has—he can't even change his address without the fact being sold to the world. Since this came from a magazine subscription list, it is confirmation that the magazine business has the lowest ethical standards of any business with which I am familiar. (See BOX on Page 1 for conduct of Consumers Union).

4. You may be doing the same thing within your company. Perhaps, like Jim Ludwig at Saks, you don't even know it is going on. But the people who receive your form mailings do know that it is going on. And, you should, too.

5. This is why people want to have laws inacted to ban "Junk Mail."

FEDERAL GOVERNMENT CONTRIBUTES $100,000 TO GROWTH COMPANIES

The 1977 Tax Reduction Act will constitute a $100,000 (or more) contribution to such needy companies as K-Mart, Caldor, The Gap, Mervyn's, The Limited Store, Wal-Mart and many more fast growing companies by providing a credit for hiring additional workers—that they would have hired anyway. Of course, it will also go to such companies as Sears, Penneys and others who have an increase in payroll of more than 5%.

RThought: The objective of Congress was to provide an incentive to employers to hire more people—but the result of the actual computation will be to give a tax break to companies that would have hired the people anyway.

HOW SIGNIFICANT ARE BRAND PREFERENCES IN FOODS?

RT has learned from The Grocers' Advocate, monthly publication of the California Grocers' Association, about a study conducted at Temple University under Professor John L. Stanton that compared expressed brand preference for food products (peanut butter, orange juice, cola beverages, milk, butter, margarine).

81 students were involved. For each of the products from 1 to 20 of the students rated their preferred brand last on the taste test and their least preferred brand first on the taste test. Only 2 to 8 reports showed the same order among the 4 products (national and house brand) on both the taste and brand preference listing.

RThought: The advertising people are right. They can create an image of a product that will induce the purchase of the product even when the buyer actually likes something else better.

RETAILERS AND THE LAW

K-Mart: In Alameda County California Superior Court, without admitting wrongdoing, K-Mart Enterprises agreed to pay $15,000 in civil penalties and spend $78,000 to retrain mechanics as settlement of a 1974 consumer fraud case brought against the Dublin, Newark and Hayward stores. The District Attorney charged that customers were told that they should replace ball joints on auto suspension systems when the parts were still in good shape. The California Bureau of Automotive Repair took a Ford Pinto known to be in top shape into the three stores and mechanics advised replacement of the ball joints. K-Mart defended the recommendation on the basis that the ball joints were flawed when manufactured and thus were defective even when new.

SHORT SHORTS

Credit comes to Safeway! The opening ad for their new Clayton (California) store, which makes it appear like a department store (photo supplies, small appliances, plants, shoes and socks, pet supplies, automotive, housewares and gardening needs) also says "We gladly accept Master Charge, B of A & Visa cards for all purchases of $50.00 or more."

The World's largest Franchiser of Wedding Gown Shops? That would be Pronuptia de Paris with over 200 locations. It is now coming to California, and is following up "any serious application" that indicates an ability to invest $50,000 by persons who are "altruistic and dynamic" and "who seek a pleasant job in a pleasant atmosphere with pleasant customers."

Perhaps you know Jim Rouse of The Rouse Company as your landlord—but others know him as the Chairman of the Institute For World Order. To find out what is being done there, write and ask for their booklet **"Ten Minutes For Peace."** The address is 1140 Avenue of the Americas, New York, NY 10036. Spend 10 minutes honestly answering the series of questions propounded. Let me give you a couple of the hard questions. "Have you ever gained anything very important to you without some risk or sacrifice?" "Is war—particularly nuclear war—a serious enough threat to take risks and make sacrifices to try to prevent it?" "Should we simply leave it up to our governments to deal with these issues, or should people of the world take the initiative and work together both through our governments and the variety of organizations outside the government to help hasten the development of this process?"

If Best Products can simplify distribution, why can't they simplify procedures? When I pay my bill at Macy's, I merely make the check out to Macy's—not to R. H. Macy & Co., Inc. When I pay my bill at Bullock's, I make the check out to Bullock's—not to Bullocks, Northern California Division of Federated Department Stores, Inc. But, when I shop at Best's, the sign on each register says "Make checks payable to Best Products Co., Inc.!"

Where are the giants of retailing? Apparently already dead. The Associated Press has advance obituaries on file for 470 people and the only retailer listed is Walter Hoving of Tiffany. That wouldn't have been the case if Marshall Field or John Wanamaker or Adam Gimbel or Fred Lazarus Jr. were still alive. Thus, in the eyes of the AP, no other living retailer ranks with Raymond Massey, Father Coughlin, John Kieran, Chester Bowles or Margaret Truman, to name just a few.

Where are the retail givers? Harvard Business School recently published a list of the 412 firms that matched employee contributions during 1976-77. Harvard Business School touches most major businesses and thus RT presumes that this probably is the most complete list of corporations who match employee charitable gifts. But only three retail names appeared—Federated Department Stores, Jewel Companies and Winn-Dixie. Soups were well represented—Campbell and Heinz. CPAs were well represented—Arthur Andersen, Arthur Young, Haskins and Sells, Peat Marwick Mitchell and Price Waterhouse. Even suppliers (besides soups!) to retailers were well represented—Blue Bell, Coats & Clark, Coca Cola, Consolidated Foods, Jack Daniel, Del Monte, General Foods, General Mills—but why go on. The point should be obvious by now.

WORDS TO MANAGE BY

We can learn from many who have gone before us. Here are a few from men you may know:

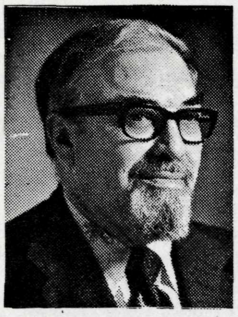
Henry Kaiser—Problems are only opportunities in work clothes.

Samuel Butler—Every man's work is always a portrait of himself.

Henry D. Thoreau—If a man does not keep pace with his companions, perhaps it is because he hears a different drummer. Let him march to the music which he hears, however measured or far away.

John Ruskin—There is hardly anything in the world that some man cannot make a little worse and sell a little cheaper, and the people who consider price only are this man's lawful prey.

Ralph Waldo Emerson—This time like all times is a very good one if we but know what to do with it.



RETAILING TODAY

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CORRECTION

In the December 1977 RT, an item reported that Sears was charging $2.00 plus tax for their special "Large Sizes for Men" catalog. This was based on my personal experience at one of their stores. A call from Messrs. Krasnoff and McNamara, who handle the "Big and Tall" catalog has convinced me that when I asked for the "Big and Tall" catalog that the clerk misunderstood and thought I was requesting the regular catalog which is called, within the Sears family, "The Big Catalog." There is a charge of $2 under some circumstances for this catalog.

RThought: Both Sears and The King-Size Co. have lost some of my business since I took off 30 pounds (and put back only 5).

THE BIG BRAVE NACSM

NACSM—The National Association of Catalog/Showroom Merchandisers—is running to the Federal Trade Commission asking the FTC to protect them. They are filing information about manufacturers who deny merchandise to NACSM members because they discount prices! NACSM is even asking legislators to pass laws to require every level of government to take action to prohibit selective distribution.

This is very interesting because the NACSM has never felt any obligation to have its members comply with the FTC rules on comparison pricing—and the FTC has refused to enforce advertising guidelines against the catalog/showroom industry. An FTC representative said as much at a National Mass Retailing Institute meeting in Washington D.C. some years ago. His reason for tolerating the blatant violation of FTC rules in comparative price claims was that catalog/showrooms usually sold merchandise at very low prices and thus the consumer was not hurt.

WHY SEARS/PENNEYS/WARDS RESIST BANK CARDS

The battle is heating up between the larger retailers who issue credit cards and the banks that issue bank cards. The issue centers around the banks efforts to impose a bank-controlled electronic funds transfer system on the economy (using retailers as the primary location for terminals). The banks see such a system ultimately switching from credit cards to debit cards (direct payment from existing checking accounts or against lines of credit). And, thus the complete system—with banks working together in some way to eliminate competition for the financial benefit of the banks rather than for the benefit of the retailers or the consumer.

Retailers point out that banks have already excluded from access to bank credit cards a substantial percentage of the population who have incomes below arbitrarily established standards but who do meet credit standards set by retailers. RT has previously reported that virtually no bank cards are issued to applicants with income below $5,000 while virtually every mass retailer can point to large numbers of people in that category who handle their credit obligations to the satisfaction of the retailer.

DID THE ACCOUNTANTS TRY TO BANKRUPT THE UNITED STATES?

Financial Accounting Standards Board Statement No. 8 requires multinational corporations to reflect gains and losses resulting from changes in currency exchange rates on the hypothesis that companies are bought and sold daily. An extreme example of the impact of FASB #8 was the impact on Exxon used by Citibank as an example in their March 1978 Monthly Economic Letter. A 13% gain in operating profits was converted to a 19% decline after booking a $205 million loss on foreign exchange translation!

Citibank says "Such adjustments will be another source of divergence between profits reported to stockholders, as in Citibank's survey, and profits as presented in the national income accounts. Since these currency translation adjustments are paper gains and losses and **do not arise out of productive activity**, they may be properly excluded from the Commerce Department's corporate profit totals. In the fourth quarter of 1977, that would mean a sharper increase in national income profits than in those show here (+10% for 1863 companies reporting $20 billion in profits)."

RThought: It appears that one part of the Federal government understands how much Exxon made—but another part, the Securities and Exchange Commission—doesn't want the stockholders to know. There is no way that an investor, looking back a few years from now on the results of Exxon or other companies affected, will remember how much of the improvement or decline was the result of an artificial "generally accepted accounting principle" propounded by the FASB. In periods when translation gains are favorable, the public will be suckered into the market; when the translation gains are unfavorable, people will be discouraged from investing. To the extent that they don't invest in existing issues of stock, they reduce the likelihood of investing in new issues of stock. And without new investors, is there much of a future for capitalism?

Won't it be strange if history records the fact that capitalism died because investors were discouraged by losses that didn't really happen and couldn't believe the profits that were required to be reported? If this does happen, the profession of accounting will have accomplished something that no other profession has ever accomplished (although the physicists may do it with the neutron and atomic bombs).

The Nilson Report (Issue No. 182, February 1978, P.O. Box 49936 Barrington Station, Los Angeles, CA 90049 $165/yr) recently published their estimates of the 20 major credit card issuers. Their table is shown below:

THE TOP 20 MAJOR CREDIT CARD ISSUERS IN THE U.S. – 1977

		Credit Cards In Circulation (In Millions)	Accounts Active/ Inactive (In Millions)	Accounts Billed Monthly (In Millions)	Charge Volume (In Millions)
1. Sears	R	46.6	30.2	20.2	$8.4
2. Penneys	R	31.1	20.0	12.5	3.6
3. Wards	R	21.2	13.5	7.1	2.4
4. Texaco	O	12.2	8.1	4.2	2.6
5. Exxon	O	9.7	6.5	3.8	1.9
6. Phillips	O	9.5	6.6	3.8	1.9
7. Mobil	O	9.0	5.9	3.4	1.7
8. Shell	O	8.9	6.1	3.5	1.8
9. Allied	R	8.8	5.9	3.9	1.4
10. Gulf	O	8.6	5.7	3.3	1.7
11. Union	O	8.5	5.3	3.1	1.6
12. Amoco	O	8.4	5.6	3.2	1.6
13. Citibank	B	8.3	4.9	3.3	2.2
14. Arco	O	8.1	5.7	3.3	1.7
15. Chevron	O	7.6	5.5	3.2	1.6
16. Associated	R	7.5	4.9	3.2	1.2
17. Federated	R	7.1	4.6	3.0	1.1
18. B of A	B	6.6	3.7	2.5	1.7
19 Amexco	T&E	6.4	4.6	3.1	8.4
20. May Co.	R	5.3	3.5	2.3	1.0
		239.4	156.8	95.9	$49.5

R–Retail Store, O–Oil Company, B–Bank, T&E–Travel & Entertainment

Note: Figures not available from some companies were projected by applying ratios known to be fairly constant for each industry and are subject to revision as more accurate information becomes available.

Sears has more credit cards outstanding than either VISA or Master Charge and Sears/Penneys/Wards combined exceed the total for VISA/Master Charge.

Note the composition of the top 20 card issuers:

10 oil companies
7 retailers
2 banks
1 travel card

Combining these groups we get the following percentage distribution:

Type of Company	% of Cards Out	% of Total Accounts	% of Accounts Billed Monthly	% of Annual Charge Volume
10 Oil Companies	37.8	38.9	36.4	36.6
7 Retailers	53.3	52.7	54.4	38.6
2 Banks	6.2	5.5	6.0	7.9
1 T&E	2.7	2.9	3.2	16.9
	100.0%	100.0%	100.0%	100.0%

From the data provided by THE NILSON REPORT we can also note the following differences or similarities between accounts:

	Cards/Account	Annual $ Billed/Account	% Accounts Billed Ea. Month
Retailers	1.54	$230	63%
Oil Companies	1.48	300	59
Banks	1.73	450	67
Travel Card	1.39	1830	67

Retailers and oil companies issue about the same number of cards per account while banks issue more, and travel cards fewer. Oil companies have the lowest level of activity, followed by retailers, with banks and travel cards billing a significantly higher percentage of their accounts each month.

But the real difference–and the difference that makes the potential greater for banks–is the significantly higher annual amount billed per account. Banks run approximately double the billing per account of retailers. Travel cards bill on a completely different level–which illustrates why they concentrate more on the discount received on each charge honored *more than they do on finance charges.*

RThought: The day will come when Sears/Penneys/Wards will honor bank cards. Although each has a massive list of customers, there are a substantial number of people holding bank cards who do not have a Sears/Penneys/Wards card. And this represents an appealing market, particularly as they fight K-Mart. But it is doubtful that the Big Three will break down until bank-controlled EFTS is no longer a threat.

RThought: *More and more oil companies are initiating* intensive direct mail merchandising to their cardholders. Once such accounts were a tool to sell gasoline; now they are becoming a major profit center.

USE OF LOCKBOXES CONTINUES TO GROW

The lead editorial in **Cash Management Forum** (if you are involved in cash management, write to Cash Management Forum. First National Bank of Atlanta, P.O. Box 4148, Atlanta, GA 30302 for the January 1978 issue) points out the rapid growth in the use of lockboxes since the credit crunch of 1974. It attributes the growth to four major factors:

1. The increasing importance of determining who has and has not paid, partially related to the cost of money and partially to the increased use of computer-controlled credit limits when approving orders.

2. Bank costs for operating lockboxes have increased less than other costs because of the rapid increase in the number of users of the service.

3. More firms are looking to use outside specialists rather than increase their own staff.

4. As more firms have automated receivables and as more banks have increased the information captured through a lockbox, there have been growing economies of computer interface.

RThought: Lockboxes offer many economies–but they also represent the "camel's nose under the tent" approach to implementing EFT systems controlled by banks, a step that retailers generally resist.

IS COMPETITION EFFECTIVE BETWEEN TYPES OF STORES?

Professor Allen F. Jung of Loyola University, Chicago, recently published the results of his 1975 study of pricing of refrigerators by Chicago stores.

His results were:

POOR TASTE IN ADVERTISING BY PLAYTEX

It may well be true that the moral fibre of the American public is entirely gone. And it may also be true that the bulk of business is perfectly willing to make as much money as they can by catering to the prurient interests of the public.

But it does not follow that chief executive officers of retail concerns should indulge themselves in such efforts.

It is bad enough that the convenience store industry places so much emphasis on selling–often to young people–increasingly explicit pornographic slick magazines. Such firms confuse the First Amendment and retailing. Just because the First Amendment must be defended (and RT strongly defends the right of such material to be published) does not mean that retailers have any obligation to permit their outlets to be used to disseminate the material.

The argument is often raised that if Store X does not carry such material that Store Y will carry it and something terrible will happen to Store X. RT has yet to see this argument documented in relation to products based on appeal to prurient interests. RT is more inclined to consider the maker of such an argument a person who is committed to making as much money as possible without regard to ethical or moral considerations.

RT holds high hopes for retailing–and has faith in the ultimate moral integrity of chief executive officers of major retail firms. Sometimes this faith is hard to maintain in the face of some conduct which is known to, and permitted by, some of the CEOs.

But the commitment goes beyond what the store does. It also goes to what the suppliers of the store do that might reflect within the store.

The specific example involves an ad run by Playtex in the March 19th issue of **Parade** and **Family Week**–Sunday newspaper supplements that reach millions of homes. The goal of the ads is to stimulate sale of their new "Free Spirit® Fanny Briefs." The headline reads "**New improved fannies. $1.50 off.**" and is topped by two explicit figures, one identified as "The Shaper" and the other as "The Smoother."

The ad requires the reader to locate a store carrying Playtex, buy a panty before May 28th, and mail a dated sales slip and a portion of the label to a post office box in El Paso (after which one waits 8 weeks for the check!).

Without doubt, Playtex is providing a mat service of the illustrations or similar ones to stores using the same appeal. Most advertising departments–again, we find many that have weak commitments to personal standards–will feel that because the ad has run in **Parade** and **Family Week**, (and perhaps elsewhere) that it is acceptable advertising and they will use it in the local newspaper.

One can easily charge RT with being prudish. What is good taste to one person is often charged as being prudish by another–who doesn't want to indulge in that specific conduct. RT still believes in several basic rules of conduct. This objection to the efforts of Playtex is consistent with the standard of conduct desired by RT. It might be well to enumerate some of the major beliefs.

1. It is not necessary to use profanities and vulgarities in expressing one's self, former President Nixon to the contrary. RT has found it very easy to infuriate others with proper English words. These are often more effective than if profanities were used since the object of the attention usually can respond only in profanities, but not in English.

2. As humans continue their trend to cluster into larger and larger anthills, it becomes even more important to observe basic civilities like walking to the right, waiting for the elevator to empty before crowding in, not trying to force yourself to the head of the line, being considerate of others when driving, speaking in a civil manner to people who serve you or whom you are serving, and spreading sunshine on the world by smiling as often as possible.

3. Wonderful profits can be made in almost every kind of business without resorting to dishonesty, trickery, false advertising, appeals to prurient interests, short changing, misrepresentation or abuse of employees. Most established businesses–those that have survived 10 years or more–have complied with this standard while many that have failed have failed because they operated in violation of this standard.

4. You never know when other people are observing you and when they will conform their conduct to your conduct. In other words, people (your employees, your customers, your family) will follow your example. Since you never know when people are observing you, it is necessary to maintain a high standard at all times. If you don't, the bad examples will force out the good examples. Leadership-by-example follows Gresham's Law (Bad money will drive out good money) which is restated for our purposes as "Bad examples will obliterate good examples."

Again we can look at Mr. Nixon for proof–people will remember much longer his now-exposed bad examples than they will his carefully practiced good public appearances.

RThought: RT must apologize for inserting a sermon in an article responding to a tasteless ad–but RT would hope that those stores offering Playtex to their customers would review the material now being used by Playtex in national advertising, material offered to their store for use, and material actually being used or scheduled to be used in their store to determine just how far they really want to go in the fanny improvement business in order to make a few bucks. (Note: a photocopy of the objectionable ad will be provided on request.) The distaff members at RT point out that such ads are probably written by men for men–men who do not understand that most such basic undergarments are bought by women who don't need such ads when making their buying decision.

7TH ANNUAL DOLLAR PER DAYS SURVEY OF CONVENIENCE STORES

Each year John Roscoe, President of privately-held Short Stop, Inc., a Northern California chain of more than 100 convenience stores, publishes a comparison of the performance of the publicly held convenience store chains. These now number 13, ranging from Southland with 5953 stores down to Hop-In with 92. The sales volume of convenience stores (several companies have other operations) range from $1,715 million for Southland to $31 million for Hop-In.

Working from annual reports, Forms 10-K and supplemental material, the profit from convenience stores is reduced to a basic figure–Dollars per Day per Store. This is a valid comparison since a very high percentage of the stores in the industry are 2400 square feet. Probably 90% fall within 10% of that size.

The variations in profit are interesting as the key table, reproduced below, shows:

Ranking	Company	No. of Stores	Pre-tax Profit Per Day per Store
1	Circle K	1,070	$33.39
2	Lil' Champ	108	32.36
3	Southland	5,953	32.19
4	Shop & Go	342	27.04
5	Dillon	185	26.67
6	National Convenience	722	25.58
7	Sunshine Jr.	261	24.35
8	Hop-In	92	21.20
9	UtoteM	965	14.82
10	Convenient Industries	269	14.59
11	Mini-Mart	122	8.94
12	Li'l General	554	8.12
13	Munford	1,310	5.14

The quality of management is remarkably consistant. Circle K has now led 4 of the 7 reports and has been 3rd, 6th and 7th in the other 3 reports. On the other end–Munford has been last 3 times, next to last twice, and 4th from last once (it was not included in the first report).

RThought: This is an extremely interesting report on a growing industry. Copies of the complete report can be obtained from Dollars Per Day Survey, 391 Castle Crest Road, Walnut Creek, CA 94595 for $30. Just say that Bob Kahn sent you.

RThought: Perhaps one of the investment firms following the retail industry will attempt to develop similar "Profit per Square Foot of Sales Space" reports on the major segments of the retailing industry–department stores, discount stores, supermarkets, drug chains, women's stores, men's stores, sporting goods stores, pants stores, etc. Undoubtedly the same stores will be at the top of the list year after year–although not, perhaps, the stores you would expect.

8TH ANNUAL CONSUMER AFFAIRS PROGRAM

This year the Sunday-to-Friday seminar conducted by the Consumer Affairs Department of J. C. Penney Company, Inc. will address "CONSUMER ISSUES: CONFLICT AND COMPROMISE." The faculty heads are Dr. George S. Day, Professor of Marketing from the University of Toronto and Dr. Helen F. McHugh, Professor of Consumer Sciences at Colorado State University. Resource people include Stanley Cohen of Advertising Age, Mark Green who directs Congress Watch, Robert Harris of the Environmental Defense Fund, Sender Hoffman of Yankelovich, Skelly & White, Hans B. Thorelli of the Indiana University Business School and last but not least, Donald Seibert, Chairman and CEO of Penney's.

The program is open to people who have a baccalaureate degree in an area related to consumer affairs, who have current direct involvement in consumer affiars and who expect future involvement.

Five of the ten subjects to be addressed are:

- Current Environment and Changing Lifestyles.
- The Future of the Consumer Environment.
- Mechanisms for Consumer Redress and Controversy Resolution: What are the Chances?
- Product Safety
- A Dialogue with Key Corporate Policy Makers.

RThought: Dick England, Chairman of Hechinger's in Washington, D.C., said in his keynote speech at the National Home Center Home Improvement Convention in February:

> "And that other bugaboo–'consumerism'–is really a blessing in disguise. It is your customers trying to tell you something. They want accurate, truthful ads. They want advertised goods to be in stock. They want parts and service available for the items you sell them. They want no 'hassle'–no red tape–when they want to return something. Make friends with the people who run your local consumer protection agency. A few may be irrational, extreme zealots; most, however, are pretty reasonable people. A couple of years ago, I invited myself to a monthly luncheon meeting held by the Federal Trade Commission for about 20 Washington area consumer groups. My voluntary appearance defused whatever hostility they may have felt previously toward my company, and we had a real happy couple of hours of discussion. My goal is to treat our customers so well that these consumerists become convinced that we're in their corner–and move on to solving some other problems."

But what Penney's is doing is preventive medicine–seeing that people in the consumer affairs offices fully understand the businesses that they are criticizing. Then the consumer representatives to which Dick England addresses himself will be better informed–and thus more realistic in their analyses. As Dick England says–"no hassle."

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

Type of Store	Average Price	Range
Furniture stores	$412.67	$387.00-459.95
Appliance stores	420.47	389.00-469.95
Other stores	428.98	398.95-469.95
Discount stores	430.18	389.00-458.00
Department stores	431.98	409.00-459.00
ALL STORES	420.26	387.00-469.95

RThought: I can remember Reg Biggs, then head of The Emporium in San Francisco, addressing the Controllers Congress of the NRMA at Yosemite in about 1955 and explaining that as soon as discounters found out how much it really cost them to sell appliances that their prices would go up. It looks like they either went up or the department store's prices came down. There was little difference in prices in Chicago between the discount and the department stores. But, Reg never predicted that the furniture stores would have the lowest average price!

RETAILERS IN THE TOP 200 OVER-THE-COUNTER STOCKS

Rank 12/30/77	Market Value (In Millions)	Company
36	$296	Lowe's Cos., Inc.
53	221	Limited Stores, Inc.
57	215	Mervyn's
96	142	Pay 'N Save Corp.
102	136	Service Merchandise Co.
115	131	Fred Meyer, Inc.
149	107	Payless Cashways, Inc.
155	104	Nordstrom, Inc.
158	102	Wetterau, Inc.
204	85	Blue Chip Stamps
239	74	Sigmor Corp.
242	73	Daylin, Inc.

"INFLATION AND TAXES: DISINCENTIVES FOR CAPITAL FORMATION"

This was the title of an article in the REVIEW published by the Federal Reserve Bank of St. Louis (January 1978–write to P.O. Box 442, St. Louis, MO 63166 for a free copy).

The article can be summed up in the 3 tables below showing the purchasing power of after-tax income under assumptions of no inflation, 5% inflation and 10% inflation. They clearly show that the higher the rate of inflation, the lower the purchasing power of the return if the tax rate remains at 50%.

TABLE I
RETURN ON A HYPOTHETICAL INVESTMENT WITH ZERO INFLATION

End of Year:	I Net Cash Receipts	II Cash Receipts Not Taxed Due To Depreciation Charges	III Taxes Paid	IV After-Tax Cash Flow
1	$100,000	$60,000	$20,000	$80,000
2	100,000	60,000	20,000	80,000
3	100,000	60,000	20,000	80,000
4	100,000	60,000	20,000	80,000
5	100,000	60,000	20,000	80,000

Internal Rate of Return = 10.4%

TABLE II
RETURN ON A HYPOTHETICAL INVESTMENT WITH 5 PERCENT INFLATION RATE

End of Year:	I Net Cash Receipts[1]	II Cash Receipts Not Taxed Due To Depreciation Charges	III Taxes Paid	IV After-Tax Cash Flow	V Purchasing Power of After-Tax Cash Flow[2]
1	$105,000	$60,000	$22,500	$82,500	$78,571
2	110,250	60,000	25,125	85,125	77,211
3	115,763	60,000	27,882	87,881	75,915
4	121,501	60,000	30,776	90,775	74,681
5	127,628	60,000	33,814	93,814	73,506

Internal Rate of Return = 8.5%

[1] Derived by applying the 5% inflation rate, compounded annually, to the net cash receipts in Table I.

[2] Derived by deflating after-tax cash income by the 5% inflation rate, compounded annually.

TABLE III
RETURN ON A HYPOTHETICAL INVESTMENT WITH A TEN PERCENT INFLATION RATE

End of Year:	I Net Cash Receipts[1]	II Cash Receipts Not Taxed Due To Depreciation Charges	III Taxes Paid	IV After-Tax Cash Flow	V Purchasing Power of After-Tax Cash Flow[2]
1	$110,000	$60,000	$25,000	$ 85,000	$77,273
2	121,000	60,000	30,500	90,500	74,793
3	133,100	60,000	36,550	96,550	72,539
4	146,410	60,000	43,205	103,205	70,490
5	161,051	60,000	50,526	110,525	68,628

Internal Rate of Return = 6.9%

[1] Derived by applying the 10% inflation rate, compounded annually, to the net cash receipts in Table I.

[2] Derived by deflating after-tax cash income by the 10% inflation rate, compounded annually.

WILL TOP EXECUTIVES GO TO JAIL WHEN THEIR COMPANY VIOLATES THE LAW?

It appears that one of the perks of being a chief executive officer in years ahead will be right to go to jail on criminal charges if someone is hurt or killed as a result of actions by your company or its employees.

It was in the 1960s that some top corporate executives were startled to find that they could be–and were sent to jail because they indulged in illegal price fixing.

In 1971, it was a retailer–John R. Park–who was convicted of a criminal offense because he failed, after being notified by the Food and Drug Administration, to see that one of the company's warehouses (they had 16) was cleaned up. Park pleaded that with 36,000 employees and 900 stores he could not be held responsible for all the acts. The court held differently and gave him a suspended jail sentence plus a fine of $250 on each of 5 offenses.

(Note: To the everlasting discredit of the food industry, their answer to this conviction was not one of urging food chains to clean up their warehouses–but an attempt to get Congress to delete the provision of the Food and Drug Act holding the chief executive officer for compliance with the law.)

In 1977, 161 individuals were found guilty of antitrust violations of which 5 were sent to jail. In 1978, a court found 11 people employed by electrical wiring device manufacturers guilty of price fixing. They were sentenced to jail for from 1 to 3 months without chance for parole and fined a total of $200,000.

RThought: The public has very strong anti-business feelings. The small guys are protesting more and more against a justice system that is harder on the poor than on the rich.

It is likely that more and more judges and more and more juries are going to find corporate officers guilty of offenses committed by their subordinates and perhaps under circumstances where the convicted officers had little direct control or responsibility for the act that led to their imprisonment. Juries will see the corporate officers as people who get rich off of endangering their employees and/or customers.

A jury recently brought a punitive award against Ford Motor Company of $125 million in a case involving a death in a Ford Pinto because the gas tank ruptured and caused a fire. Ford apparently knew of the danger and didn't modify the Pintos because it would have cost $100 million. A juror explained that punitive damages only started after all of the improperly gained profits are removed. So the jury awarded to the plaintiff the $100 million profit the Ford Motor Company made plus $25 million extra. (NOTE: The judge has offered to reduce the total award to $6 million if the plaintiff will accept—otherwise a new trial.)

RThought: Top retail executives will have to stop winking at the antitrust activities of their subordinates. It may no longer be wise to postpone repairs affecting safety or to permit inadequate lighting in stairwells and hallways. It may no longer be profitable to wink at the employment of illegal aliens.

In other words, be as honest an executive as you say you are when you are describing yourself to others.

RAPID GROWTH IS NOT ONLY IN THE USA

RT's reviewer of foreign publications forwarded an advertisement for Felix Potin, a food chain operating 1560 stores in the Paris Region. The ad points out that from 1960 to 1977 they increased their number of employees from 1,000 to 7,000, and that the annual rate of increase of profit was 17.4%, on dividends 16.3% and on return on net worth 14.8%. That would rate Felix Potin high in the Forbes Annual Survey. But the purpose of the advertisement was to report that 95% of their purchases were products of France and that "This is our way of contributing to the development of the French economy."

RThought: As American retailers buy more imported goods, they obviously are precluded from claiming to help the American economy.

RThought: When James Williams, President of NRMA, deplores the unfavorable trade balance he never asks department stores to purchase less from Hong Kong or Taiwan.

GOOD ADVICE TO BUSINESS

Walter E. Hoadley, Executive Vice President and Chief Economist for the Bank of America, is a regular contributor to **Dun's Review**. In the March 1978 issue (666-5th Ave., NY, NY 10019, $1.50/copy), under the title "Business-Government Relations: Both Sides Must Change" he identifies some important changes in working with the government. The following excerpt contains only the highlights of his recommendations:

"To improve their ability to communicate with and persuade government executives to take more positive views on business-related problems, corporate managements are going to have to:

> "Stop measuring success in government affairs largely by the number of 'bad' bills killed, and take more positive legislative initiatives to help resolve real problems plaguing the public.
>
> "More aggressively to uncover problems of political interest at an early state in order to negotiate the parameters of the problem and help find alternative solutions.
>
> "Avoid trite use of traditional free-enterprise shibboleths and concentrate more government attention on the 'how' and 'why' of actual functioning of markets.
>
> "Insure that their corporate executive corps includes many more men and women who understand the second bottom line and how our political process actually works."

(His advice to elected officials is equally direct—but it calls for a change that RT cannot help implement.)

RThought: What you can do as a first step is order a copy of the March 1978 issue and read the entire article. You may be persuaded to indoctrinate your top executives with a new approach on how to work with government. Companies Like J. C. Penney already have an organized program through which their store managers become acquainted with their local Congressmen and Penney conducts regular meetings with Congressmen in Washington to which key Penney people are brought from throughout the United States.

WORDS TO LIVE BY

This could be considered as coming from the lost wallet of a Mississippi Banker. At least, it was he who asked Ann Landers to run the item again after he lost his wallet.

SUCCESS

"Success is a word for which there could be a thousand definitions. A great many people equate success with money. Almost always, these people are of modest means. My mail bears strong testimony to the fact that there are millions of affluent 'failures' and an equal number of 'successes' who have nothing in the bank.

"This definition of success was sent to me by a reader who did not sign his name. I wish I had written it.

To laugh often and love much;

To win the respect of intelligent persons and the affection of children;

To earn the approval of honest critics and endure the betrayal of a false friend;

To appreciate beauty;

To find the best in others;

To give of one's self without the slightest thought of return;

To have accomplished a task, whether by a healthy child, a rescued soul, a garden patch or a redeemed social condition;

To have played and laughed with enthusiasm and sung with exultation;

To know that even one life has breathed easier because you have lived;

This is to have succeeded."

RETAILING TODAY

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ERRATA

The last issue of RT had a mistake. However, one that some thought was a mistake was not. Just a very few people know that a year divided by both 4 and 400 is **not** a Leap Year (2000, for example); even fewer know that in years divisible by 1978 there are 2 months of March. Those who expected to receive the April issue last month, now know why it was marked "March 1978."

Where was the error? The column in the table on the 20 Major Credit Card Issuers headed "Charge Volume" should have been denominated as "In Billions" rather than "In Millions."

In the first March 78 RT, under "Where are the retail givers?", the retail firms matching employee gifts to Harvard Business School, only 3 were listed. William De Jonge of The Talbots suggests that General Mills (The Talbots, Eddie Bauer, Lee Ward, Bowers & Ruddy, H. E. Harris, and Fashion Flair) should have been included. On that basis, a number of others should be included such as Boise Cascade (Horder's) and Dart Industries (Tupperware). But on re-checking, there were two firms I did not list that are clearly retail (more than half their volume): Montgomery Ward and Hart, Schaffner & Marx. My apologies to both.

CHISELING ON THE SUPPLIERS

So many of our major retailers, who profess to be pillars of their community, are actually petty thieves who get away with it. And they do it in such a pontifical manner–blaming everyone else.

RT regularly receives from suppliers information on the petty thievery–charges and deductions that are not included in the terms of the purchase order when written but which are deducted anyway.

During the days of 12% prime, a major division of Federated paid 30 or more days late and still took the discount. If a supplier objected they asked for proof of delivery–yet the store knew they had received the goods and had their own completed receiving documents.

Let me share with you some of the wording on some recent documents–and then check your own store to see if you are doing this.

From a return form: "To partially defray the cost of receiving and reshipping this merchandise, we have included in our invoice a handling charge of 2% of the cost of merchandise (minimum charge $5.00). **This charge is in accordance with the various handling charge procedures reported by the National Retail Merchants Association** (emphasis added) and adopted as a policy for all Associated Dry Goods Corporation Stores" (Mr. Pivirotto approves this?).

DOES GOD RESIDE AT THE CREDIT BUREAU?

If the material put out by the local credit bureau or Equifax or others is to be believed, one who sells on credit can hardly sleep nights without a credit report. This presumes, of course, that credit reports are accurate.

Robert Ellis Smith, publisher of **Privacy Journal** (recommended to all retailers who are concerned with and involved in protecting the privacy of customers–P.O. Box 8844, Washington, D.C. 20003, $45/yr) tested the Credit Bureau of Washington, D.C., owned by Equifax.

When his report was reviewed it showed a department store account that he did not have (Smith is a great name to have if you want to test a credit bureau!). He asked that it be corrected and that he wanted a copy of his report. They said it would cost $4 (the agency can charge unless you have been adversely affected by the report). After a 45 minute wait he was told the copy machine was broken!

Twelve days later he had to call and remind them of their promise. A few days later he was called by a representative of Equifax who said they "hardly ever charge" for a copy.

When the report did arrive, the department store was off his record but an erroneous bank credit card was on. Smith then requested a list of people who had been provided information on him. He didn't recognize the name "Mortgage Reports"–but learned that it, along with Retailers Commercial Agency, are subsidiaries of Equifax which provide information to mortgage lenders and is not subject to federal law.

RThought: Now are you happier about the accuracy of credit reports from Equifax?

On a form that is headed "NRMA MEMBER" and appears to be a stock form provided to stores, "In accordance with Article #3 (2) of the Basic Trade Provisions (3), we are returning 3 ctns. to you collect . . . containing the items listed on our attached chargeback No. . . . (reason: past cancellation). We strongly recommend you accept this shipment even though you haven't issued a return authorization sticker for it. This merchandise legally belongs to your company. If you refuse it, the carrier will sell it and it will be **your** loss." Jim Williams of NRMA would be most interested in this document, dated 1977, inasmuch as NRMA has withdrawn the Basic Trade Provisions in the face of indications that the Federal Trade Commission could consider them to be in restraint of trade.

Another Associated Dry Goods Corporation apparently has a different interpretation about what Mr. Pivirotto authorized to be adopted because they are deducting 5% against a minimum of $5 instead of just 2%!

Which Associated Dry Goods Corporation store is going to start charging 10% against a $20 minimum? When one does, please send a copy to RT so that all other retailers can learn what new charge is being recommended by NRMA and adopted by ADG.

RThought: RT has learned that after the January 1978 NRMA Annual Meeting there was a meeting between NRMA members and representatives of the 11 apparel manufacturers associations making up the Federation of Apparel Manufacturers. The growing problems of manufacturers and retailers were discussed frankly and openly. Minutes were prepared and were to have been distributed to all members of both Associations. They were distributed to the 1400 members of the 11 apparel associations but apparently were not distributed to the NRMA members.

Retailers wishing a copy can write to Federation of Apparel Manufacturers, 450 Seventh Ave., N.Y., N.Y. 10001 and ask for the minutes to NRMA-FAM meeting (there has been only one).

The closing paragraph sums up the spirit of the meeting, "Retailers and manufacturers alike were enthusiastic about the conference. They felt it had been a 'great meeting,' that a giant step forward had been taken in getting together in a spirit of friendship and **they urged the continuation of the dialogue.**" (emphasis added–action needed).

THE EDITOR SPEAKS

The first major talk of 1978 was to the Menswear Association of America in February, in Las Vegas. The subject was **Men's Wear Outlook '78–and Beyond.**

It was first necessary to debunk the idea that the economic outlook had significance for a group of menswear retailers. I was helped by Edgar R. Fiedler, VP for Economic Research, The Conference Board, who wrote an article entitled "The Three Rs of Economic Forecasting–Irrational, Irrelevent and Irreverent." His basic laws may be helpful to you:

1. Always be precise in your forecasting because economists state their GNP growth projections to the nearest tenth of a percentage point to prove they have a sense of humor.

2. If the facts don't conform to the theory, they must be disposed of.

3. He who lives by the crystal ball soon learns to eat ground glass.

4. If you've always had doubts about the judgment of forecasters, it's quite understandable because an economist is a man who would marry Farrah Fawcett-Majors for her money.

5. On the use of survey techniques in forecasting–when you know absolutely nothing about the topic, make your forecast by asking a carefully selected probability sample of 300 others who don't know the answer either.

6. If all the economists were laid end to end, they still wouldn't reach a conclusion.

7. Ask 5 economists and you'll get 5 different explanations (6, if one went to Harvard).

8. And your boss is probably saying "Lord, please find me a one-armed economist, so we won't always be hearing 'On the other hand'."

And then there was Professor Bucklin at the University of California at Berkeley who always said, "If you have to forecast, forecast often."

But the main point that I tried to make to the members–most of whom operate one or two stores–was that they didn't need to know what the economy was doing because they had such wonderful opportunities taking business away from the other retailers in town. The department stores are particularly easy pickings for a good operator, although many men's stores also forget that the name of the retail game is pleasing the customer.

Most forecasts available in February were relatively pessimistic–and few say anything good about the future for men's stores. That doesn't mean much to some of the good operators who just plan to continue their growth rates of 15-30% a year by taking more customers away from their competitors.

If they want to look ahead 10 to 20 years, it is important to remember that all the customers for men's wear in 1988-1998 are already alive. Now is the time to start appealing to them, studying them, serving them.

And I wanted to remind them that the growth of the United States didn't mean that there was growth everywhere. For example, between 1960 and 1970, 35 different Texas counties with more than 10,000 people in 1960 saw their population decline by more than 10%! The same was true for 19 counties in Iowa, 16 in Mississippi, 14 in West Virginia–and on and on.

Better business wasn't going to come about through doing what the chains do. Stanley Marcus observed "Any objective observer, visiting a modern shopping center where the major stores of the community are close together, must get a sense of fatigue from seeing virtually the same goods, colors and textures and the same advertising in store after store."

I reminded them that some strange things happen to small stores–and told the story of a 2,400 sq. ft. 3-employee store that did $88,000 in 1949, a small TV and radio sales and service store bought in 1950, a realtor in 1969 who had kids who wanted Levis and records and who had an empty 4,000 square foot store, and a man who felt the urge in 1973 to sell large amounts of remainders of high style women's clothing. These small stores grew up to be Mervyn's ($360 million in 1977), Pacific Stereo (about $250 million), The Gap ($200 million) and Pic-A-Dilly (about $100 million). Thus we got rid of 4 more small stores.

I suggested that there were a number of unique things that they could do to make their stores better stores, better customer pleasers:

1. Acknowledge customers as soon as they step in the store.

2. Train salespeople to know merchandise–style, fabric, construction, care and cleaning.

3. Run a clean store–a neat store.

4. Don't worry about trying to have the lowest price–the gas stations with the lowest prices seldom get very much of the business.

5. Make your advertising honest, accurate, consistent, well planned, informative and backed by merchandise.

6. Sell your benefits–style leadership, alterations, credit, friendliness, and values.

That was a pretty radical speech to make to 2,000 men's wear merchants. But I think it was good advice.

CAN A CITY RUIN YOUR BUSINESS TO AVOID CONDEMNING IT?

That is the question involved in the suit filed by Thomas W. Garland, Inc., against the City of St. Louis, et al.

Garland's now operates seven women's stores in the St. Louis area but their main store had been in the downtown area since 1895. In 1952 they entered into a 30 year net–net lease for their downtown location and through the years 1971-73 enjoyed a business of approximately $1 million a year.

In 1971, St. Louis declared almost the entire downtown business area to be blighted, including the area in which the Garland store was located. In 1973 the City entered into a contract with the Mercantile Center Redevelopment Corporation, formed by Mercantile Trust Company with only nominal ($30,000) capital, to undertake a $150 million redevelopment of 6 blocks. Mercantile notified Garland in 1973 that they would take Garland's property by September 1974.

Relying on that notice–and being fully familiar with all the planning as reported in the local papers, Garland sought a new downtown location but none were available in non-blighted blocks.

Therefore Garland's obtained a premise for their administrative, receiving and shipping operations, formerly located in the downtown store, and opened branches to the east, southeast and southwest of the downtown area to replace the downtown store. This required them to borrow a great deal of money.

After many buildings were vacated and some torn down, leaving only Garland's and one other store in a now thoroughly blighted area, Mercantile found they could not finance the project. However, an agent acquired the fee interest in the building in which Garland was located and held Garland to their lease. Neither the City of St. Louis nor Mercantile condemned Garland's and under Missouri Law no condemnation takes place until the actual filing of suit and payment of the award followed by the passing of title.

Garland's maintains that as a matter of fact condemnation has been accomplished by the conduct of the City and its agent in reducing the value of the leasehold to zero by destroying the premises as a business location plus the City caused consequential damages as a result of Garland's actions based on the City's directives.

Suit has been filed in the United States District Court under the provisions of the 5th Amendment ("nor shall private property be taken for public use without just compensation") and 14th Amendment ("nor shall any State deprive any person of life, liberty or property without due process of law") of the United States Constitution.

RThought: RT is rooting for Garland's to win their case. There have been far too many cities that have bravely undertaken redevelopment projects, each time proclaiming that their project will not get mired down, and then have given multi-million dollar contracts to opportunists (in St. Louis, originally to Mercantile Trust Co. and more recently to The May Company) who make an investment out of their petty cash fund planning to have the government subsidize their own business at no risk while gaining an opportunity for a substantial profit.

RT is not aware of any major city where such a project has not left a barren area for years–even decades. Those businesses that cannot move are ruined. The government denies any obligation–and in many cases refuses action claiming the type of defense provided by the Missouri Supreme Court in interpreting when a condemnation takes place.

It is time that the United States Courts put an end to such acts. Perhaps one will in St. Louis.

SHORT SHORTS

Mini-Combo Superstore? The trend to mix general merchandise or drug stores with food stores continues. On the "mini-store" end is Peoples Drug with their Mini-Combo stores–now totalling 36 with 12 more to come before September 1978–combining a Peoples Drug Store with a convenience food center.

The perfect "position available" ad? Perhaps that is the way to describe the ad that appeared recently in The Times (of London) next to their daily crossword puzzle (noted for their difficulty) which read "We want a Medical Copywriter who does the Times Crossword (in his or her own time!)." The firm explained why they placed their ad as they did: "Well, we reckon it sorts the men[1] from the boys[2] and we can skip the I.Q. test.

[1] or women
[2] or girls

You cannot deduct the expense of sending to your stockholders copies of comments made by your officers before state legislatures in opposition of specific legislation according to Revenue Rule 78-111, IRB 1978-12. Nor can you deduct the expense of advertisements of a similar nature in newspapers and regional magazines according to Revenue Rule 78-112. Lobbying of this type must be done at the stockholders expense.

Hill's, the anti-inflation department store, seems to have forgotten the rules on energy saving. Business Week (3/13/78) ran a photo of a sign in the window illustrating voluntary energy reduction efforts in Ohio. The sign reads "NOTICE: TO CONSERVE ELECTRICTY we have eliminated outdoor signs, reduced in-store lighting 50%, stockroom lighting 50% and reduced temperatures to 68." RT wonders where Hills was when President Carter donned a sweater for a fire-side chat and urged everyone to stay permanently at 68 degrees (65 at night)?

Who guarantees satisfaction? Sears long ago dropped their famous slogan "Satisfaction Guaranteed or your money back" but Woolco, which is continuing to grow in the discount field, advertises "Buy with Confidence! Satisfaction Guaranteed! Replacement or Money Gladly Refunded." And they will do it on VISA or Master Charge cards. It is good to see some merchants who are willing to offer a broad "unlimited" warranty measured solely by the satisfaction of their customers.

Discount Store News has a problem reporting on sex discrimination at K-Mart. The article said "Although a K-Mart spokes**man** acknowledged . . . **she** said the investigation . . . " How about spokesperson?

CREDIT OFFICE RATING

The Honor Roll grows shorter—despite a new name being added. B. Altman's of New York is added for the first time.

HONOR ROLL

Rubenstein's	2.5
J. Magnin	3.0
Oshman's	3.5
I. Magnin	3.6
Liberty House-N. Cal	3.7
Mervyn's	3.9
B. Altman	4.0
Bullocks- L.A.	4.0

CREDIT OFFICE RATING

Information from Reporters	FEB.-MARCH 1978 No. of Reports	FEB.-MARCH 1978 Days to Bill Average	FEB.-MARCH 1978 Days to Bill Range	DEC.-JAN. 1978 No. of Reports	DEC.-JAN. 1978 Days to Bill Average	DEC.-JAN. 1978 Days to Bill Range
B. Altman (NY)	1	4.0	4	1	7.0	7
Bloomingdale's (NY)	1	5.0	5	–	–	–
The Broadway (LA)	1	7.0	7	2	11.5	10-13
Brooks Bros. (NY)	2	4.5	4-5	1	4.0	4
Bullock's (LA)	1	4.0	4	2	5.5	4-7
Bullock's (No. Cal.)	9	6.7	3-11	7	9.0	7-13
Capwell's (No. Cal.)	9	8.2	6-10	7	10.0	9-11
Emporium (SF)	2	4.5	4-5	2	9.5	8-11
Grodin's (No. Cal.)	1	6.0	6	2	6.5	4-9
Gumps (SF)	1	8.0	8	–	–	–
Liberty House (No. Cal.)	3	3.7	3-4	4	7.0	6-9
Livingston Bros. (SF)	2	5.0	5	3	5.0	5
Macy's (No. Cal.)	9	7.0	6-8	9	7.0	5-8
I. Magnin's (SF)	5	3.6	3-4	5	4.0	3-5
J. Magnin's (SF)	3	3.0	2-4	1	3.0	3
May Co. (LA)	1	5.0	5	1	7.0	7
Mnt. Ward (No. Cal.)	2	6.5	6-7	1	6.0	6
Penney's (Oakland)	2	7.5	7-8	2	6.5	6-7
Penney's (Buena Park)	2	5.5	5-6	2	5.5	5-6
Robinson's (LA)	2	4.5	4-5	1	9.0	9
Roos/Atkins (NY)	4	5.0	4-6	2	8.5	7-10
Saks (SF)	1	11.0	11	1	8.0	8
Sears (Alhambra)	5	6.6	5-8	7	7.7	7-9
A. Sulka (NY)	1	10.0	10	–	–	–
Weinstock's (Sacramento)	2	7.5	6-9	1	9.0	9
TOTAL	72	6.1	2-11	64	7.4	3-13

Information From Stores	FEB.-MARCH 1978 No. of Reports	FEB.-MARCH 1978 Days to Bill Average	FEB.-MARCH 1978 Days to Bill Range	DEC.-JAN. 1978 No. of Reports	DEC.-JAN. 1978 Days to Bill Average	DEC.-JAN. 1978 Days to Bill Range
Holman's (Pacific Grove)	11	4.4	3-5	–	–	–
Iver's (LA)	10	8.1	7-10	10	5.0	5-9
Levy Bros. (San Mateo)	16	4.1	3-5	16	5.6	3-9
Maison Mendesolle (SF)	1	7.0	7	2	3.5	3-4
Mervyn's (No. Cal.)	20	3.9	3-4	20	3.9	3-5
Oshman's (Houston)	11	3.5	3-4	10	3.9	3-5
Penn Traffic Co. (Jhstwn)	10	4.7	4-7	10	5.6	4-7
Rubenstein's (Shrvprt)	6	2.5	2-3	3	2.0	2
Wineman's (Hntgton Park)	9	7.0	5-12	8	8.5	7-10
TOTAL	95	4.6	2-12	79	5.0	2-10

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

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

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

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

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

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

In March I addressed the Institute of High Fidelity in San Francisco on the subject of **"Retailing: Is the Future as Good as the Present?"**

This gave me a chance to trace the history of retailing—and point out that everything that the discounters did to the department stores starting in the 1950s was done by the department stores to the specialty stores in both the United States and France in the 1860-1880 period. I also pointed out the growth and leveling off of mail order (after parcel post was introduced), chain stores (starting with Frank Woolworth) and the absorption of concept chains into retail conglomerates.

One might honestly say that I presented Professor Malcolm McNair's "Wheel of Retailing" with all the flourishes. (Note: for the many friends of Professor McNair, let me report that he still has a lively interest in retailing even though retired in Madison, New Hampshire.)

I pointed out that the customer in the future was pretty sure to be very much like the ones in the past.

1. Some would want the cheapest and some would want the most expensive but most would want something at a fair price that would give fair service.

2. Some items would lend themselves to self-service and some would require service—but most would sell best with self-selection, where there is service assistance available when wanted.

3. People would continue to mix $1500 HiFi sets with used Volkswagons or a Mercedes 300 SEL and a 2 bedroom apartment without a view or $75 jogging shoes and a pair of torn cutoffs.

4. People would hunger for the service that the stores refused to provide.

5. People would expect to find in stock the normal selection the store says it carries—but somehow forgot to order.

6. More and more people like to go to shopping centers—massive ones with lots of specialty stores and lots of assortment—but create the right combination of merchandise selection-service-assortment-and smiles and people will beat a path to your door in the middle of a 1,000 acre wheat field.

I warned them that the government was kidding them—the Bureau of Census keeps pumping out wrong population estimates. The fertility rate has dropped every year for 22 years and for the past 15 years or so the Bureau has said it will turn up again. A fertility rate of 2.1 children per woman during her child-bearing years is necessary to attain zero population growth; and the level is now down to 1.7 and rising only in the dreams of the Bureau of Census. It now looks like the 1980 population will be as much as 50 million below the 1960 estimate and 25 million below the 1965 estimates.

So I suggested that with fewer customers to pick from, the stores had best concentrate on strengthening their magnets. Again, a pretty radical speech to give a group of manufacturers and retailers of hi-fi equipment.

DEVASTATING WORDS FROM DAYLIN

The news release was dated April 14th. The format was different. It started with "Daylin, Inc. announced today that it had effected a change in the senior management of . . . Handy Dan Home Improvement Centers." That's strange—their most successful retail activity had recently become a wholly owned subsidiary.

It continued "The employment of Bernard Marcus and Arthur Blank, former President and Treasurer, respectively . . . has been terminated, as has been the employment of certain other officers and employees . . ." Why? Marcus has headed Handy Dan through most of its existence.

In the last paragraph come the words ". . . the management change was necessitated by the discovery that the former . . . management had engaged in certain unauthorized practices which were contrary to policies established by Daylin's and Handy Dan's Boards . . . The financial impact . . . is not considered material.

PRINCIPLES OF RETAILING—AT MARKS & SPENCER

The principle that grabs American retailers is to buy it offshore, buy it cheaper, boost the markup and forget what this might do to the economy. The Gap, for example, tells its stockholders that instead of selling Levi Straus garments at a 50% markup—reduced when there is price competition—they are buying their own label off-shore and pricing it for a 55%-70% markup! Of course, they will be disappointed if the laid-off American employees don't buy at The Gap. After all, lack of a job and money isn't a very patriotic explanation for not buying. Perhaps The Gap will start opening outlets in Taiwan and Hong Kong and Korea—to get back in sales the labor dollars they are providing.

But The Gap is not Marks & Spencer, that staid purveyor of St. Michael's brand to much of Great Britain. For example, 1 out of every 20 men's suits sold in Great Britain comes from M&S. Though their prices are not high, their quality is. Says one supplier, according to a (London) Sunday Times article, "You have to gear all your production to producing the quality they want, but other customers simply are not prepared to pay for that quality." According to the American philosophy, paying a high price for higher quality rather than a lower price for the same or a lower quality, is unacceptable.

But M&S has a policy of buying British wherever possible and always avoiding goods from cheap labor countries. There is reason to believe that there will always be a Britain—and that St. Michael's flag will always fly above Marks & Spencer.

SO YOU WANT TO BE A CORPORATE DIRECTOR?

If you always want to be a director of a big corporation, a reading of the suit filed recently by Charles Rodman, Trustee for the bankrupt W. T. Grant Co. may change your mind. In a suit filed against a large number of people who were involved in Grant's during and before the collapse, he named some well-known corporate executives who are part of a system of interlocking companies.

Among the major corporate executives (who probably felt they had little at risk when they accepted a directorship at Grants) were:

John D. Gray, Chairman of Hart, Schaffner & Marx
DeWitt Peterkin, Jr., Vice Chairman of Morgan Guaranty
E. Robert Kinney, President of General Mills
Clarence W. Spangle, President of Honeywell Information Systems
Joseph W. Chinn, Jr., former Chairman of Wilmington Trust Co.
Asa T. Spaulding, former President of North Carolina Mutual Life Insurance Company
Charles F. Phillips, a professional corporate director.

RThought: Undoubtedly these prominent business leaders feel put upon because of the suit which seeks to hold them financially responsible for the result of their actions (or lack of actions) as a director. The courts will tell us in this case whether there is responsibility attached to the glory. The day may come when outside directors are impossible to enlist—at a time when the SEC is demanding more of them.

COMMERCIAL BRIBERY

Sanford's, The Ink People: If your stationery buyer is sporting a large 42" Wardrobe Carrier, retail value $29.95, you may have bought it for him without knowing it—check to see if he ordered 18 dozen assorted Sanford's Markers (maybe you will be lucky—the buyer might have ordered only 12 dozen to get the G-Lite Pullman Case, value $19.95).

CITIBANK AND CREDIT CARDS TO THE WORLD

Citicorp, in their drive to enroll all the VISA and Master Charge customers in the United States, offered me a $1,500 VISA credit card and a $1,100 Master Charge card—just fill out the form against preapproved credit. Curiosity got the best of me. I applied for the VISA card, shortly thereafter made a $250 purchase, and then skipped the payments to see what would happen. Would the liberal granting policy be followed by a sledgehammer collection process to keep down the losses?

The January, February and March statements were not paid! The minimum payment on the April statement was all the way up to $22! And then came a telephone call and the story is summed up in the note from my Secretary: "Mr. Hansen called re ur Citicorp VISA Card balance—the great sum of some $22.00. Just wondered if you had forgotten and said new statement would be out soon. It was a nice call—assured him we would get payment off."

SHORT SHORTS

A retailer makes banking pay. Everyone laughed when innovative octogenerian Fred Meyer purchased a savings and loan association, changed the name to Fred Meyer Savings and Loan Association, and started opening branches in their superstores. In their 3rd quarter report they announced that assets had doubled in 9 months to $178 million and reached the status of 8th largest S&L in Oregon. After-tax income for the S&L for the first 9 months was up from $196,000 to $714,000. Now they have announced Fred Meyer Tours—economy package tours, available (of course) in all stores!

Sunset Magazine keeps telling the world that the West is different. Take the matter of cars—an object of romance for most Americans. Nationally, the best selling cars for the period October 1976 (start of model year) through June 1977 were Chevrolet, Cutlass, Toyota, Monte Carlo and Ford. Only one of that list made the 5 best sellers in the West—Toyota was the leader followed by Datsun, Honda, Volkswagon and Granada. No American car until 5th place! If you feel you should know often and factually how the West is different, write Armand Schwartz, Editor, SUNSET Newsletter, Lane Publishing Co., Menlo Park, CA 94025.

Hechingers shows imagination with a 10 million cubic foot corporate headquarters and central distribution center. Just think—100' by 100' and only 1,000' tall!

WORDS TO KEEP YOUR PERSPECTIVE BY

The note from Mervin Morris, Chairman of the Board of Mervyn's, a client for 21 years and about to be part of Dayton-Hudson, said "I enjoyed this poem, 'You'll Never Be Missed', very much and find that reading it on a tense day can really make one unwind." Unfortunately, the author is unknown (to Merv and to me).

You'll Never Be Missed

This world's all a stage
    As Shakespeare once said;
We find it to be very true,
    An Actor's success oft' times turns his head
Without him he thinks they can't do;
But there are none in the race
    That we can't replace
From age to the youth in his 'teens.

An instance I'll cite
    That I witnessed last night
In a theatre, behind the scenes.
The call-boy in tones most intense
Was calling "The Play will commence!"
When the star called out "Wait—
    I'm a little bit late."
But the curtain went up
And the show it was great.
"I'll never be ready," the star loudly cried;
"Well, I wouldn't worry," the call-boy replied;
"And if you're not there,
"Why just pack up and get;
"The Show will go on just the same—never fret;
"Another is waiting to step in your place,
"Knows all your moves—every line in your face.
"The shows can't depend on you to exist.
"And if you're not here—
    "Why you'll never be missed."

We find it the same in everyday life;
Each wants an important role.
    In striving for wealth,
    We sacrifice health
And all just to reach a high goal.
    When wealth you've obtained,
    Your purpose you've gained—
And then like the man in the play,
    You think that without
    Your presence no doubt
The world couldn't last for a day.
And just when you've made a grand start.
    You're suddenly called to depart;
And after you're gone
    The world goes right on;
You'll find that your absence will break no one's heart.

So always be ready to pack up and get,
    The show will go on just the same—never fret
Some are proud foolish
And some penny wise;
But six feet of earth
    Makes us all the one size.
You may be of great consequence,
    While you exist,
But after you're gone,
    You'll never be missed.

RETAILING TODAY

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BANK FRAUD AND EFTS

There are an increasing number of cases of fraud defeating the machines that are part of the electronic funds transfer system being developed by the banks. Most banks are suppressing information about such problems and virtually no incidents are going to trial. But the losses do represent a substantial and growing cost.

As a result of the final report of the National Commission on Electronic Funds Transfer, Congress is planning legislation that will limit the liability of consumers/account holders. This means that the cost of such losses/fraud will be passed on to the users of the system. Obviously they will not be absorbed by the banks since the banks will continue to price the service in order to produce a profit.

Thus the ultimate cost of such losses/fraud will not be paid by the banks (owners/creators of the system) or the consumer/account holder (whose account is being served) but by the retailer/services company in whose business the terminal will be located and who will spread the cost over all transactions and not just those using EFTS.

Fortunately consumers/account holders are not breaking down the doors of banks demanding automated service, debit cards, non-return of cancelled checks and the other wonders that banks hold forth as being the future in their less-paper system. Linda Fenner Zimmer, a banking researcher and statistician, reports that Automatic Teller Machines (ATMs) are not in short supply (several manufacturers are experiencing financial difficulty because of the low demand) nor are many installed. Not too many months ago people in the banking industry (perhaps the ones who consistently overestimated the growth in the number of clerks required to handle paper bank checks) foresaw as many as 100,000 ATMs in place by 1980. As of the end of 1977 there were, according to Ms. Zimmer, 7,729 installed.

Many banks are reporting that utilization per machine is so low that they are not obtaining the economies that they expected.

RThought: The demand for an Electronic Funds Transfer System is far less than the demand for a 55 mile per hour speed limit—and with substantially less benefit to the consumer.

WHAT'S WANTED IN TOP MANAGERS?

Men's Wear (March 24, 1978, 7 E. 12th St., NY, NY 10003, $1/copy) ran a feature "Talking About Hiring" and asked the heads of 4 menswear manufacturers what they looked for when hiring top management.

Larry Mounger, Jr., Pres. of Pacific Trails: "This may sound old-fashioned, but we look for character—honesty and integrity—in our management applicants."

Bob Hoy, President of Lord Jeff: "I look for someone who is hard working and knowledgeable, and has strong ethical qualities."

Ed Murphy, Senior VP of Catalina: "We look for five things—intelligence, talent, commitment, enthusiasm and integrity."

RThought: 3 of the 4 mentioned integrity or ethical qualities. It is good to find those words coming out of the closet and being used more and more often in public statements. Despite Larry Mounger's comment, honesty and integrity can be new-fashioned as well as old-fashioned.

THE EDITOR SPEAKS

Bob Soelter, President of Duckwall Stores, was kind enough to ask me to address their store managers annual meeting. His letter indicated that he was taking a gamble—he said he enjoyed reading RT and thought that I might be as interesting to hear as I was to read.

He then gambled all the way—by allowing me to speak about anything that I wanted to cover but was hopeful that I would not duplicate the subjects presented in the training sessions.

That left me a lot of room—so I chose to discuss the two most important facets of retailing: **concepts and people.**

Without a clear concept of what you are, where you have been, where you are going and how you are going to get there, it is unlikely that you will have the successful operation you dream about (unfortunately too many people dream about spending the money that will flow from a big retail operation and too few dream about how to create a big and successful retail operation).

When you have a concept, you have to have people. Good people. Creative people. People who disagree with you—but to whom you are willing to listen. After all, they might be right some of the time. I had a great time. I think I stimulated some thinking.

Bob and the others were most gracious with their comments after the talk—but then I was their guest and this might just have been midwestern hospitality.

RThought: Duckwall Stores should revive an early slogan of Mr. A. L. Duckwall, Sr.—**"We try to do the impossible. PLEASE EVERYONE."**

A GOOD GUIDE FOR SELLING DEPARTMENTS

William De Jonge of The Talbots (a mail order plus stores firm headquarted in Hingham, Mass. and now part of General Mills) wrote recently to correct an item in RT. He was kind enough to enclose a letter sent to his store managers in November 1977 when he became concerned about reports that Store Managers felt under pressure to increase sales.

His key thought was this:

"Suggestions on ways to improve service and the presentation of merchandise have and will continue to be offered, but this should never be interpreted as pressure, direct or implied, to increase sales. Sales for the sake of sales is not our goal: **Our goal is to satisfy customers; sales are only the measure of our success in accomplishing this goal.**" (emphasis added)

He then cites The Talbots return policy as evidence of the philosophy of customer satisfaction:

"Each and every complaint should be considered from the customer's point of view and accepted readily and graciously. Any customer who for any reason is dissatisfied with their purchase can have an exchange, refund or credit, regardless of when the merchandise was purchased."

RThought: I doubt that William De Jonge will get terribly upset if you crib from his writings.

PROFITING FROM THE MISTAKES OF OTHERS: COMMON THREADS IN RETAIL FAILURES

That is the name of an article that appeared in the March 1978 issue of RETAIL CONTROL, the publication of the Financial Executives' Division, NRMA ($3/copy, 100 West 31st St., NYC, NY 10001). Prepared by Irwin S. Cohen and Laurence N. Garter of Touche Ross & Co., it highlights the symptoms that preceed the disease–like the lousy feeling one has before the full force of the cold strikes.

A business doesn't collapse because the suppliers quit shipping; it collapses because management doesn't manage. The problems arise when inventory rises (lack of open-to-buy), buyers don't meet the needs of customers (markdowns), expansion is too fast (poor locations and improperly trained managers) and on and on.

The check-lists offered may be depressing to read–particularly if some of the weaknesses exist in your company–but it is better to think about these problems before you face the disease.

In case you don't recall the major retail failures, the following list is taken from the article:

Company	Filed	Sales
Arlan's	May 1973	$206,000,000
Unishops	Nov. 1973	140,000,000
Parkview Gem	Dec. 1973	145,000,000
Mangel Stores	Mar. 1974	99,000,000
Interstate	May 1974	306,000,000
Mammoth Mart	June 1974	143,000,000
National Bellas Hess	Oct. 1974	172,000,000
Daylin	Feb. 1975	308,000,000
W. T. Grant	Oct. 1975	1,805,000,000
Abercrombie & Fitch	Aug. 1976	24,000,000
United Merchants	Jul. 1977	1,029,000,000
Neisner	Dec. 1977	150,000,000

OPERATION: TRADE-A-SON

That might be the name of the plan started by the Menswear Retailers of America (MRA)–but they call it the Management Development Exchange Program.

Here is how the plan is being proposed. A member of MRA has a family member, age 18 to 25, who is coming into the business. For reasons well known to all retail families, that offspring is not likely to get very good training in his own family's business (it is interesting that on a CBS 60-Minute program the top police hostage negotiator–who has negotiated the release of more than 300 hostages–was brought up short when his son said one day, "Dad, you will spend 5 hours talking to a man holding a gun on some strangers and you don't have 5 minutes to talk to me").

An MRA member can notify headquarters–which will try to find a store with a management training program that will accept the individual for a period of 1 to 2 months. The training store will pay the trainee their normal starting wage with the family store making up whatever difference is needed.

A parallel program is being developed for college business school students including those who participate in the Federal Work/Study Program through which part of the wage of an eligible trainee is subsidized.

If you want further information so your association can start a similar program, write Don DeBolt (the imaginative Executive Director), MRA, 390 National Press Building, Washington, DC 10045.

DOES ADT REALLY WATCH?

Many retailers use ADT–American District Telegraph–to monitor one or more of their protection systems.

ADT, with absolutely no modesty, proclaims in their ads "No one has credentials like ADT."

Their self description is: "We manufacture and install the most advanced electronic systems to prevent loss of life and property. To service this equipment we have over 5,500 people in the field. By far the largest field force in the industry. Central monitoring stations at 130 locations nationwide." (Note: ADT does not use sentences.)

ADT has a monitoring service in Oakland, California, and one of the customers is Sherwood Swan and Company, a combination department store–supermarket–public food market. Swan's has two systems–an alarm that can be activated by a guard to notify the ADT monitoring station of trouble and a watch station that must be activated every hour; if not activated, the ADT control monitoring station is supposed to check the store.

On January 7th, according to a suit filed seeking $100,000 damages from ADT, Guard Joseph Gonzales heard thieves breaking into the store–so he activated the alarm. No one came from ADT. The thieves overpowered him, tied him up and beat him on the head with a baseball bat and then spent two hours ransacking the store. Two "All-OK" signals were missed and still no response from ADT. Gonzales' attorney said either ADT failed to monitor the equipment or the alarm was broken. ADT had no comment.

NATURE INTENDED RETAILING TO BE DIVERSE

While reading Rene Dubos' regular column, The Despairing Optimist, in the Spring 1978 issue of The American Scholar ($5.00/issue, 1811 Q St., NW, Washington, DC 20009), I realized that the truths of biology are also the truths of retailing.

Dubos, a professor emeritus in biology at Rockefeller University, drew a parallel between political society and biology.

> **"One of the great achievements of Western Civilization has certainly been the growth of individual freedom, especially in matters of religion, politics, and social behavior. On the other hand, life in modern societies now requires acceptance of a new kind of regimentation. We may be freer politically than our ancestors were but we are increasingly subject to rules determined by anonymous forces which are the expressions of economic and technological imperatives."**

People are resisting these new rules:

> **"All over the world, provinces and regions try to recover their individuality by cultivating their folklore and their traditional ways of life, their literature, and their arts. Provinces and regions even try to recapture some degree of political independence by developing their special economic assets. Regionalism is thus emerging as a political force in nations that have long been highly centralized, such as France and Great Britain, and even in the Soviet Union.**

Dubos then observes the parallel to biology:

> **"The evolutionary emergence of living forms reveals a continuous trend toward diversification . . . Most living species maintain their biological identity through mechanisms that prevent or at least minimize genetic crossing between species. Even though they may live in the same small pond, two species of frogs will remain different.** *Under natural conditions, furthermore, biological diversity is favored by the existence of innumerable and relatively independent ecosystems in which any organism can find a niche suited to its own particular needs and limitations."* **(emphasis added).**

> **"Just as diversity has constantly increased in biological systems under natural conditions, so has it also during most of human history . . . Human life has been enriched in the past and will continue to be enriched in the future by biological and cultural evolutionary changes . . .** *While it is true that the existence of many independent political and economic institutions is the cause of disorder and conflicts, it is also certain that plurality is the surest guarantee of social progress and ecological health."*

Dubos then points out that regionalism was highly developed among the Indians before the white man came—and it is growing today as people have the economic means to select the region in which they live—"Whereas many people long to relax on a Florida beach, others would rather saw firewood in New Hampshire."

Dubos concludes:

> **"The retreat from excessive interdependence may be accelerated by the general feeling that the human mind cannot cope with the problems of management when the social, economic and technological problems are on a global scale . . .**

> **"Skepticism concerning the value of globalization does not necessarily imply isolationism. Rather it fosters the hope that we can create a world order in which natural regions will recapture their identity by cultivating their** *genius loci,* **yet interplay symbiotically in a creative way. The most promising goal for humankind may not be the organization of an overpowering political unit but rather the achievement of unity from diversity—a process similar to the one through which the mechanisms of biological evolution have generated the wonderful richness of life."**

RThought: Certainly the strength of retailing today is the increasing diversity of retail form. We no longer can think in terms of department or specialty or drug store or supermarket or lumber yard or hardware store.

The department store field has been "regionalized" into department stores, discount stores, hypermarches, superstores, food-drug-combinations, and superdrug stores. Specialty stores have been broken down by age group, product line, sport activity, price-line and categories of style.

As with Dubos' "two species of frogs," Bergdorf Goodman, The Limited Stores, Petrie Stores and Lerners can all be specialty womens stores and "in the same small pond" they, too, "will remain different."

And like the development of new species—"a continuous trend toward diversification"—so will retailing move. Drug stores with auto accessory departments, stores that sell only Levi products, Wallpaper-To-Go, frozen yogurt shops and Kentucky Fried Chicken—diversification is the long range trend of retailing.

Recently I have had a chance to spend several enjoyable hours talking with a history major who has a successful natural food store and is worrying about how to expand; and a designer and a former nurse who have a successful specialty jewelry store that they wonder how to expand. None were trained in retailing—so they made each decision by applying logic, by questioning others who should know, and finally by picking that which they had a "gut feeling" was right. Not once did they do anything because it was always done that way in their business. Ray Kroc was a traveling salesman who saw something in the original MacDonald's—and now there are 5,000.

Diversity is health. Few forms of retailing disappear—although they may, as they go through what Professor Malcolm McNair calls the "Wheel of Retailing," reappear with a different name. The department stores which raided the high markup specialty stores of the last half of the 19th Century are, in the last half of the 20th Century, being raided by the discount stores!

And so into the diversifying future—The Byte Shop, Renta-Rocket (one way to the moon—"Rent It Here, Leave It There"), two-way ordering through your TV set.

Diversity is the essence of the human race, the protector of our political freedom and the opportunity of retailing.

WHY NOT TRY REMODELING?

Economic waste is becoming a luxury we can no longer afford.

There was a day when car styles changed significantly every year or two—now basic style can run for 4 to 6 years. Note how little change there has been over the years in Chrysler's Dart/Aspen body style or in the recently dropped Ford Comet/Maverick or GM's Camaro-type body.

From the Georgetown District in Washington DC to Union Street in San Francisco, people are rebuilding and remodeling homes rather than tearing them down.

But is this true of stores?

A few food chains are finding that it is cheaper to completely rebuild a store rather than move to a new location. Often they find that their present store is in the best location. A few of the more appearance-conscious firms remodel their stores every 4 to 8 years.

But far too often remodeling is not considered as the solution to the problems of a downtown store. Abandon it (Gimbel's-Philadelphia), close it (Lit Bros-Philadelphia) or convert it into a garage (The White House-San Francisco) is more likely to be the action taken, leaving behind a problem building and a problem area. Few are the cases where a store is rebuilt in the same location (such as ZCMI did in Salt Lake City or Jordan Marsh did in Boston).

Too many big downtown stores are dreary—even depressing—to visit. And this is true despite the evidence known to most retail managements that remodeling is a good investment—the pay off comes in higher price unit sales and more patronage.

Two years ago I found myself in New York City on a Saturday with nothing scheduled. I went to Macy's 34th Street where I had worked before World War II—I took the elevator to the top floor and walked every single floor—all of the more than 1,000,000 square feet of selling space—down to the basement.

The floor covering department was in the same place—and it looked like it hadn't been thought about since I left in 1941. The food department was a bit different, some of the departments had changed, and the Crosley cars were missing from the Broadway end of the basement. The signs were in two or more languages instead of one—and lots of people who obviously had little interest in style filled the store. The street floor, with its massive columns and high ceiling, was just as impressive as ever.

But the one thing that had not changed was the throb of people—hundreds of people, thousands of people, tens of thousands. It brought back memories of the door counts that were taken regularly and analysed by Division V, the Research Division. The counts were the basis of the ad that headlined "137,000 people a day shop at Macy's." This was as much a part of Macy's store institutional advertising (called "Z" advertising—"X" was direct response) as were the Thanksgiving Day parade, Red Star Specials, price wars with Gimbels, ranting about price controls on liquor, the slogan "It is our endeavor to have our prices reflect a 6% saving for cash," and the loss endured in the Little Shops on the 2nd floor so that Mrs. Jack Straus could wear Paris originals to the Opera and say "I bought this dress at Macy's!"

But the people were not getting what they should have gotten.

Before World War II there was just one store for the Macy management to worry about. The Red Star store in Syracuse had been closed—the only store that ever had a loss greater than total sales (during its 1 year life it lost $275,000 on $225,000 in sales) and the first branch (Parkchester) was being planned.

Jack Straus carried a celluloid ruler in his coat pocket to check the length of the collars on men's shirts to see that they did not exceed the limit he had set. Everyone in the store—about 10,000 people—knew Jack Straus when he walked through the store. The 13th floor was sacred—but the sacred people moved around.

Perhaps history is repeating itself. The 34th Street Store was the albatross around the neck of the New York group. Ed Finkelstein was brought back to see if he could save Macy's New York by applying the analytical skills and innovative approachs that had moved Macy's California ahead of The Emporium, long San Francisco's largest store.

The April 14, 1978 issue of **Men's Wear** reported the citation of Finkelstein as "Marketer of the Year" by the New York Chapter of the American Marketing Association under the headline "Miracle On 34th Street Revisited." The trade press has reported that Macy's is moving up—and the 34th Street Store is leading the way. One might suspect that the people in the 34th Street Store know Ed Finkelstein as we knew Jack Straus.

In accepting the award, Finkelstein made a point that people should commit to memory: **remodeling, providing better merchandising facilities and better merchandise does more than improve market share.** It improves employee attitudes and customer attitudes. Finkelstein noted that the new Macy's 34th Street Store has stimulated productivity among executives and staff. Customers wrote less angry letters—and no longer wrote as though they knew that no one would answer, let alone be concerned about their problem.

RThought: Hudson's, an even larger plant, is closing off floors and may ultimately shutter the downtown store. It wasn't even worth it to replace the largest flag in the world that used to fly from the largest store in the country.

Perhaps at Macy's 34th Street Store the tradition of being the largest store in the United States is stronger than at Hudson's—Macy's held the title many more years.

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

RThought: The most hazardous arrangements are those that are based on "if nothing happens, do something." I have standing instructions with my answering service to pick up if the phone rings more than 3 times. But they really don't notice the rings–especially during busy times of the day–unless they have been specifically advised that I am out of the office. (Some advanced answering systems now use computers which are programmed to direct a call to an operator after 2 rings anytime outside of office hours and 4 rings during office hours at which time the information on the client flashes on a CRT screen so the operator can answer properly every time).

With a system such as the two ADT systems there has to be a better way. When the silent alarm is activated there has to be some form of almost-silent positive response–a click or low hum or the button restores to an extended position. In the case of hourly "All-OK signals, there has to be an automatic time alarm set in the ADT office that will ring 65 minutes after the prior report to alert the ADT staff that something is wrong.

Despite 100 years of ADT experience, negative alerts are inherently weak alert systems.

MAKING IT IN THE STOCK MARKET

There are several steps in the maturity of the stock of a publicly held company. The first step is to go public. The next is to be traded over-the-counter. Growth comes as the stock goes from the "additional OTC quotes" in the Wall Street Journal to the National OTC list to the American Stock Exchange and finally to the New York Stock Exchange (some skip intermediate steps).

One intermediate step is subjecting trading of the stock to margin requirments–and as of April the following stocks were added to that list:

Applebaum's Food Markets
Bear Creek Corp.
Daylin (again)
Heilig-Meyers
Topps & Trowsers

Dropped was Decorator Industries.

ON BEING THE NEIGHBORHOOD STORE– AND THE 18TH LARGEST RETAILER IN THE UNITED STATES

Jere W. Thompson, President of The Southland Corporation (7-11 Stores and the 18th largest U.S. Retailer) recently wrote a Guest Editorial for Convenience Store (March/April 1978).

The Southland Corporation started 50 years ago with the development of convenience food stores–as an outgrowth of selling blocks of ice in the day of ice boxes. Because refrigeration was available, milk and other products were added. In the original open front stores, customers could drive up, give their order to a clerk and have the merchandise brought to their car.

7-Eleven continues to be a neighborhood store–and they have established a "Good Neighbor" program. During the last 2 years they have been a corporate sponsor of the Jerry Lewis Labor Day Telethon for Muscular Dystrophy. Southland has raised $7,300,000!

In 1974 they backed the National Wildlife Federation's effort to establish the first refuge for the American Bald Eagle by donating 1¢ for each Slurpy sold (they used special cups that told of the program). They raised $200,000–that's 20,000,000 Slurpees!

7-Eleven works with the U.S. Marine Corp in their "Toys for Tots" campaign each Christmas.

Each store has a notice of a hot-line for runaways who want to leave messages for their family. They call that "Operation Peace of Mind."

RThought: If you ever wonder how a chain of 2400 square foot stores with 10 parking spaces got to do more than $2 billion a year you might just want to look closely at the one in **your** neighborhood.

THE IMPACT OF INFLATION– A LOWER STANDARD OF LIVING

Average hourly compensation has increased rapidly as the table, showing the increase over the prior year, reflects:

Year	Increase
1973	8.7%
1974	10.0
1975	8.1
1976	9.8
1977	8.4

But that only tells the story of current dollars. The Bureau of Labor Statistics reports the following total change from the 1972-77 period in terms of **constant** 1967 collars:

Average weekly earnings	3.8%
Average weekly spendable earnings	4.6%

Even those who have cost-of-living adjustments in their contracts have not kept up with cost-of-living:

Year	Consumer Price Index Rise	Average Escalator Increase
1973	8.8%	4.1%
1974	12.2	5.8
1975	7.0	4.8
1976	4.8	3.5
1977	6.8	3.9

The Consumer Price Index reflects the changes in many prices–but does not reflect the specific impact on an individual family. For example, the person buying his home has a constant mortgage payment which does not (in most cases) go up with inflation. If the children have grown up and are going off on their own, the family unit gets some relief from financial pressures.

On the other hand, if there are 2 or 3 pre-teen children, their costs increase each year faster than inflation; and when they reach college age the costs really jump.

But inflation puts pressure on the entire demand structure. In some cases demand drops–for example, consumption of coffee is much below former years in both per capita and gross consumption. More consumers have to resort to credit so consumer credit outstanding has been growing faster than inflation multiplied by population increases.

RThought: This situation is putting pressure on much of the economy. Home builders see the higher mortgage interest rate (10% and higher expected by the end of the year) dampening the rate of homebuilding. Menswear Retailers of America reports that member stores find reaction against the inflation-boosted prices of tailored suits. The demand for cars is slacking–car manufacturers talk of the "second best year."

All developed economies are so tied together by international trade that the inflation in the U.S. combined with the drop in the value of the dollar is reducing the demand for imports from countries that depend on exports to the United States. In some cases this has led to restrictions on the importation of U.S. goods which normally would increase in volume as the relative price (reflecting a lower value of the dollar) of U.S. goods drop.

BACK TO THE CENTRAL CITY– FOR PROFIT AND BENEFITS

Supermarkets General has announced that they will put a 25,000 square foot store (about 16,000 sq. ft. of selling) in a new 175,000 sq. ft. open mall in the Bedford-Stuyvesant development in Brooklyn. The store will be owned two-thirds by the restoration company and one-third by Supermarkets General and will operate under the name Restoration Supermarket, Inc.

A measure of the difference in marketing to the central city is known by the parking available for a 175,000 sq. ft. mall plus a 121,000 sq. ft. office building–65 spaces with hopes for an additional 185! But the key figure is that 774,000 people live within 8 minutes–walking–distance! Pathmark's research indicates a potential volume of $300,000 per week but trade sources feel that $400,000 is more likely. That would be over $800 per gross square foot per year!

DO YOU KNOW WHAT YOUR CUSTOMERS THINK?

If you think you do–and you have not conducted a properly designed opinion survey–you are probably wrong! New York State Senator Israel Ruiz, who represents the slums in the southwest part of the Bronx in New York City **where the population is 80% non-white**, recently conducted such a survey. The table below shows some of the interesting results:

	Favor	Oppose	No Opinion
Want tougher welfare regulations	77%	16%	7%
Want tougher sentences for looters	95	2	3
Want reinstitution of death penalty	66	29	5
Want stricter punishment of juveniles	89	7	4
Want able-bodied welfare workers to be required to work on street cleaning	80	16	4

Ruiz, who was born in Puerto-Rico, observed "It is my opinion that commentators in the media have no foundation when they group Hispanics, blacks and poor whites as staunch supporters of the present so-called liberal attitudes toward welfare, the death penalty and other issues affecting our lives. If labels were to be used, our findings show that blacks, Hispanics and poor whites are conservative in attitude."

COMMERCIAL BRIBERY

Gillette Company/PaperMate Division: Apparently commercial bribery is the only way that this company can do business. Look in your stationery department and see if there is a contemporary-styled, pilfer-proof display 23½" high by 5" deep by 19" wide with 56 assorted pens, 6 pen and pencil sets and 72 refills. If so, ask the buyer who got the so-called "free" General Electric AM/FM Digital Clock Radio worth $31.95. **RThought**: At some point all retailers of PaperMate should tell that company that they will quit buying PaperMate products unless PaperMate quits bribing their employees.

WORDS TO LIVE YOUR LIFE BY

I am certain that C. L. Dellums does not remember me–our contacts have been few. All of his life has been spent in Oakland–my town. Oakland is the terminus of three transcontinental railroads–Southern Pacific, Santa Fe and Western Pacific. Naturally it was the home of many members of the Brotherhood of Sleeping Car Porters, headed by A. Philip Randolph (now 88) from 1925 to 1968. For 40 of those years C. L. Dellums (now 78) was the Vice President. Once there were 15,000 members; now there are 800–and the union has just merged with the Brotherhood of Railway and Airline Clerks. C. L. Dellums' half century as a labor leader is coming to an end.

I know some of the things that C. L. has done. With Randolph he developed and led the March on Washington during World War II of 100,000 blacks that led to the proclamation by Franklin Roosevelt that abolished racial discrimination in the national defense industries and in government. This brought forth the first Fair Employment Practices Commission.

C. L. worked for 14 years, as a union leader and a leader of the National Association for the Advancement of Colored People, for passage of an FEPC law in California and when it passed in 1959 he was appointed to serve (and still serves) as a commissioner.

It was in that capacity that I first had personal contact with C. L. He was assigned to hear a case involving a client of mine. Despite the report prepared by the staff, he knew the store and did not believe that it discriminated. He visited the store to see for himself. He held, on the basis of both the evidence and his own knowledge, that we had not discriminated against the complainant.

I have seen C. L. at meetings to honor his nephew, Representative Ronald Dellums, my Congressman. It was C. L. that pushed and cajoled and guided Ron to develop himself and prepare himself for the job he now holds. There are many in Congress who disagree strongly with views held by Ron Dellums (he has voted against every appropriation for the Defense Department presented during the 7 years he has been in Congress) but none will challenge his integrity or deny his intelligence and persuasiveness.

C. L. was interviewed at the time of the merger of his small union and had an opportunity to pass on some thoughts that should spread far beyond Oakland:

> "I don't think I did as much as I could have done. I had a philosophy–and I still have it–that almost became my religion.
>
> "Simply stated, it is my belief that if a man is put into this world for any purpose, the major purpose must be that he should do everything within his power to leave the world a better place for his children to grow up than the one he grew up in."

SCULL AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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212 - 869-3435

Put w/ Jan '78 RT in file

July 11, 1978

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

Dear Bob:

May I have permission to quote from "The Impact of Inflation" as it appeared on Pages 3 and 4 of Volume 13, Number 6 of Retailing Today?

I want to make reference to inflation in my annual Merchandising and Operating Experiences for NAMM. Of course, I will include the source of the quotation.

We are going to press soon so we will appreciate hearing from you shortly if you please.

Sincerely,

Bert

H. R. Scull

HRS:ms

Dear Bert---

It is a pleasure to grant permission---but if you extract please be sure that the Bureau of Labor Statistics gets credit for putting together the basic figures. I only added some analysis.

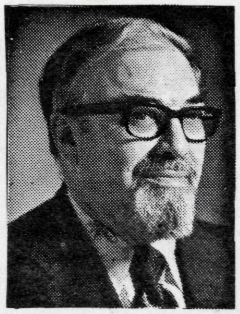
Sincerely,

Bob

Robert Kahn

Photocopy retained

File Copy - with corrections (Joan had another wedding in July)



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ROUTE TO

JULY 1978 VOL 13, NO. 7

SHOWING CONSIDERATION FOR YOUR CUSTOMERS

Retailers are prone to sell their charge account list to make a few bucks. This usually happens when the controller returns from a meeting of "Financial Executives" (a new title that is supposed to convey maturity, judgment and integrity) with a report that so-and-so makes umteen thousand dollars a year selling the names of their charge customers.

RT has reported that Bank of America now asks their customers whether or not they wanted to receive mailings and what kind (RT February 1978). Other banks are doing the same.

Now comes **Apartment Life** (Box 10263, Des Moines, Iowa 50336) with an article headed **"Subscribers, please note"** in which they report that they periodically send to subscribers offerings they think are of interest. The concluding paragraph is the important one:

> **"While we believe the distribution of this information is of benefit to our subscribers, we firmly respect the wishes of any subscriber who does not want to receive such promotional material. Should you wish to restrict the use of your name, simply send your request to *Apartment Life* . . . enclosing a current address mailing label. You may wish to state whether your preference is to receive only Meredith Corporation offers or to receive no offers of any kind."**

And **Forbes** has run several one-third page "ads" as follows:

"FORBES SUBSCRIBER LIST

> **"From time to time, Forbes makes its subscriber list available to selected companies and other organizations with products or services of interest to the business and investment community.**
>
> **"These users value the opportunity to reach one of the most influential and economically powerful audiences offered by any magazine. Forbes, for its part, believes it is performing a service to its subscribers in extending its scope as an information medium on matters which can promote the success of a subscriber's business and personal affairs.**
>
> **"Nevertheless, some subscribers may not wish to have their names included in these mailings. If you would like us to delete your name from this mailing list, please let us know by completing and returning the coupon below or simply attach the mailing label from the cover of your magazine."**

RThought: Are any retailers this considerate?

Are there major retailers who have a policy against selling the names of their charge customers the people who provide the most support for the retailer and who should be entitled to the most consideration?

A retailer has more communication with his charge customers than does a magazine. A retailer sends a bill monthly and receives a payment monthly from a high percentage of his customers while a magazine contacts subscribers not more often than once a year and sometines only every two or three years.

A retailer could include a return form in a monthly statement and could include a box on the credit application for the customers to indicate their wishes.

The reason that retailers are less considerate of their customers than are magazines and other businesses seems to be that retailers don't care how they make a few pennies and they really don't believe all the things they say about how important their charge customers are. The price at which they sell names ($10 to $25 per thousand) clearly indicates the value to the retailer of a charge customer.

WHAT WOULD IT TAKE TO STEAL YOUR EXECUTIVES?

Schwarzkopf Consultants, Inc. conducted a survey in cooperation with the University of Michigan's Graduate School of Business Administration to determine the receptivity of executives to recruitment.

Slightly over half would be willing to change positions **at no pay increase** for either a more challenging job or a preferable locale.

64% would change for a 20% salary increase and some type of performance bonus potential—even though the work is the same. 85% would change jobs if the new job was more challenging and offered a 20% salary increase and a performance bonus potential.

If you want more information, write Ed Schwarzkopf at 15285 Watertown Plank Road, Elm Grove, Wisconsin 53122 and ask for the March 1978 **Management Notes**. Tell him "Bob Kahn sent me."

IS HUMOR THE BASIS OF STANFORD SUPERIORITY OVER HARVARD?

The world is slowly adjusting to the fact that the Stanford Graduate School of Business is rated higher than Harvard by those who study business schools the closest—the faculties and the students. As a reader of the alumni bulletin of both schools, I have been struck by the fact that Stanford takes itself much less seriously. Humor is more common in the Stanford Bulletins and the general atmosphere is much less formal.

Recently Stanford gathered together some of the humor of the faculty. The following quotes brought a chuckle from me.

Professor Robert T. Davis

"You know what Prof. Porterfield says about economists? They are the only people who can make sense from a table of random numbers."

"How do you distinguish between an analytical and a humanitarian manager? Ask each of them what's the single most important thing in the company. The humanitarian will say 'people.' The analytical manager will say 'people' also, but he's lying."

In speaking of matrix organizations—"It's ridiculous to think you should have only one boss—you were born with two."

Professor Thomas R. Hofsted

On analysis of accounting figures—"In other words, do as much analysis as you can, but beware of giving it to people who make decisions."

Professor Charles T. Horngren

"Most of the time, the Financial Accounting Standards Board is like a lone tree in the midst of a thousand dogs."

Professor John G. McDonald

"If you don't like CB radios, Levitz' furniture, Budweiser and Philip Morris, you're going to miss out on a lot that's great in American society."

Dean Arjay Miller

On job hopping—"If you had asked me 10 years ago, I would have said 'A rolling stone gathers no moss.' Now I would say 'There are two ways to gather moss.'"

Professor James C. Van Horne

"Actuaries are people who wanted to be accountants but did not have the personality."

And it even goes to the guest speakers. **George Quist,** partner in Hambrecht and Quist, a successful young investment banking firm serving the high technology firms that concentrate in the West (and a firm with which I have a working relationship), when a guest speaker in a New Enterprise Management Class, said "Employee stock trusts in theory are a genuine socialist concept to distribute productive wealth to the masses, but the capitalists have turned it into a way to avoid paying taxes."

60 MINUTES GIVES FREE PUBLICITY TO FED-MART

It was not favorable.

On June 18th, CBS re-told the story of dishonest meat grading (bribed inspectors), dishonest meat buyers (one was reluctantly fired by Fed-Mart though Fed-Mart claimed that the buyer did nothing wrong when he accepted an expensive gift from a meat packer who knew the buyer's great interest in fishing!) and a government that refused to investigate reports of dishonesty from a honest inspector while promoting the dishonest inspectors.

The major retail food chains know the grades of meat. I am convinced that employees within the major chains know what is going on—even those who are honest. Of course, "honest" may be difficult to define under these circumstances. Is a man who refuses to accept bribes—but who accepts overgraded meat at a bargain price that boosts his markup and his bonus—really an honest employee?

The pressure today on maintaining planned markons (as part of a sophisticated profit-planning program that does not give an ounce of weight to compnay integrity) is so great that many people feel they must "go along" with the system in order to keep their job.

Even worse—when everyone is doing it and when the employee feels certain that his boss knows—an employee can convince himself that dishonesty is accepted conduct.

RThought: Most readers of RT are top executives in larger retail firms. Those who are with food chains did not, in most cases, come up through the meat department. Yet you have a responsibility to see that meat marked "Choice" is actually "Choice" meat.

You know what to do if someone is stealing—your security department has all of the tools.

But you tend to worry only about people who are stealing your money and your property. **Shouldn't you be worried about people who are stealing your good name?**

There are a number of things that can be done. Your protection department can employ qualified meat graders who will pull surprise inspections at all levels of your operation. You must rely on your security department to see that there is no advance notice of the inspection.

Your meat buying contracts must give you the right to pull surprise inspections on loaded trucks of meat already dispatched to your plants.

You can offer rewards to employees disclosing information about dishonesty within your organization.

You can refuse to buy from jobbers who are convicted of dishonest conduct.

There are many things that you can do. If —

. . . you have pride in the integrity of your firm

. . . you place integrity above profits

. . . you will give some of your time to this problem

. . . you will use the tools that already exist in your company

RT would be happy to report, with or without company identification, any programs undertaken in this field.

This is your chance to show that the food industry does not need more government regulation and more government inspectors in order to clean up a bad situation.

YOUR VOICE WILL BE HEARD—BY THE FASB

Donald J. Kirk, the new Chairman of the Financial Accounting Standards Board, recently discussed the issues facing the FASB in its task of defining "generally accepted accounting policies" with the editor of **The Week in Review** published by Haskins & Sells.

He observed that little input came to the FASB from individuals or smaller firms. Too often it is the major

DOES EXCELLENT QUALITY STIMULATE IMPORTS?

Our country is faced with a serious problem–astronomic trade deficits. These deficits are so high that the entire world is worried about the stability of the United States economy–and this worry is evidenced by their lack of desire to hold U.S. dollars. Whether measured since the first of 1978 or over the past 3 or 4 years, the value of the dollar against almost all other currencies–and especially against the German mark, the Japanese yen and the Swiss franc, has dropped dramatically.

The largest single import item is oil–and we have been unwilling to face up to an energy policy that will reduce our consumption. Automobiles are second–and here the explanation appears to be the poor quality of American cars. Imports now represent approximately 20% of all new cars sold; and in California and other western areas it runs as high as 40%. This is no longer a case of underselling American cars–many, if not most, of the imports sell for more than American counterparts.

Consumers Union reports each year on their analysis of repair records on the more frequently sold cars. CU rates each car under 5 categories: much better than average, better than average, average, worse than average, or much worse than average. The table below show **all 1977 passenger cars** rated in the April 1978 issue ($1, Consumer Union, 256 Washington St., Mt. Vernon, NY):

MUCH BETTER THAN AVERAGE

Datsun 210	Honda Civic CVCC	Olds Tornado
Datsun 280Z	Lincoln Mark V	Subaru
Dodge Colt	Mercedes 240D	Toyota Celica
Honda Accord	Mercedes 300D	Toyata Corolla
Honda Civic	Mercury Cougar	Toyota Corona

BETTER THAN AVERAGE

Audi Fox	Chevrolet Caprice 8	Mercury Marquis
BMW 3.20	Ford LTD II	Pontiac Granville 8
Buick Riviera	Lincoln Continental	VW Dasher
Chevrolet Caprice 6		VW Rabbit

AVERAGE

Buick Century/Regal 6	Chevrolet Chevette	Ford Thunderbird
Buick Century/Regal 8	Chevrolet Monte Carlo	Olds 88 – 8
Buick Electra	Chevrolet Nova 8	Olds 98
Buick LeSabre V6	Ford Granada 6	Olds Cutlass 8
Buick LeSabre 8	Ford LTD/Galaxie	Olds Omega 8
Buick Skylark 8	Ford Mustang II – 4	Pontiac Gran Prix
Cadillac Seville	Ford Pinto 4	Pontiac LeMans 8
Chevrolet Chevelle 8		Porsche 924

WORSE THAN AVERAGE

Buick Skylark 6	Chevrolet Nova 6	Mercury Monarch 8
Cadillac other than Eldorado or Seville	Dodge Monaco	Olds Cutlass 6
	Ford Granada 8	Pontiac Firebird 8

MUCH WORSE THAN AVERAGE

Cadillac Eldorado	Dodge Aspen 6	Plymouth Fury 8
Chevrolet Camaro 8	Dodge Aspen 8	Plymouth Gran Fury 8
Chevrolet Corvette	Dodge Polara	Plymouth Volare 6
Chrysler Cordoba	Olds Omega 6	Plymouth Volare 8
Chrysler Newport/ New Yorker		

When the ratings are recapped by manufacturer we get the following box score (the percentage distribution of each manufacturer is shown in brackets behind the count):

Mfg.	Much Better	Better	Average	Worse	Much Worse	Total
Import	13 (72%)	4 (22%)	1 (6%)	0	0	18 (100%)
General Motors	1 (3%)	4 (13%)	17 (55%)	5 (16%)	4 (13%)	31 (100%)
Ford	2 (17%)	3 (25%)	5 (5%)	2 (17%)	0	12 (100%)
Chrysler	0	0	0	1 (10%)	9 (90%)	10 (100%)
TOTAL	16 (23%)	11 (16%)	23 (32%)	8 (11%)	13 (18%)	71 (100%)

RThought: Isn't it a shame that the hallmark of quality in automobiles, a mode of transportation for the masses popularized by American ingenuity, should rest on products of foreign manufacturers? 72% of all imports rated had a repair record "much better than average." Only 6% of the American models rated reached that status. 94% of all foreign models were rated better or much better than average against only 19% of American models.

There are indications that the same is true in many other products–high fidelity equipment. TV sets, clothing, furniture, cameras, watches and many more. Much of our unfavorable balance of trade thus results less from seeking lower prices and more from seeking better quality.

And quality is something that is within the control of the American manufacturer–yet is too often neglected. Looking just at automobiles it is apparent that no American car manufacturer is dedicated to producing trouble-free, low-repair cars for the American market. They say that they can do this–but they don't.

SHORT SHORTS

Mercantile Stores makes a sound move–their 1977 third quarter report indicated that the Company had adopted a policy of expensing and funding the unfunded prior service pension costs over a period of 10 years instead of 20 (which is less than the maximum allowed of 40 years) resulting in an additional after-tax charge of $1,300,000 or 22¢ a share for the year ending January 31, 1978.

There is a small demand for liberal arts graduates. Changing Times recently had an article indicating what background major corporations were seeking among recent college graduates. Information was listed on 107 firms including 10 retailers (Allied, Bambergers, Gimbel NYC, Gimbel-Pittsburgh, G. C. Murphy, Nieman-Marcus, Osco Drug and Shillito's). The future will not be well served with nothing but business-oriented graduates in retailing.

The Wonders of Computers at Popular Mechanics! There is nothing like the renewal procedures of the magazines. My subscription expires with the June 1978 issue and on March 6th I received their first renewal offer (at rates about 40% above that available through subscription services) with bold face instructions "To assure continuous service renew before Mar 02, 1978!"

RThought: It is interesting that they coded my subscription as follows:

H H X945 49KH NO3& &&34 3R93 1 RSH1

When they could code it:

Kahn Box 343 94549

CREDIT OFFICE RATING

For the first time in the history of the Credit Office Rating there are three different firms that have gotten out statements in 2 days! All three results are based upon information from recipients of the statements rather than reports from stores.

Perhaps RT will have to make another reduction in the time allowed for Honor Roll standing. For those readers who are not familiar with the history of the Rating, the original goal was 5 days when few firms could attain that standard. Then it was reduced to 4 days. More than half of the firms reported on this month (17 of 32) would have made the original Honor Roll.

HONOR ROLL

Company	Days	Company	Days
Liberty House	2.0	Oshman's	3.0
Macy's NYC	2.0	Mervyn's	3.9
Joseph Magnin	2.0	B. Altman	4.0
Rubenstein's	2.3	May Co. LA	4.0
Roos/Atkins	3.0	Maison Mendessolle	4.0

CREDIT OFFICE RATING

	APR-MAY 1978			FEB-MAR 1978		
Information From Reporters	No. of Reports	Days to Bill Average	Range	No. of Reports	Days to Bill Average	Range
B. Altman (NY)	1	4.0	4	1	4.0	4
Bullock's (LA)	2	8.0	6-10	1	4.0	4
Bullock's (No. Cal)	5	6.7	5-9	9	6.7	3-11
Capwell's (No. Cal)	13	9.0	6-13	9	8.2	6-10
B. Dalton	1	10.0	10	--	--	--
Emporium	2	6.5	6-7	2	4.5	4-5
Grodin's (No. Cal)	1	7.0	7	1	6.0	6
Liberty House	1	2.0	2	3	3.7	3-4
Livingston's (SF)	3	5.0	4-6	2	5.0	5
Lord & Taylor (NY)	1	6.0	6	--	--	--
Macy's(NY)	1	2.0	2	--	--	--
Macy's (No.Cal)	10	5.0	4-9	9	7.0	6-8
I. Magnin (SF)	6	4.1	3-5	5	3.6	3-4
J. Magnin (SF)	1	2.0	2	3	3.0	2-4
May Co. (LA)	1	4.0	4	1	5.0	5
McCaulou's	1	7.0	7	--	--	--
Mntgmry. Ward (No. Cal)	1	5.0	5	2	6.5	6-7
Roos Atkins (NY)	1	3.0	3	4	5.5	4-6
Sears (LA)	1	8.0	8	--	--	--
Sears (Alhambra)	8	8.5	7-10	5	6.6	5-8
W. & J. Sloane	1	8.0	8	--	--	--
A. Sulka (NY)	1	10.0	10	1	10	10
Weinstock's (Sacramento)	1	8.0	8	2	7.5	6-9
TOTAL	64	6.6	2-13	60	6.1	2-11

	APR-MAY 1978			FEB-MAR 1978		
Information From Stores	No. of Reports	Days to Bill Average	Range	No. of Reports	Days to Bill Average	Range
Holman's (Pacific Grove)	10	4.2	3-6	11	4.4	3-5
Ivers (LA)	10	7.0	5-9	10	8.1	7-10
Levy Bros. (San Mateo)	15	4.6	3-7	16	4.1	3-5
Maison Mendessolle	2	4.0	4	1	7.0	7
Mervyn's (No. Cal)	20	3.9	3-5	20	3.9	3-4
Oshman's (Houston)	12	3.0	2-4	11	3.5	3-4
Penn Traffic (Johnstown)	10	4.8	4-6	10	4.7	4-7
Rubenstein's (Shrvpt, LA)	6	2.3	2-3	6	2.1	2-3
Weinstock's (Hntngtn Pk)	7	5.6	4-7	9	7.0	5-12
TOTAL	92	4.4	2-9	94	4.7	2-12

WINEMAN'S

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

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

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

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

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

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

accounting firms, the major corporations, the accounting teachers, the Financial Analysts Society and the major trade associations that submit views.

If you are concerned about the new accounting policies being implemented by your accountant—with the explanation that the FASB now requires that he follow such a policy—you can outline your view to the FASB. For example, in a privately held company with 2 or 3 shareholders, perhaps you have wondered why the accountant had to show earnings per share. Or perhaps you wondered why they had to disclose in a footnote your unfunded pension that is part of your employment contract with your own company. If you think this is foolish—and perhaps causing unnecessary additional costs for accounting service—you can submit your objections to the FASB.

Start your efforts by saying you have been told that the FASB requires your accountant to do something you think is foolish, unnecessary or an additional cost. The address is Financial Accounting Standards Board, High Ridge Park, Stanford, Connecticut 06905.

For a modest cost you can be placed on the mailing list for their monthly STATUS REPORT so that you can find out in advance what schemes are in the works.

FORBES PINPOINTS ASSET-LOADED MARKET-LAGGARD STOCKS

In the May 1, 1978 **Forbes**, retailers were the largest group (20 of 73) firms selling at substantial discounts from book value. Here are the retail bargains:

Company	Price As % Book Value
Food Fair	26%
Goldblatt Bros.	27
City Stores	28
J. Weingarten	28
J. W. Mays	31
Cook United	34
Lafayette Radio	34
Vornado	34
Borman's	36
Thriftimart	36
Craddock-Terry	38
Cunningham Drugs	39
Brad Ragan	44
Zayre Corp.	45
Bond Industries	46
Jewelcor	53
Alexanders, Inc.	54
Pier 1 Imports	54
Walbaum	54

RThought: The reason is simple. When retail stocks sell at 5 or 6 times earnings, they have to generate 16.7% to 20% return on common stock equity in order to sell at book value. The proof of this is simple arithmetic:

$$5 \times 20\% = 100\%$$
$$6 \times 16.7\% = 100\%$$

THE GROWING CHILDLESSNESS

The percentage of childless women among all women age 20 to 24 who have ever been married dropped each year from the late 1930s until the baby boom in the mid-1950s at which time only 25% were in this category. But it has risen steadily since then to 45%. In the next age group, 25 to 29, the percentage dropped from 30% to a low of 12% in 1965; it has risen steadily since then to more than 25% in 1977.

The Bureau of Census continues to be optomistic—expecting that for all women (including the growing number who will never marry) the number of children per 1,000 women during their fertile years will exceed the zero-population rate of 2100 children. They base this on surveys of expectations—even though past surveys of expectations have proven that women tend to overestimate the number of children they will have.

TRUTH-IN-MENU? WILL IT WORK?

San Mateo County—just south of San Francisco—has passed a law seeking to prevent abuse of residents who think they are buying "foot-long hot dogs" and are getting short-changed by 2". Unfortunately the law should be called "Half-Truth-in-Menu."

The law permits, as not being misleading, the description "New England clam chowder" when no components come from New England, "French fries" that have no connection with France, "Danish rolls" that never heard of Denmark, "Texas" Chili and "Swiss" cheese.

With all of that allowed, the local restaurants will have to provide Main lobster only from Maine and Canadian bacon from Canada (although they will be allowed to offer "Canadian-style bacon"). Fresh items must be fresh, cream must be cream, Coca-Cola (reg. TM) must be you-know-what and, at last, "home made" must at least be made on the premises even if no one lives there.

RThought: will Chop Suey be banned in Chinese restaurants because it is an American dish?

THE PERIPATETIC EDITOR

A Sunday night in Dallas offered an opportunity to review both Sunday papers. Woolco, which says We want to be **your** favorite store, is the only major retail chain that continues to offer an unlimited warranty—their ads continue to say "Buy with confidence! Satisfaction Guaranteed! Replacement or money gladly refunded." Everyone else hedges.

Sears is putting their advertising policy in each ad:

SEARS PLEDGE TO YOU

Our ads are our word. They are backed by Sears Advertising Policies Manual which requires every advertised item to be "supported in each participating store with sufficient merchandise . . . "If we should run out of any reduced price item during the sale, we will reorder for you at the sale price. This does not apply to clearance and closeout sales where available quanitites are limited. If you have a question concerning any Sears ad, please call our Consumer Information Department at 565-4051.

Sears also is including a new statement "Each of these advertised items is readily available for sale as advertised." That is what the law requires—putting it in the ad does not make it happen in each store.

Titche's continue to identify themselves with pride as part of Allied Stores while Neiman-Marcus (Carter Hawley Hale), Sanger & Harris (Federated), Skillern Drug (Zale's) and many more apparently want to hide their parentage. Are they really ashamed? Or are they afraid?

K-Mart (who changed their corporate name to match their stores!) includes a statement of automotive policy:

> **K-Mart AUTOMOTIVE SERVICE POLICY**
>
> **K-Mart's policy is to perform only needed services. For your benefit, K-Mart auto services are necessarily conditioned on K-Mart's right to decline any service, whether advertised or not, where a car has related deterioarated or worn parts which create or continue an unsatisfactory or unsafe driving condition, unless the customer gives K-Mart a written waiver of replacement of such needed parts. Needed brake system parts may not be waived by customer. K-Mart may in its judgement refuse to perform any partial brake job where your safety is at stake.**

Of course, they probably had the same policy in California where they recently settled a court action for $93,000 (see RT March 1978—Retailers and the Law) for installing unnecessary parts.

COMMERCIAL BRIBERY

Golden D'Or Converting Corporation, Dallas, TX: They mail their bribery offer directly to your buyer in your headquarter's office. An RT subscriber reported their "Silver Dollar Give Away" offering the following at the Dallas Market January 28—February 2, 1978:

Purchase	Get Silver Dollars
$250/$500	$5
$500/$1,000	$2 per hundred
$1,000/$2,000	$3 per hundred

They give an example—purchase $2,000 from us and receive 45 Silver Dollars! **RThought:** Tell your fabrics buyer that purchasing from Golden D'Or is grounds for discharge.

THE ARROGANCE OF TRADE PUBLICATIONS

The March/April 1978 issue of Convenience Store ($2.50 708-3rd Ave. NY 10017) had an editorial entitled "The Arrogance of Virtue" in which they assailed a number of efforts to reduce smoking—either in certain areas or for everyone. Their targets were (1) Madison Square Garden which now asks people who want to smoke to do so in the outer walkways (2) waiting rooms with signs "Thank you for not smoking" (3) a claim that airlines reserve more no-smoking seats than necessary which go unsold and espeicially, (4) the campaign of reformed smoker HEW Secretary Califano.

The editorial concluded:

> **"And if it (government action to reduce smoking) goes unchallenged, it will have a devastating effect on the fabric of American life. For it takes away the basic American philosophy of the free exchange of ideas—that is, the tobacco industry can present its views, the Government scientists can present their views, and the public can make up its own mind—and substitutes brute force in its place. 'Enough of this debate,' the Government says. 'We told you that cigarettes are harmful; we printed that information on every cigarette package; we banned tobacco advertising from the airwaves—and you foolish people continue to enjoy your smoking more than ever.** *Now we have to get tough.'*
>
> **"We believe adults have the right to make their own decisions about what to do with their own bodies. We believe that people who choose to smoke have the absolute right to be left alone.**
>
> **"And we believe that the Convenience store industry—which deals face-to-face with $1.2 billion worth of cigarette customers every year—might be just the right force to bring that message home to its neighbors, for them to pass along to their congressman."**

RThought: Cigarettes represent an estimated 16% of annual sales for the 30,000 convenience stores. It runs as high as 23% for some chains (Quik-Trip, 200 stores). Editor Robert Rossner doesn't really care about the health of the United States nor even the comfort of a growing number of non-smokers. He must pander to the trade he serves—with editorials that support their right to press on the public cigarettes (cancer) and alcohol (our most serious drug). Perhaps the one great argument against liberalization of laws on possession/use of marijuana is to avoid more lectures on arrogance from the convenience store industry—which would undoubtedly become a major outlet for pot. Just as convenience/food stores progressed from beer to beer and wine to beer, wine and alcohol, convenience stores could push for progressions from pot to speed to heroin on the basic argument that Rossner makes—"We believe adults have the right to make their own decisions about what to do with their own bodies."

SHORT SHORTS

When is a Fashion Square not a Fashion Square? That should be of concern to the major stores that lend their name to centers that call themselves "Fashion Square." Recently I visited the Fremont (California) Fashion Square where the sole department store is Capwell's (Carter-Hawley-Hale). Though the center is more than 5 years old, there are still sections that have never been occupied. Much of the space is taken up by electronic stores, ice cream and pizza parlors, and finance companies. Most people would not consider these to be fashion stores. RT suspects that there is merit in honestly describing shopper centers just as there is merit in honestly advertising merchandise.

HASKINS & SELLS HELPS ANN LANDERS WITH WORDS TO LIVE BY

In the second March 1978 (really April) issue of RT under "Words to Live By" we quoted some lines Ann Landers had run under the heading **"Success."**

RT readers have once again shown that collectively they know everything. Dale Schmid, a partner in Haskins & Sells in their San Francisco office, sent me the full poem which is entitled "What is Success" by Ralph Waldo Emerson, (a copy of Dale's letter has been sent to Ann Landers):

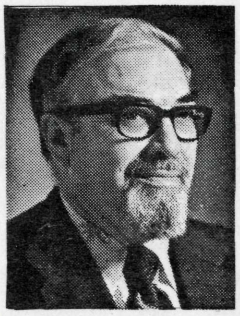
WHAT IS SUCCESS?

To laugh often and much
To win the respect of intelligent people and affection of children;
To earn the appreciation of honest critics and endure the betrayal of false friends;
To appreciate beauty, to find the best in others;
To leave the world a bit better, whether by a healthy child, a garden patch or a redeemed social condition;
To know even one life has breathed easier because you have lived

This is to have succeeded.

Remember that what you possess in the world
Will be found on the day of your death
To belong to someone else
WHAT YOU ARE, WILL BE YOURS FOREVER!

The purpose of life is not to be happy
It is to be useful
To be honorable; to be compassionate
To have it make some difference
That you have lived and have lived well.



RETAILING TODAY

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ROUTE TO

AUGUST 1978 VOL. 13, NO. 8

ARE RETAILERS MORE EFFICIENT THAN THE GOVERNMENT?

Recently I read a Paul Harvey column where he wrote, "One in five workers in the United States is paid with tax dollars." That same day that figure was quoted—apparently someone saw the column earlier—at a meeting with a client.

But what does that mean? Is that more or less than it used to be? Is it more than it should be? Does "tax dollars" include the people at McDonnell-Douglas building fighter planes? What about bus drivers who are partially paid by the fares collected? Have you quit beating your wife?

The more I thought about it, the more I wondered how government and retailing compared. We serve the same customers—as population increases the demand for goods (from us) and services (from government) increase at about the same rate. We both are under pressure from inflation. And we both find it difficult to automate most of our jobs—could we have an automated firefighter any more than an automated microwave oven salesperson?

I find salespeople standing around talking while they neglect customers as often as I see government clerks standing around talking while they neglect citizens.

Table I shows what has happened for the period 1950-1976 (1977 data is included where available but is not used for comparisons). As I studied "government" employees it was obvious that they broke down into three groups—military, education, and all other.

TABLE I
TOTAL LABOR FORCE AND SELECTED COMPONENTS
(Figures in Thousands)

Year	Total Labor Force	Number Unem-ployed	Mili-tary	Educa-tion	Other Gov't.	Total Gov't.	Retail
1950	63,858	3,288	1,650	1,732	4,294	7,676	6,868
1955	68,072	2,852	3,049	2,169	4,745	9,963	7,740
1960	72,142	3,852	2,514	2,918	5,435	10,867	8,388
1965	77,178	3,366	2,723	3,960	6,114	12,797	9,404
1970	85,903	4,088	3,188	5,316	7,245	15,749	11,225
1975	94,793	7,830	2,180	6,294	8,426	16,900	12,824
1976	96,917	7,288	2,144	6,330	8,618	17,092	13,431
1977	99,534	6,855	2,133	n.a.	n.a.	17,323	13,903
Annual rate of change 1950-1976:							
	+1.6%	+3.1%	+1.0%	+5.1%	+2.7%	+3.1%	+2.6%

SELECTED LABOR COMPONENTS AS PERCENTAGE OF TOTAL LABOR FORCE

Year	Total Labor Force	Number Unem-ployed	Mili-tary	Educa-tion	Other Gov't.	Total Gov't.	Retail
1950	100.0	5.3	2.6	2.7	6.7	12.0	10.8
1955	100.0	4.4	4.5	3.2	6.9	14.6	11.4
1960	100.0	5.5	3.5	4.0	7.6	15.1	11.6
1965	100.0	4.5	3.5	5.1	8.0	16.6	12.2
1970	100.0	4.9	3.7	6.2	8.5	18.3	13.1
1975	100.0	8.5	2.3	6.6	8.9	17.8	13.5
1976	100.0	7.7	2.7	6.5	8.9	17.6	13.9
1977	100.0	7.0	2.1	n.a.	n.a.	17.4	14.0

CHISELING BY GOVERNMENT EMPLOYEES?

One of the stories that one hears around the retail industry is the one about how many government employees are drawing welfare payments on the side. There was a news story some months ago about a Department of Health, Education and Welfare matchup of federal paychecks and welfare payments. The first reports told of thousands of names being on both lists.

Privacy Journal (Box 8844, Washington, D.C. 20003, $45/yr.) published by Robert Ellis Smith, **a publication that will help you keep your own policies and procedures in perspective,** reported on the results.

The matchup between the federal payroll and the welfare rolls of 25 states, at a cost of millions, was done in the summer of 1977 but not authorized by Congress until December 1977. Out of the 2.8 million current federal employees, they identified 18,000 names that matched. There were another 11,000 names of former federal workers. As of May 1978, the score stood as follows:

Number of verified duplicates	— none
Number of suspected law violations	— none
Number of referrals for prosecution	— none
Number of indictments	— none

RThought: Hoping that you can look down on all federal employees because you consider them all to be inefficient, lazy, incompetent, and, now, dishonest, won't make it so. Like many other great stories, the facts just don't measure up to the fiction.

The number of military employees is strictly a policy matter—"demand" only exists when there is a war.

The number employed in education is a function of three factors: (1) the baby boom after World War II, (2) a higher standard of living with family discretionary income level that permits more kids to go to college plus (3) an increasingly complex economic enterprise system which is demanding more and more people with at least a college degree (and often an advanced degree). But the number employed in all levels of education is starting to decline as we run out of raw material—kids.

The "other government" group is the group that can be compared with retailers.

The upper part of Table I shows the actual number of people in each group and the lower half shows these figures as a percent of the total labor force. In the middle is shown the annual rate of change in the number of people in each category. While population was growing at the rate of 1.3% a year, the total labor force was growing at the rate of 1.6%.

"Other government" has grown at about the same rate as retailing—1.7% v 2.6%. If "other government" had grown at the same rate as retailing there would only have been 2.6% fewer employees in the "other government group" at the end of 26 years.

Let's look at the "Total Government" and "Retail" columns. Since 1970 (before Jimmy Carter or Proposition 13 in California) the percentage of the total labor force employed by government has been declining—and for the past several years the "other government" category has stabilized. Yet the percentage employed by retailing continues to grow, and soon the compounded growth rate since 1950 for retailing will pass that for "other government."

Can we say that retailing is more efficient than government? I don't think so. Retailing (which includes restaurants) has shown an unbroken trend of needing an increasing percentage of the total labor force in order to serve the public.

Is retailing concerned about this? No. Does the American Retail Federation have a committee investigating this? They don't—because they probably don't know it is happening. It is fortunate that this is being kept a secret—otherwise consumer organizations rightfully would be clamoring for control to force increased efficiency in retailing. The inefficiency in retailing is passed on to the consumer as additional cost just as the inefficiency in government is passed on to the taxpayer in the form of increased taxes. Unfortunately, the consumer and the taxpayer are one and the same person.

If retailing could have operated as efficiently in 1976 as it did in 1950, requiring only 10.8% of the total labor force, retailers would have needed 3,150,000 fewer people. At an average payroll cost **plus fringe** of approximately $12,000 (see Table II), retail prices could have been reduced some $38 billion or about $170 for every man, woman and child in the United States!

Of course, if government could have stayed at 12.0% they would have needed 2,100,000 fewer people at a savings in pay and fringes of about $30 billion.

Let's look at what has happened to pay for these same groups of people. Table II shows the changes in average annual wage for the most recent 10 years for which figures are readily available. "All domestic industries" **excludes** military and agricultural but **includes** all other groups of employed people. The first three lines show that the compounded annual growth rate for retailing has been below the all industry average while that for government employees has been above the average. (Note: the problem retailers have of finding good people may be traceable to this trend—as retailing falls further behind the average, retailers get to pick from lower and lower in the barrel).

TABLE II
AVERAGE ANNUAL WAGE

	1965	1970	1973	1974	1975	Annual % Compounded Growth
All Domestic Industries[1]	5,812	7,711	9,288	10,003	10,890	7.23%
Wholesale & Retail[1]	5,328	6,871	8,063	8,754	9,419	6.54%
Government Employees[1]	5,697	7,951	10,040	10,650	11,477	8.09%
State & Local Employees						
Education[2]	6,456	9,072	10,848	11,388	12,156	7.28%
All other[2]	5,424	7,704	9,552	10,235	10,944	8.11%
All Military Personnel[3]	4,400	5,800	8,400	9,000	9,500	8.93%
Officers[3]	9,800	13,000	16,600	17,800	18,800	7.51%
Enlisted[3]	3,600	4,700	7,000	7,500	8,000	9.28%

Source: all data from Statistical Abstract 1977
(1)Based on total payroll reduced to full time equivalent employees
(2)Based on average salary per full time equivalent in October each year (as reported) multipled by 12.
(3)Original data reported only to closest $100.

When state and local employees are grouped into "education" and "all others," we see that the wages for people employed in public educational institutions have increased at about the overall average rate while pay for state and local employees outside the education group has increased faster than the national rate.

When we look at military personnel we see that officers have increased moderately faster than the overall rate (probably due to an increased percentage of higher ranked officers rather than a faster increase in pay rates for each grade) while average enlisted pay has increased the fastest of any group selected. Enlisted pay reflects both the higher pay needed for an all-volunteer military service and the increased percentage of higher grades needed to provide the technicians necessary to use increasingly complex weapon systems.

At this point we can conclude that retailing has shown inefficiency in use of people by increasing the number of people needed almost as fast as "other government" in relation to the total labor force employed (perhaps someone would argue that "other government" is only slightly less efficient than retailing?) but retailing has resisted wage increases more strongly than government.

Let's analyse various segments of retailing by looking at three key figures.

If retailing is as efficient as ever it should be able to operate on the same gross margin—with inflation impacting merchandise, labor and other expenses at a uniform rate. Next, we can look at payroll percentage to sales. If retailers are efficient in use of labor then we should expect that with average retail wages increasing at a slower rate than most other segments of the labor market, the efficient use of labor should show a declining percentage of cost of labor to sales. And finally let us look at profits before income taxes as a measure of how the over-all changes affect retailing.

Tables III to VI show data for Department Stores, Food Chains, Men's Wear Stores and Discount Department Stores for varying periods of time (RT files do not include all data on all segments for all years!).

Based on the analysis set forth above and a review of operating figures we can conclude the following:

Department Stores: they demonstrate declining efficiency as shown by the higher gross margin required which, despite a slightly lower total payroll percent, still resulted in a smaller profit before taxes.

TABLE III
KEY DATA – DEPARTMENT STORES

	1950	1976
	All Department Stores	
Gross Margin	36.5%	39.06%
Total Payroll	17.6%	17.65%
Net profit before Taxes	6.9%	5.19%
	Department Stores Over $50,000,000 Annual Sales	
Gross Margin	36.5%	39.28%
Total Payroll	17.45%	17.57%
Net profit before Taxes	7.4%	5.62%

Source: Financial and Operating Results. 1950 published by Harvard Business School, 1976 published by National Retail Merchants Association.

DOES SEARS STILL GUARANTEE SATISFACTION OR YOUR MONEY BACK?

In the May RT a Short Short started "**Who guarantees satisfaction?** Sears long ago dropped their famous slogan 'Satisfaction Guaranteed or your money back' but Woolco . . ."

Ernest L. Arms, National News Director for Sears, responded that "I cannot understand your reference to Sears having dropped its famous slogan . . ." and enclosed a photocopy of the cover of the Fall/Winter 1978 catalog which states at the bottom center "Satisfaction Guaranteed or Your Money Back." He also sent the full page statement of the policy that appears in the Big Catalog (not to be confused with the catalog for Big Sizes!)

After I provided the information on which my item was based—advertising in the Dallas newspapers, Mr. Arms replied:

> **"I have checked with the advertising manager, who assures me that the slogan is used in connection with Sears signature, unless ads appear on a number of consecutive pages—in which case the slogan would appear on the opening and closing pages.**
>
> **"It's possible, of course, that some Sears unit (you mentioned Dallas) might not have used it—but we would certainly like to know about that if you see it again.**
>
> **"'Satisfaction Guaranteed' is our policy and we do want our customers to know it."**

With that letter he enclosed some pages from the current Chicago Tribune which did include the slogan.

I replied to him, assuring him that it did appear on the cover of all *mini-catalogs* sent out by the mail order division, but did not appear in any of the many magazine ads that I had seen.

Mr. Arms then replied, "I have learned that for space reasons the pledge is not included in our magazine ads or for that matter in broadcast advertising."

RT decided to make a major study of just how well Sears does advertise their "Satisfaction Guaranteed" policy.

In setting up the study it was apparent that Sears has certain other campaigns going and it appears that they have instructed their advertising departments to include them in local ads.

1. Sears is pushing credit. The wording that appears in papers all over the country is, "Ask about Sears Credit plans." It is dropped into empty spaces in the ad, placed at the bottom of a page, inserted almost anywhere and in type as small as 3 point.

2. Sears has been embarrassed by FTC charges of "nailing" advertised items to the floor. This is dealt with either by the statement "Each of these advertised items is readily available for sale as advertised," or by the following statement:

> **THIS AD IS OUR WORD.** It is backed by Sears Advertising Policy which requires every advertised item to be supported in each store with sufficient merchandise. . . If we should run out of any reduced price item during the sale, we will reorder for you at sale price. This does not apply to special purchases, clearances and closeout sales where quantities are limited."

3. Sears is sensitive about comparative prices and they are meeting this situation by including the following statement:

> **SEARS PRICING POLICY . . .** If an item is not described as a special purchase, it is at its regular price. A special purchase, though not reduced, is an exceptional value."

We decided to check the compliance with these three programs so that we could compare the emphasis on these points with the emphasis placed on the "Satisfaction Guaranteed" slogan.

But before looking at the results, let's go back to an article that appeared in the June 15, 1977 issue of FORBES which traced Sears' history of increased central control over pricing and advertising. In 1974 Sears did their first TV ad in which the price was set in Chicago—and the results were excellent. In fact, Chairman Arthur Wood recognized this turning point and **Forbes** says, "Greatly to Chairman Wood's credit, **he moved decisively to centralize control of Sear's pricing, advertising and promotion.**" (Emphasis added.) Based on this, RT feels that credit for compliance should be given to the central organization—and failure to comply should be blamed on the central organization.

SURVEY OF SEARS' ADVERTISING CAMPAIGNS

Newspaper	Date	No. of Ads	Apprx Inches	Satis. Guar.	Credit	Merch. Avail.	Pricing Policy
Kansas City Star	7/30	7	600	–0–	7	6	4
Sunday Denver Post	7/30	8	550	–0–	7	3	1
San Antonio Express	7/16	6	1000	4	1	3	1
Detroit Free Press	7/16	10	850	4	10	–0–	–0–
St Louis Post Dispatch	7/16	4	375	–0–	4	–0–	–0–
Los Angeles Times	7/23	12	1150	–0–	8	11	3
St. Paul Sunday Pioneer Press	7/16	6	450	5	5	5	–0–
Cleveland Plain Dealer	7/9	10	800	–0–	9	6	–0–
Sunday Oklahoman	7/12	10	1100	10	9	10	10
TABLOIDS							
Boston Globe	7/23	24 pages		–0–	5	8	1
San Francisco Bay Area Papers, Week ending	8/6	34 pages[2]		–0–	21	7	2

(1) Also included, "Where America Shops," a new theme that appeared in a few ads, and also referred to "48 month Battery" rather than Sears 48 Battery.

(2) Two tabloids, 14 and 20 pages.

The survey shows that in 7 of 11 major metropolitan areas surveyed, no mention of "Satisfaction Guaranteed" was made. Add Dallas and Chicago, and the score would be 8 of 13. Yet all 13 pushed credit, 11 of 13 stressed merchandise available and 8 of 13 set forth the pricing policy.

Several other factors showed up in the survey:

1. Every mini-catalog sent out by the mail order divison had the slogan—on the cover. It may not have been prominent, but it was there.

2. Not a single magazine had the slogan—checking back into RT files as far as the fall of 1977 and including such magazines as Sunset, Ebony, Popular Mechanics and Popular Science. The failure to include the slogan could not be attributed to space. There must be other reasons.

3. No TV ads were checked during the survey. However, there would not appear to be any reason why the slogan could not be visually included with the sig-cut. It does not have to be read by the announcer.

4. Batteries are now known as "Sears 36" or "Sears 42" or "Sears 48." Not a single word is said about any guarantee for any period of time. Yet the catalogs all carry this information. The Big Catalog says, for example:

The Sears 48 Warranted 48 months

5. Every newspaper checked included at least one ad for tires. Not a word was mentioned about mileage warranty. Yet the catalog clearly describes Sears Roadhandler Steel Belted Radial Tires as "Sears*Best" and "Warranted 44,000 miles." Battery and tire warranties have been obtained when purchases were made at retail stores during the past year so apparently Sears is still offering them through stores as well as through the catalog. For some reason Sears does not feel that such information is important to purchasers when deciding on what tires to buy.

RThought: There are only three possible conclusions to draw from this survey:

1. Sears no longer has a "Satisfaction Guaranteed" policy but some of the districts and regions have not gotten the word. This must be rejected on the representation of Mr. Arms who is the National News Director and who must have checked this matter during the course of our correspondence.

2. Sears has issued instructions (perhaps too long ago) that "Satisfaction Guaranteed" is a policy that is still important. But Sears is so poorly organized that they have failed to see that it is included in store advertising. This is possible.

3. This is a policy among people at headquarters but unknown at the local level. This must be rejected when one looks at the outstanding use of the "Satisfaction Guaranteed" slogan in areas as widespread as San Antonio, St. Paul and Oklahoma City.

RT feels it is the second choice—and that Sears' headquarters has proven inept in protecting an important policy. RT hopes that this will be corrected—and that other firms will then have to follow Sears.

RETAILERS AND THE LAW

Spiegel, Inc. (Beneficial Corp): In 1975, Spiegel ran a "Name the Lion" contest. Names submitted by Californians were not considered because of a legal dispute. In a settlement of an action by the California Attorney General, Spiegel agreed to give all such entrants a 10% discount on purchases to $100 and to so advise each entrant. In addition, Spiegel paid (without admitting wrongdoing) a civil penalty of $7,500, and $5,000 to cover legal costs of the state and agreed not to run contests where purchases are required in order to win.

SHORT SHORTS

American Express blows a good idea. They sent out a letter to persons who had applied for cards in 1958—their first year—and who still hold cards, telling them that they were going to get a special card released only to "Charter Cardmembers" (one told me he would have preferred a reduced or eliminated annual charge in view of the persistency needed to last 20 years!). But one had a serious complaint—the card has been in her name for all 20 years, yet they addressed her as "Mr." and the street address was wrong! One of 3 words in the street name was right—which gave the post office a clue. The letter of complaint was sent to **Ms.** George W. Waters.

How do they stay in business? National Home Life Insurance Company sent out to participants in a group life program a notice that reads:

> "**Good News for Employer Groups.** You can pay your Group Premium IN ADVANCE with one check, up to as many months as remain in the current year. Thousands of National Home's policyowners enjoy this CONVENIENCE (not to mention reducing bookkeeping and record work). The start is easy. Just multiply the present premium, as shown on the enclosed bill, by the number of months you wish to pay in advance, and mail your check in today."

I doubt that thousands of employers do this without a discount. But what does one expect when the enclosure is with a statement that reads "Please pay by 03/01/78" but which was mailed so late it was received on March 6th!

If "fair trade" is a good gimmick, keep using it. That, apparently, is the philosphy of the Unity Buying Service. Their Winter/Summer 1978 catalog says "There is no such thing as 'the' price except for fair trade articles." Catalog/showrooms and catalog houses are so used to misrepresenting price comparisons that they didn't even notice the repeal of fair trade.

More competition on finance charge rates. Lowe's Companies sent RT a copy of one of their advertisements quoting an Annual Percentage Rate of 14.67% on a TV set—down from the 18% they formerly charged. Lowe's negotiated a lower APR from the firm carrying their accounts and passed the savings on to their customers. It may well be easier to pass on this savings when a store does not carry their own credit. When everything is done internally no one can put a price on credit and so the APR tends to be the maximum allowable.

Miracles of modern computerized business! Holley carburetor has come up with their Economaster carburetors which will greatly improve mileage on most cars. To get information, according to the ad in Popular Mechanics, you send $1.50 for a booklet and **allow 45 days for handling!** Remember the precomputer days when they asked that you allow 2 weeks?

The computer idiots move from Popular Mechanics to Vogue! RT reported in July '78 the use of a subscription code by Popular Mechanics that required 27 numbers and letters. Vogue needs 40—here is a sample:

302604 KMA 1380◊099 G118616146 45 07 10 0012005

And then they have the gall to say "Your File Number may be found on the enclosed Acknowledgement. **Please jot it down for future reference.**"

Missed Target? That would be Target Stores. Perhaps too fast on the draw. That would account for the box in the June 25th Dallas Morning News saying that two items appearing on Page 2 of the circular enclosed "will not be available because they did not meet our quality standards."

Is Standard Brand Paints unspecializing? Long recognized as one of the leading specialty retailers (and rewarded with one of retailing's highest price/earnings ratios), they have greatly expanded their product line over the years. Some years ago they added artist supplies—perhaps responding to the success of Aaron Bros. Now they are adding discount carpets—"over 300 styles of top quality, famous brand carpeting" to use their words.

Food Chains: here we see a mixed pattern, Payroll has increased **very substantially** in proportion to sales, probably reflecting low resistance to union wage demands, with gross margin increasing less than the increase in labor percentage. Thus the lower efficiency in labor usage (or the over compensation for work actually performed) has seriously reduced the profit margin to the detriment of the equity investors.

TABLE IV
KEY DATA – FOOD CHAINS

	1950	1976
	All Chains	
Number reporting	55	50
Gross Margin	19.39%	21.35%
Payroll including fringe benefits	9.74%	12.03%
Net profit before Taxes	2.90%	1.14%
	Largest Group[1]	
Number reporting	19	13
Gross Margin	19.58%	21.45%
Payroll including fringe benefits	9.83%	12.19%
Net profit before Taxes	2.92%	1.05%

Source: Operating Results for Food Chains. Published 1956 by Harvard Business School and 1976-77 by Cornell
(1) Over $50 million in 1950 and over $500 million in 1975.

Men's Wear Stores: substantially greater inefficiency is shown by substantially higher gross margins. With payroll declining and profit percentages increasing, men's wear stores have covered the higher cost of inefficiency and still added to their profits!

TABLE V
KEY DATA – MEN'S WEAR STORES

	1950	1977
	All Stores	
Gross Margin	33.6%	40.9%
Payroll	18.8%	18.1%
Net profit before Taxes	3.4%	3.8%
	Largest Group[1]	
Gross Margin	36.0%	42.6%
Payroll	19.3%	18.7%
Net profit before Taxes	2.7%	4.6%

Source: Survey of Operating Experiences of Men's Wear Stores, Menswear Retailers of America (called National Association of Retail Clothiers and Furnishers in 1955).
(1) Over $1,000,000 in 1955 and over $3,500,000 in 1977.

Discount Stores: here the time period covered is shorter, the industry is younger and the sampling accuracy of the 1964 report may be questioned. But accepting the 1964 sample as accurate, the industry has been more efficient in labor use but substantially less efficient elsewhere with the result that even a significant gross margin increase has still resulted in a lower pre-tax profit. Competition is in the form of more advertising and more elaborate (and expensive) stores.

TABLE VI
KEY DATA – DISCOUNT STORES

	1964	1976-77
Number of firms	28	43
Number of stores	371	1,922
Estimated % Industry volume	12%	25%
Gross Margin (% owned sales)	26.0%	29.3%
Payroll and supplements	13.9%	12.9%
Net profit before Taxes	3.7%	3.1%

Source: Operating Results of Self-Service Discount Department Stores published by University of Massachusetts in 1964 and Cornell University in 1976-77.

RThought: I don't think government is more or less efficient than retailing; therefore retailers should refrain from being the pot that calls the pan black.

I think we should be concerned about needing a constantly increasing percentage of the total labor force in order to deliver the end product of our industrial complex to the ultimate consumer. The figures here reflect a quarter century of opening too many stores that are too large, operating too many hours and spending too much on fixed assets. Because the benefits from computers and point-of-sale equipment is more in the future than in the past, there may be some moderation of this trend as computers are more widely used.

Finally, we should be concerned about what consumer groups are likely to do if they realize that they are paying significantly higher prices because of our inefficiency. If "free enterprise" always makes the right and best decisions for the consumer then one must wonder if retailing is an exercise in free enterprise.

A TREND AWAY FROM LIFO?

The Gap announced with their first quarter report:

> **"The results (of the first quarter) reflect a decision by the Board of Directors to change the Company's method of valuing its inventory to FIFO (first-in, first-out) from LIFO (last-in, last-out), . . . The accounting change was made because we believe that the FIFO cost method is preferable to the LIFO cost method as it more accurately reflects the physical flow of merchandise sold due to changes in the composition of our merchandise inventory. The change was made to minimize the effect of estimates used in computing quarterly inventory** *and to conform the Company's inventory cost method to one used by virtually all publicly held specialty retail chain stores."* **(Emphasis added).**

This change was made even though LIFO would have shown an increase in earnings for the quarter from 13¢ to 18¢—instead they reported 17¢ for both years. It may also reflect some of the valuation problems arising from attempting a 70% initial markon on imports together with large markdowns.

SHOULD YOU HAVE A CORPORATE CODE OF CONDUCT?

In a recent case study printed in **California Management Review** (Winter 1977, Barrows Hall, University of California, Berkeley CA 94702, $4/copy) under the title "The President and the Board of Directors–Head-On Collision," the situation studied involved the possibility that some kickbacks or bribes may have been paid. The author asked three top corporate executives to comment. One of them was Donald S. Perkins, Chairman of The Jewel Companies and member of the Board of Directors of a number of other major corporations.

His observations are of great interest:

> **"A business in which 'special favors or discounts, although illegal, are sometimes granted' needs a housecleaning. Giving illegally for the benefit of the corporation is no less immoral than taking kickbacks for personal benefits.** *I choose to believe that most managements have set for themselves and their people a code of high moral conduct.* **If such a code hasn't been set or if there's any question, the board should establish one. Such a code is considerably reinforced by asking all directors, officers, and others in key positions to sign an affidavit annually attesting to their adherence to the code of ethics and specifically disclaiming any conflict of interest or involvement in illegal payments or receipts." (Emphasis added).**

RThought: RT would be most interested in knowing of any such codes in retail companies. Perhaps knowledge that some companies are doing this will encourage others, particularly privately held companies, to do the same.

REPORTING THE GOOD NEWS

One of the major complaints against the media is that they always report the bad news. RT tries to report the good news although sometimes it seems scarce.

One of RT's knowledgeable readers reported the following story which clearly illustrates that at least one manufacturer stands firmly behind its product.

About 10 years ago he purchased a Berkline recliner from a furniture retailer who has passed from the scene. A problem developed when a bracket on the chair broke—he admits that it might be the result of constant use or even misuse by his three children.

Looking through his desk one day he found a card indicating that Berkline gave a lifetime guarantee on mechanical parts. Our reader was in Massachusetts and Berkline is in Springfield, Massachusetts so he called the company. He was told that he could take the chair to any Berkline dealer—and was given the name and address of dealers near his home.

He took the chair to an Almy's Department Store near him (Almy's, formerly Gorin Stores, is a publicly held chain of more than 30 stores in New England and upstate New York).

Let me quote from his letter: "In less than 5 minutes the chair was taken from my car and the necessary information recorded. A few weeks later I was informed that the chair had been returned to the store. Berkline went beyond the written warranty and restored the chair to near new condition—believe it or not—at no charge; not even handling or transportation. **Hats off to companies like these."**

RThought: It is wonderful to find manufacturers who stand behind their products as does Berkline—and even more wonderful to find dealers who do their share in making that warranty effective. I have fond memories of visiting Almy, Bigelow and Washburn in Salem, Massachusetts more than 40 years ago when they used the same buying office as our family store. As a result of this I met one of the owners who was kind enough to take me to see his home—one that dated back to the 1600s. For a young fellow who had never been east of Nevada and who had lived where anything 100 years old pre-dated California, visiting a home built in the 1600s was a real experience.

THE CHANGING EATING HABITS

McDonald's is not hurting just the restaurant business; it is causing concern in the grocery industry as those purveyors of food worry about the increasing number of meals being eaten outside the home. In the convenience store field there is a substantial number of operators who feel that future convenience stores will be 40% gas station, 40% fast food, 15% variety store and 5% food (these are my "demonstration" percentages—not those of someone surveying the field—and please do not ask for documentation.)

Convenience Stores (708 3rd Ave. New York, NY 10017, $2.50/copy) in the July/Aug 1978 issue made a study of the fast food business being developed within convenience stores by Convenient Industries of America. The table below, extracted from the article, is a sampling of convenience store customers. If people were interviewed in a supermarket or a department store or a home improvement store they might answer in different proportions. But the chart is based on more than 1,000 interviews in 4 different stores.

	How Often Do You Eat Out?	How Often Do You Go To A Fast Foods Restaurant?
6-7 Times weekly	41%	20%
4-5 Times weekly	13	10
2-3 Times weekly	23	28
Once weekly	14	17
2-3 Times monthly	4	7
Once a month or less	4	11
NEVER	1	7

RThought: Just imagine two couples talking and one saying to the other "Would you like to join us for dinner tonight at the 7-11?" It may come to that.

A LIGHT HISTORY OF CREDIT AND SCORING

That is the lead story in the Spring/Summer 1978 issue of ViewPoints put out by Fair, Isaac and Company, Inc., the creator of point scoring as a practical credit granting tool.

The firm is now 20 years old and the first application is about 19½ years old. American Investment, a St. Louis finance company, was the first to show their confidence by putting up dollars for a point scoring system.

But before I tell all the story, let me suggest that you write to Fair, Isaac & Co., Inc., 55 Mitchell Boulevard, San Rafael, CA 94903 for your own copy. Tell them that Bob Kahn sent you.

COMMERCIAL BRIBERY

Textan Welhausen Company (a subsidiary of Tandy Brands, a spin-off from Tandy Corporation): They bribe their way into seeing a buyer by offering a $20 value Archer Smoke Alarm (Radio Shack) for a $400 order, a $29.95 value Casio Alarm with an $800 order, and a $100 value leather portfolio for a $1,000 order. The instructions say "Just check your merchandise/gift selection on the postage paid coupon below and return it to TexTan. We'll have your local sales representative call immediately to help you coordinate your inventory selection. Hurry! offer ends August 18, 1978." If you carry TexTan, you should check to see if your buyers/store managers resisted temptation. If they didn't, you are obligated to add the value to their W-2.

WORDS TO MANAGE BY

It was Bob Nawman of Omni Business Services, Business Consultants, who included the words of Marshall Field in his March 1978 OMNIBUS Newsletter.

12 THINGS TO REMEMBER

- The value of time
- The success of perseverance
- The pleasure of working
- The worth of character
- The dignity of simplicity
- The power of kindness
- The influence of example
- The obligation of duty
- The wisdom of economy
- The virtue of patience
- The improvement of talent
- The joy of originating

– Marshall Field

Money Tree

The Other Side of The Supermarket Coin

Milton Moskowitz

MOST OF US who shop in supermarkets and stand aghast as the cash register rings up the total will not believe what's happening this year in the grocery business.

The A&P chain, in the eastern half of the nation, is losing money again. A&P has been struggling for most of this decade to enter the modern world. It has a new management. It closed nearly half of its stores. But the monies it collects at checkout counters still can't cover costs.

For many years the nation's largest supermarket chain, A&P lost that spot to Safeway Stores in 1973. This year it may be edged out of second place by the Cincinnati-based Kroger chain. A&P has 1870 stores.

Another eastern food chain, Food Fair, had to seek protection of the bankruptcy court in early October, claiming "a temporary liquidity problem." The nation's eighth largest supermarket chain operates 490 stores under the names Food Fair, Pantry Pride, Penn Fruit and Hills. It also owns—and that's a big part of its problem—the 79-store J.M. Fields discount chain.

A month later another grocery chain, Allied Supermarkets, went into bankruptcy court. Allied operates 150 stores in eight states: The Great Scott supermarkets in Detroit, the Humpty units in Oklahoma and Kansas, the Ideal markets in Kansas, Texas and Oklahoma. Although it has hardly made any money in the past ten years, Allied ranks as one of the 15 largest grocery chains in the nation.

Other chains also have their problems. Cleveland-based Fisher Foods had to abandon its beachhead in Southern California, selling its 47 Fazio supermarkets there to Idaho's Albertson's. New England's ailing First National chain had to sell out to Cleveland's Pick-N-Pay chain.

★ ★ ★

YOU AND I, WHEN we shop in a supermarket, have to pay for what we buy before we leave the store. The store itself relies on credit extended by its suppliers. It doesn't have to pay in advance or on delivery.

A chain that pays promptly, say within tendays of being billed, benefits from a two percent discount. There are those who abuse this privilege. Last August Forbes magazine published an interview with Jack Friedland, president of Food Fair. Forbes noted that Food Fair was getting the discount for prompt payment even though it didn't pay bills until long after deadlines. How? Friedland explained as follows:

"You program the computer, and the computer is programmed to take the discounts."

Robert Kahn, a management consultant who writes a monthly newsletter, Retailing Today, picked up on this admission in a comment headed: "Jack Friedland Brags About Stealing." Kahn pointed out that taking unearned discounts is unfair to suppliers, who have to wait for their money, is clearly illegal and opens Food Fair president Jack Friedland "to criminal prosecution for which the penalty may be jail."

Two months after this interview appeared, Food Fair was in bankruptcy proceedings. And shortly after that development, Jack Friedland resigned as president, chief executive officer and a director of Food Fair. Resigning with him from the board was one of the pioneers of the U.S. supermarket industry, Samuel Friedland, who co-founded the Food Fair chain in 1933. He is Jack Friedland's father.

S.F. Sunday Examiner & Chronicl

12/10/78

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ROUTE TO

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HELP IS COMING FOR THE SMALL COMPUTER USER

Computer Decisions (Controlled circulation–free to "qualified executives with active professional and functional responsibility in organizations that use computers and computer-based services and among computer manufacturers"–50 Essex St., Rochelle Park, NJ 07662) recently reported the formation of the Association of Small Computer Users which will attempt to provide "a new source of unbiased, user-oriented information" on the small computers now on or coming in the market. For further information (or send $25 for one year's dues) write to ASCU, 75 Manhattan Drive, Boulder, CO 80303.

ONE CONGRESSMAN'S VIEW ON POINT SCORING

Representative Frank Annunzio is an important Congressman when it comes to the continued use and expansion of point-scoring for credit applications–because he is Chairman of the House Consumer Affairs Subcommittee.

The following quotation is taken from his presentation to the National Consumer Finance Association at their 62nd Annual Convention in May 1978:

> **"The subject of credit scoring has received a great deal of attention lately and many are advocating credit scoring as the easiest and most inexpensive way to handle credit applications. That may be the case, but I am concerned that little is really known about credit scoring.**
>
> **"Whenever anyone questions credit scoring plans they are always told, don't worry, the plan is empirically and statistically correct. At the same time, however, they are never willing to discuss exactly how the plan was formulated.**
>
> *"I know of one major nationwide retailer that uses a credit scoring plan that penalizes applications if they belong to a credit union or have borrowed from a finance company. I personally would like to find out why those are negative characteristics.* **(Emphasis added.)**
>
> **"More than 30 million Americans belong to credit unions and millions more have borrowed money from finance companies, yet they are somehow given a negative rating in this credit scoring plan. I would like to see the justification for that decision.**
>
> **"The credit scoring study probably will not be accomplished by legislation. I would like to see a series of investigative hearings in this area before drafting legislation."**

RThought: Mr. Annunzio raises a good point. Many executives are sold on the soundness of point scoring. I have changed my view over the years as point scoring moved from assigning weights to the prejudices of credit managers to the present use on a sound statistical basis.

Unfortunately, Congressmen are not required to understand statistics–and they do ask very logical questions. How can we explain to a Congressman that in a system that comes up with a negative weight given to belonging to a credit union or borrowing from a finance company it may just be adjusting the weight given to another and more common factor. If the more common factor is eliminated, the weighting for belonging to a credit union or borrowing from a finance company might become a positive weight.

But–*the elimination of that more common factor might well* reduce the accuracy of the point scoring system in predicting the performance of the applicant.

It is always easy to say "write a simple book on a complex

NOW IS THE TIME TO SAY "NO GIFTS"

RT is just another supplier to your computer–and so RT receives the notices sent to vendors saying "Please do not give gifts to our employees" (we don't!).

In 1977 RT received such letters from Albertson's, Fingerhut, Genesco, Marshall's, Salem Carpet Mills, and Wayne County Community College (Detroit, Michigan). In addition, RT read the "Open Letter" from Macy's that appeared in Women's Wear Daily.

All except one retail letter was signed by the CEO–and that is the way it should be. The one signed by an Executive Vice President was addressed "Attention: President–PERSONAL AND IMPORTANT." When addressing a President, it should be from a President.

One letter indicated "CC: XYZ Employees" and that, too, is a good idea.

Wayne County Community College added a practical suggestion: "If you should wish to contribute a gift of goodwill or a donation of any amount, please do so by making your donation to the Wayne County Community College Scholarship Fund–such contributions will be gratefully appreciated and will aid tremendously in our efforts to achieve our community educational goals."

Get your letter started today. These letters represent responsible business leadership–a growing trend.

As Edmund Burke said "All that is necessary for the forces of evil to win the world is for enough good men to do nothing."

subject." But that is the challenge that Mr. Annunzio is throwing at us.

Incidentally, that same simple book might well be a best seller with top retail (and finance industry) executives who know that this technique is growing in their industry and who feel uncomfortable because of their limited understanding of it.

CAN YOU BELIEVE DUN'S REVIEW?

In October 1975, Dun's published a major article entitled **"How to Figure Who's Going Bankrupt"** in which they offered to their readers a list of companies that would follow Mammoth Mart, Interstate Stores, Bowmar Instruments, Hartfield-Zody's, Bohack, Potter Instruments and Daylin down the road to failure and perhaps reorganization.

That kind of information should be valuable to investors and certainly a prudent man would stay a long way away from such companies.

What Dun's was really doing was plugging the "Z-score" or bankruptcy rating developed by Professor Edward Altman at the NYU Graduate School of Business. The "Z-score" is supposed to forecast failure within the next two years. According to Altman, a Z-score of 1.81 or less indicated that the company had "a high probability of failure within 2 years. If the score is 3 or above there is little chance of failure within two years."

Dun's asked Altman to apply his formula to the 1200 publicly traded industrial companies for which data was maintained by Investors Management Sciences. Altman came up with 14 scores of 1.78 or less–the ones that should fail within 2 years; and 14 scores of 36 or higher that were dead certain not to fail.

One of the horrible things to do to a magazine that forecasts is to check on the forecast. But it happened that a copy of this article surfaced in my files about the first of December last year–and it seemed appropriate to compare the performance of the 14 failing and the 14 superior companies for the 2-year period that the Z-score was supposed to forecast.

The table below shows that story.

THE WORST PERFORMERS

	Price End Of Oct 75	Price End Of Oct 77	% Change
Memorex	$ 8	$24 7/8	+211%
Mohawk Data Sciences	3 1/8	5 1/2	+ 76
Electronic Associates	2 1/2	1 7/8	– 25
Todd Shipyards	8 1/8	13 1/4	+ 63
Puerto Rican Cement	2 3/4	4 1/8	+ 65
ICN Pharmaceuticals	2 1/2	4 1/8	+ 65
Duplan	Not Listed 1977		
Sanders Associates	8 1/2	14 1/2	+ 71
Cooper Laboratories	4 1/4	14 1/8	+232
Amcord	4 7/8	13	+167
Condec	6 5/8	9 1/2	+ 43
Schaefer	3 1/4	4 1/2	+ 38
Arvin	7 7/8	20 5/8	+162
Telex	2 1/4	2	– 11
Total cost 100 shares each	$6,462	$13,200	+104%
Gainers	11		
Losers	2		

THE BEST PERFORMERS

Taylor Wine	Not listed 1977		
American Home Products	$35	$27 3/8	– 22%
Starrett	18 1/4	23	+ 26
Schering Plough	53	28 3/4	– 46
Marion Laboratories	12 5/8	12 1/4	– 3
Bandag	25 5/8	11	– 57
Eastman Kodak	100 3/8	52 3/4	– 47
Nalco Chemical	28	27 1/4	– 3
Polaroid	36 5/8	26	– 29
Merck	74 7/8	54	– 22
Betz Laboratories	37 1/2	28	– 25
Northwestern Steel & Wire	32 3/4	23 1/2	– 28
Johnson & Johnson	89 1/2	73 3/8	– 18
Data General	35 1/2	46 1/2	+ 31
Total cost 100 shares each	$57,960	$43,375	–25%
Gainers	2		
Losers	11		

It is obvious that what Professor Altman discovered was a wonderful way to forecast market price improvement rather than failure.

A person who bought 100 shares of each of the stocks would have enjoyed a 104% increase in market value during the 2 years–far better than any market index–by buying the 14 companies that should have failed; and on the 14 certain to survive he would have suffered a lose of 25%.

RThought: When I realized this my first effort was a letter to the editor of Dun's Review to alert him to the great discovery that had been made–sort of like accidentally discovering the cure for cancer. It might have proven embarrassing to the good professor but I am certain that he would have an explanation about why the scoring system came up with such a wonderful result.

No answer from Dun's. The letter was not used. I sent it to other magazines in the business field thinking that perhaps they would want to appropriate the work for their own readers–by presenting it as a forecaster of market success rather than bankruptcy. All were unwilling to be critical of their competitor–perhaps an unwritten rule amongst publishers.

If you want an explanation of the forecasting method, write to Professor Altman or Dun's for the details.

WARDS HAS CONSIDERATION FOR THEIR CUSTOMERS

The lead article in the July 1978 RT was titled "Showing Consideration for Your Customers." RT quoted action taken by serveral magazines, supplementing information previously quoted from Bank of America material, advising subscribers that their names will be used for mailings of material thought to be of interest–and telling them how they can stop such material being sent to them. At the close I said "Are there major retailers who have a policy against selling the names of their charge customers . . .?"

D. G. Parcher, Regional Credit Manager of Montgomery Ward in Walnut Creek, California, replied that there was such a retailer–Wards.

The new Wards credit application has a box in which a signature is placed and containing the following:

WHY ARE STORES ALWAYS OVERBOUGHT?

RT operates on the principle that when everyone agrees about something, it must be wrong. Everyone agrees only when no one has thought about it.

Let's start with a simple case. The traditional method for determining average monthly inventory is to take one opening inventory plus 12 ending inventories and divide by 13. However, this gives a double weight to the opening and closing inventory. Since many stores artificially depress their year-end inventory, this gives double weight to the lowest inventory level.

The correct formula is "opening inventory plus closing inventory plus (2 times the 11 intervening inventories) divided by 24." Try this for one of your departments/stores and see how much difference it makes (up to 5%).

Now that we know a "truth" that is a "mathematical falsehood," let's look at why retailers (except for those types that work strictly on a replacement basis) are constantly overbought. Penney's recently reported inventory up almost 50%. The Gap reported a leap in interest cost because inventory was up. Neither indicated that they planned it that way.

The first cause of excess inventory is the practice of using the total of planned sales for all departments as the total planned sales for the company. For example, a company has 5 departments and they plan this way:

Department	Planned Sales for Season
A	$100,000
B	150,000
C	300,000
D	125,000
E	275,000
Total Store	$950,000

If departments A and B exceed plan by $25,000 each and D and E fall short by $25,000 each, with C being right on the button, the company will hit their planned sales on the nose. **And inventory will be above plan!**

The reason is simple. Commitments are made in advance against plan. By the time it is known that D and E will fall short they cannot cancel outstanding orders (they also expect "sales to pick up") and they must continue to place reorders for fast sellers and staples. On the other hand, as A and B proceed ahead of plan, the excess sales flow back into the open-to-buy each month as actual sales are substituted for planned sales.

RT CURE: Use 5% less than expected sales in computing a department's open-to-buy. Remind the buyers that they always have a lot of goods on hand and if they make their plan, their inventory might end up 2% or 3% less than plan. They will be able to buy that after the sales are in.

The second reason for the constant overbought condition is that merchants and controllers seem to think that they must fluctuate inventory every month. They don't change the department space, the number of fixtures, and probably, the number of clerks. But they flip-flop the inventory.

Using the seasonal distribution of sales and median stock/sales ratios reported in the 1976 MOR for specialty stores over $5,000,000, (and disregarding markdowns, employee discounts and stock shortage for purposes of this demonstration) we can show a $10,000,000 store as follows:

Month	Sales	Stock/Sales Ratio	Beginning Inventory	Open to Receive[1]
February	$515,000	6.51	$3,353,000	$ 1,252,000
March	788,000	5.19	4,090,000	605,000
April	683,000	5.72	3,907,000	544,000
May	711,000	5.30	3,768,000	367,000
June	913,000	3.75	3,424,000	546,000
July	629,000	4.86	3,057,000	648,000
August	653,000	4.71	3,076,000	1,217,000
September	931,000	3.91	3,640.000	953,000
October	823,000	4.45	3,662,000	1,075,000
November	866,000	4.52	3,914,000	1,256,000
December	1,816,000	2.37	4,304,000	240,000
January	672,000	4.06	2,728,000	1,297,000
TOTAL	$10,000,000			$10,000,000

(1) Open-to-Receive equals ending inventory for the months, less opening inventory plus sales for the month.

The buyers sure have to guess right—practically nothing is planned to be received in December when staple stock and fast sellers should be brought in. May suffers from the same problem.

You might ask yourself another question: Do we really need to receive $1,297,000 in January to get ready for February? (Part of January receipts are "paper receipts" due to once-a-year recording of intransit goods plus cutting off receipts at the end of the month rather than 5 to 7 days earlier.)

Look at the pattern of receipts that results if we can agree that there are only three months when extra opening inventory is necessary (June, September and December). The other months average $704,000 with an average stock/sales ratio of 5.0. Therefore, let's hold inventory constant at $3,520,000 ($704,000 x 5.0). Before June and September, let the buyer bring in **one-half** of the sales volume over the average month—with the other half being sold from regular stock but replaced after the peak. For December, let the buyer bring in ¾ of the excess sales in advance.

On that basis the table would look like this:

Month	Sales	Beginning Inventory	Open to Receive
February	$ 515,000	$3,520,000	$ 515,000
March	788,000	3,520,000	788,000
April	683,000	3,520,000	683,000
May	711,000	3,520,000	816,000
June	913,000	3,625,000	808,000
July	629,000	3,520,000	629,000
August	653,000	3,520,000	767,000
September	931,000	3,634,000	797,000
October	823,000	3,520,000	823,000
November	866,000	3,520,000	1,720,000
December	1,816,000	4,354,000	982,000
January	672,000	3,520,000	672,000
TOTAL	$10,000,000		$10,000,000

RT CURE: Remember that you have lots of inventory. If you don't buy so far in advance you probably will improve operations by maintaining a better staple stock condition, having new full runs throughout the seasons, and save money throughout the receiving, marking and stocking cycle.

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

CREDIT OFFICE RATING

RT welcomes two outstanding firms to the group that are providing information on their performance—Gimbel's in Philadelphia (from their wonderful new store) and Ivey's, the pride of the Carolinas (and Florida). Both are on the HONOR ROLL.

The HONOR ROLL grows longer—

HONOR ROLL

Stores	Average Days	Stores	Average Days	Stores	Average Days
Joseph Magnin	2.5	Levy Bros.	3.7	Roos/Atkins	4.0
Rubenstein's	2.5	Macy's, No. Cal.	3.8	Stern Bros.	4.0
Bamberger's	3.0	Mervyn's	3.9		
Ivey's	3.5	Oshman's	3.9		
Gimbel's, Phila.	3.6	Macy's, NY	4.0		

CREDIT OFFICE RATING

	JUNE-JULY 1978			APRIL-MAY 1978		
Information From Reporters	No. of Reports	Days to Bill Average	Range	No. of Reports	Days to Bill Average	Range
Abraham & Straus (NY)	1	8.0	8	-	-	-
B. Altman (NY)	1	6.0	6	1	4.0	4
Bamberger's (NY)	1	3.0	3	-	-	-
Bloomingdale's (NY)	1	8.0	8	-	-	-
Bullock's (N. Cal.)	9	6.5	4-7	7	6.6	5-9
Capwell's (N. Cal.)	9	12.8	7-23	13	9.0	6-13
Gimbels (Phila.)	1	3.0	3	-	-	-
Grodin's (N. Cal.)	2	5.5	5-6	1	7.0	7
Gump's	2	10.5	10-12	-	-	-
Hinks	1	7.0	7	-	-	-
Liberty House (N. Cal.)	1	5.0	5	3	2.0	2
Livingston Bros. (SF)	2	5.5	5-6	3	5.0	4-6
Lord & Taylor (NY)	2	5.5	5-6	1	6.0	6
Macy's (NY)	1	4.0	4	1	2.0	2
Macy's (N. Cal.)	10	3.8	3-5	10	5.0	4-9
I. Magnin's (SF)	5	4.2	3-6	6	4.1	3-5
J. Magnin's (SF)	2	2.5	2-3	1	2.0	2
May Co. (LA)	2	6.0	6	1	4.0	4
McCaulou's	3	6.6	3-12	1	7.0	7
Penney's (Oakland)	2	6.5	6-7	-	-	-
Robinson's (LA)	1	5.0	5	-	-	-
Roos Atkins (NY)	2	4.0	3-5	1	3.0	3
Saks 5th Ave. (NY)	3	10.0	8-12	1	8.0	8
Saks 5th Ave. (SF)	3	8-3	8-9	-	-	-
Sears (LA)	1	9.0	9	1	8.0	8
Sears (Alhambra)	5	8.6	8-9	8	8.5	7-10
Shreve & Co. (SF)	1	9.0	9	-	-	-
W. & J. Sloane	1	6.0	6	1	8.0	8
Stern Bros. (NY)	1	4.0	4	-	-	-
Tiffany (NY)	1	12.0	12	-	-	-
John Wanamaker (Phila.)	1	6.0	6	-	-	-
Weinstock's (Sacramento)	2	7.5	7-8	1	8.0	8
	81	6.8	2-23	60	6.5	2-13

	JUNE-JULY 1978			APRIL-MAY 1978		
Information From Stores	No. of Reports	Days to Bill Average	Range	No. of Reports	Days to Bill Average	Range
Gimbels (Phila.)	36	3.6	2-5	-	-	-
Holman's (Pacific Grove)	8	6.0	4-7	10	4.2	3-6
Ivers (LA)	10	7.2	4-11	10	7.0	5-9
Ivey's Carolinas	10	3.5	2-5	-	-	-
Levy Bros. (San Mateo)	16	3.7	3-6	15	4.6	3-7
Maison Mendessolle	1	6.0	6	2	4.0	4
Mervyn's (N. Cal.)	20	3.9	3-4	20	3.9	3-5
Oshman's (Houston)	9	3.9	3-4	12	3.0	2-4
Penn Traffic (Johnstown)	10	4.5	3-6	10	4.8	4-6
Rubenstein's (Shreveport)	6	2.5	2-3	6	2.3	2-3
Wineman's (Huntington Park)	6	5.3	4-7	7	5.6	4-7
	132	4.2	2-11	92	4.4	2-9

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

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

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

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

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

"I have read the Charg-all credit agreement set out on the reverse side and agree to the terms and conditions thereof.

"Please initial here ______ if you do not wish to receive any of the special service and merchandise offers as described in paragraph D on the reverse side."

Paragraph D speaks of "selective offerings of merchandise and services sponsored by" Montgomery Ward and affiliates.

RThought: RT applauds such action. If other stores are doing this, please send me copies of your contract so that I may tell others. If other stores are not doing this–the more common situation–please consider this the next time you review your credit application. (A note to those who use point scoring: perhaps you will find that customers who chose not to get material are better credit risks?)

JACK FRIEDLAND BRAGS ABOUT STEALING

One of the problems with trying to improve ethical standards in retailing is the degree to which top retail executives can create reasons why it is OK to steal–particularly if they are part of a big and prominent firm and therefore can steal with immunity.

When **Forbes** (August 21, 1978) interviewed Jack Friedland, the President and CEO, they reported the following:

"More than that, Food Fair has been taking the traditional 1% and 2% offered for prompt payment even when they pay long after deadlines. Friedland's answer for that–'You program the computer, and the computer is programmed to take the discounts.'"

M. M. Zimmerman, Founder of Super Market Institute, wrote about the founding of Food Fair Stores in his definitive book "The Super Market: A Revolution in Retailing," as follows:

"For instance, Food Fair Stores, Inc., of Philadelphia is an outstanding example of a company in which phenomenal growth has caused it to be the talk of the distribution world. Its origin is similar to that of many of the pioneering Super Market organizations. Three of the founders, Sam and George Friedland, and Myer B. Marcus, were originally small meat market operators. In 1933, together with Hess Kline, who had been connected with the department store field, they opened their first Super Market in one of the old warehouses in Harrisburg, PA, under the name "The Giant Quality Food Price Cutter." The success of this first venture was startling; they found that this single Super Market was doing more business than the combined total of all their 20-odd meat stores. It changed their conception of food retailing. Then began the amazing development which colors the short history of Food Fair (note: the book was published in 1955–22 years after Food Fair was founded); several more markets were opened with equal success. They were fortunate, at this point, to obtain financing. And the rapid rise of Food Fair stock has been well chronicled, not only in the daily press but by Wall Street, as well."

Under the imaginative leadership of the founders, and operating on principles of great integrity (I once worked for a man who served with them in SMI and he often talked about Sam Friedland and Myer Marcus) the stock reached a high of $41 a share prior to 1960–and today, under Jack Friedland, it sells for about $5.

RThought: Taking unearned discounts is forcing a supplier to provide a discriminatory discount. As such, the matter should be the subject of investigation by the Federal Trade Commission. The case is particularly strong against Food Fair inasmuch as the responsible Chief Executive Officer publicly admits that this is the policy of his firm, that he knows that it is the policy, and that he condones the action. This appears to lay Mr. Friedland open to criminal prosecution for which the penalty may be jail.

Section 2(f) of the Robinson-Patman Act provides:

"it shall be unlawful for any person engaged in commerce, in the course of such commerce, *knowingly to induce or receive a discrimination in price* which is prohibited by this section." (Emphasis added.)

Ira M. Millstein, of Weil, Gotshall & Mangers, notes in the "Manual of Federal Trade Regulations Affecting Retailers" published by the National Retail Merchants Association:

"Section 2(f) was added to the statute to aid its avowed purpose to prevent the misuse of mass purchasing power to extract unlawful prices from suppliers."

Unfortunately, as Millstein noted, this has seldom been used against large buyers–but often against small cooperative buying groups. But then it is seldom that a CEO admits to the offense before more than 700,000 subscribers and perhaps 2,000,000 readers.

WHY WAS THE "ODDS CHART" BLURRED IN THE FRED MEYER ADS?

On a recent trip to Portland I followed my usual practice of purchasing all the local newspapers and reading the ads with great interest. Portland has a number of stores that I have followed with interest–Meier & Frank, Lipman's, Fred Meyer and now Frederick & Nelson (formerly Liberty House and before that Rhodes, Olds, and Olds, Worthman and King!).

Fred Meyer had an 8 page full section for a special **Four Day SALE**. One page was headed "win up to $2,000" followed by an explanation "More chances of winner per store. 28 participating Fred Meyer Stores in Oregon and Montana. 57,198 prizes totalling $150,000. Average prizes per store totals 2,042 each."

Next to this was an "Odds Chart" as required by FTC regulations. **It was illegible!**

I was startled that in the 8 pages of the section the only illegible item was that one small section required by law.

I assumed that something had been defective with the printing. But when I checked the other paper and found a similar 8 page section, with a similar illegible Odds Chart and with a similar condition that everything else in the section was legible, I had to conclude that this was related to the material sent to the paper to be printed.

RThought: How can Fred Meyer, still alive and creative, have been so embarrassed by his staff? He deserves better subordinates than people who through incompetence or lack of attentiveness permit such material to appear in the newspaper.

I do not know whether or not the two newspapers are printed in the same plant, but each section is headed appropriately for the newspaper in which it appeared–The Oregonian, Wednesday, July 12, 1978 and Oregon Journal, July 12, 1978.

THE TIME IS NOW FOR BETTER GARMENT CARE INSTRUCTIONS

Many countries in Europe are far ahead of the United States in providing specific fabric care instructions on garments and other textile products.

The Federal Trade Commission has announced proposed revisions of the Care Labeling Rule enacted in 1972 which will extend coverage to a number of household categories and require more detailed instructions. Specifically, the new rule proposes to require appropriate labeling of draperies and curtains, upholstered furniture and slipcovers, carpets, rugs, household linens, suede and leather wearing apparel and piece goods and yarn.

The report recommends, with minor exceptions, the adoption of terminology developed by the American Society of Testing and Materials.

The new rule, if adopted, would mean a major change for yardage stores and departments as they would now be required to pass on to the purchaser of piece goods the labels supplied by the manufacturer.

Copies of the report (453 pages) can be obtained from, and comments should be submitted to, Secretary, FTC, 6th Street and Pennsylvania Ave., NW, Washington, D.C. 20580.

RThought: Most major retailers know that better care instructions can be provided to customers. Federated Department Stores and others have experimented with their own care labels. Some of the private label retailers have better programs than the present 1972 rule mandates.

This would seem to present an opportunity for major retailers (and their associations and suppliers) to take the lead in this program. Retailers should not be above soliciting assistance (on a fee basis to cover their costs) from such organizations as Consumers Union and Consumers Research. The precedent for fee consulting has been set in the case of Consumers Union which undertook a contract for the Consumer Products' Safety Commisssion to establish safety criteria for rotary lawn mowers.

WILL JOSEPH MAGNIN CUSTOMERS BELIEVE ED GORMAN?

Joseph Magnin, probably as a reflection of the financing by which it was purchased from Amfac, has sold their charge accounts to Citibank (apparently rejecting Wells Fargo and others who have offices in California).

Ed Gorman, Chairman, started a letter to charge customers "We're happy to inform you that Joseph Magnin has taken another step to add to the convenience and special enjoyment of shopping JM." Would you believe that this is the introduction to the announcement that they are sending the records on charge accounts to the opposite coast? JM has had charge accounts almost from the beginning of time. JM was one of the first to make a special appeal to the single working woman to open her own revolving account.

Gorman then continues, "In order to utilize more modern and efficient electronic accounting equipment and procedures and for the accuracy and clarity of our credit operation, our companies have entered into agreements with Citibank (New York State) N.A., and its affiliates to service all Joseph Magnin charge accounts." Has JM really been "inaccurate" in their billing (RT is aware of the days when they stole $60,000 a year in credit balanced but that was done by design and is now banned by law). JM was one of the early stores to install electronic point of sale devices (Unitote) in their stores and to accumulate POS data electronically. Yet they plead EDP deprivation.

Gorman continues: "This will also provide you with timely announcements of special opportunities available to JM charge account customers." Where have all the mailings been coming from in the past? Has some printer just distributed them by random chance and accidentally hit all the JM customers with JM material? I think not.

Then came the nitty-gritty of the new terms, on the back, with hundreds of words. There was no comparison with what the old terms were.

Mr. Gorman did not explain that Citibank will now compute the average daily balance including new purchases. Mr Gorman did not explain that Citibank signed this agreement in Huntington Station, New York, and that payments will not be deducted from your balance until received 3000 miles away. Mr. Gorman did not explain where you can go to talk to someone who has access to your account. The form lists an 800 number, presumably connected with Long Island.

RThought: RT can understand selling accounts receivable. Woolworth, Zayre and others have done so; K-Mart discontinued their own charge. But RT questions the manner in which this was presented—as an improvement and benefit to the customers rather than as a benefit to the new owners of JM. No member of my family has had difficulty charging at JM. Statements were as clear and accurate as any other store; only time will tell if Citibank is more accurate. Customers are likely to be penalized by the delay in payments reaching Long Island and being posted (to RT's knowledge Citibank does not intend to use a lock-box in the area of JM stores with payment credited from the date received in California).

There is a theory among retailers that it doesn't matter what you tell the customer, because the customer is stupid. If you are going to give them a bitter pill, tell them it is candy and they will believe you. JM has done that to their charge customers.

It is unfortunate that Citibank does not have the integrity to work out a more forthright letter and insist, since they will be getting the complaints, that such a letter be used.

DOING SOMETHING FOR YOUR HOME TOWN

That is what Ira Corn and Joseph Driscoll did recently. Although their corporation is called Michigan General it is headquartered in Dallas and includes two furniture chains—Freed's and LFD, Inc.—plus two paint chains—Dallas Paint and Kohler-McLister Paint.

Recently they had a chance to buy the second printed copy of the Declaration of Indpendence, printed at 11:31 p.m. on July 4, 1776. Subsequently 10 other Dallas families joined by contributing $50,000 a piece to the purchase price after which it was donated to the City of Dallas.

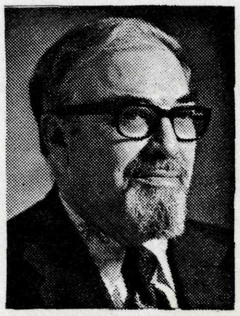
If you get to Dallas, visit the City Hall—see the only copy (of 19 known copies) of the Declaration of Independence located west of the Mississippi.

WORDS TO PREPARE YOUR ANNUAL REPORTS BY

Herbert Hoover, in his book **Principles of Mining**, published in 1909, said:

> **"In a general way, any company whose shares are offered on the stock exchange is indirectly inviting the public to become partners in the business, and these partners are entitled to all the information which affects the value of their property and are entitled to it promptly."**

That statement could be substituted for pages and pages of the Securities and Exchange Act.



RETAILING TODAY

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MARSHALL'S CONTINUES TO FLAUNT ADVERTISING CODES

Marshall's, a part of giant specialty retailer Melville Corporation, continues, with apparent immunity, to disregard the FTC and Better Business Bureau guidelines that most responsible retailers observe.

In an ad appearing in the St. Louis Post-Dispatch on July 16, 1978 there was an illustration with the following caption below it:

famous name
fashion shirt
sold elsewhere
at $22.00

MARSHALL'S PRICE $10.99

If you read the 6 lines of detailed description of the 'fashion shirt' you found **the last two words** were "past season."

The same was true of their illustration presented as:

famous name
sleepwear coordinates

gown pre-ticketed at $9.00	**$4.99**
robe pre-ticketed at $14.00	**6.99**

RThought: Once again we express the thought that both retailing and the investment community (as well as those who hope that ethical conduct can remain alive in our society) are entitled to higher standards from a billion dollar retailer. Pre-ticketed prices (perhaps even established by Marshall's when they bought the merchandise) are not a valid basis for comparison. The FTC and the BBB have long required that comparative prices quoted be for identical or like articles currently selling in substantial number in the area in which the advertising will appear.

REPORT THE GOOD NEWS

Perhaps this can become a regular heading. The wife of a long-time RT reader sent me the following story about her good experience:

"I purchased a Bunn-O-Matic Home Coffee Brewer about a year ago. This unit was rated 'The Best' by Consumers Guide, and, indeed, the machine was very well made and the heating element, which kept the coffee hot, was superior to others on the market.

"Last week a leak, which emanated from the part of the machine which connected the cord to the plug, caused the machine to explode, leaving me with only fragments of the brewer.

"I immediately wrote to the Bunn-O-Matic Corporation which is located in Springfield, Illinois, and directed my letter to Customer Relations.

"Several days later, I received a letter from Mr. D. R. Sand in Customer Relations explaining that he had been trying, unsuccessfully, to reach me by telephone. Mr. Sand asked that I call him *collect* so that they could resolve the problem.

"Upon receiving Mr. Sand's letter, I placed my call. Mr. Sand was on vacation and his secretary, Carolyn, accepted my call.

"I thought 'here comes my frustration, explaining my story all over again to a *'Secretary.'* Not so! Carolyn had taken out the letter I had written to Mr. Sand and she was not only familiar with my problem, but Carolyn was polite, friendly and warm.

"It must be noted that I had no purchase receipt record, considering the length of time I had the machine. Also, as mentioned, the coffee maker was not able to be shipped back to the company since it had exploded. I literally had no proof of purchase except for an instruction booklet which accompanied the machine when originally purchased. Carolyn responded, 'that's fine, just send the Instruction Booklet and we will send you a new Coffee Maker by return mail.' "

RThought: RT would be happy to be the bearer of good news and welcomes any other such experiences with suppliers to retailers.

IT TAKES LARCENY IN THE HEART OF THE BUYER TO MAKE FRAUD WORK

Women's Wear Daily recently reported on a Better Business Bureau/N.Y. Attorney General investigation of a group of firms about which there have been a number of complaints that merchandise delivered was not as represented.

That sounds simple enough—but the buyers were stores in small towns who responded to a telephone solicitation offering famous name brands, including top designer lines, at below wholesale cost. Stores claimed that when they ordered they did not know or specify style numbers, brands, or size assortments. They envisioned buying current-style first-quality Calvin Klein or Yves St. Laurent at off-prices subject to a guarantee of satisfaction by exchange or refund from a seller they had never done business with before.

RThought: Is this where the BBB/Attorney General should be spending their time, protecting buyers who plan to steal a bargain and then complain because they were outsmarted? If a person represents themselves as sufficiently qualified to own/run a retail store, they also should be representing themselves as the possessor of enough knowledge to know that you don't get something for nothing from people you don't know and who telephone trying to make a sale.

DO ACCOUNTANTS HAVE COMMON SENSE?

At some point someone is going to require that accounting theory as set forth by the Financial Accounting Standards Board bear some relationship to common sense (where is Tom Paine when we need him?).

Let me quote from the 2nd quarter report of F. W. Woolworth Co.:

> **"The loss from our equity in British earnings in the second quarter resulted from the decline in the U.S. dollar during the period. We are required by accounting principles to restate to a higher U.S. dollar equivalent the net liabilities of our subsidiary, while retaining at lower historical dollar equivalent values the very large investment in inventories. If exchange rates remain relatively stable during the period ahead, when the inventories are sold, the loss will be reversed as we translate sales at higher exchange rates than those used for the cost of inventories sold, thus improving gross margins."**

All of this means that the amount by which primary earnings of the 2nd quarter are artificially reduced (by 17¢ or roughly 25% of pre-adjustment earnings) may be artificially added to the 3rd quarter earning

But the unfortunate part of all of these manipulations is that they are recorded for all times in the record of earnings—the annual report, Standard & Poors, Moody's and all the others. The recorded earnings without the footnotes do not reflect the real facts. When an investor looks at these historical earnings, particularly when the conversions result in dramatic transfers, he must conclude that the management of the company is incompetent.

The investor may then decide to invest in less qualified companies that operate solely within one currency and thus do not expose themselves to the artificial manipulations mandated by a Board that accepts no responsibility for clearly informing stockholders of the facts.

When one combines (1) this misstatement of earnings, with (2) an inability to report the current value of inventory if reported on a LIFO basis (except for temporary waivers for public companies by the IRS of certain sections of the Internal Revenue Code) and (3) the listing as liabilities the capitalized value of leases for periods up to 50 years when the Bankruptcy Laws limit such liabilities to not more than 1 year under Chapter X and 3 years under Chapter XI, one must think of the ditty "Things are seldom what they seem. Skim milk passes off for cream."

RThought: For years we joked about the engineer who could prove that a hummingbird could not fly. But it is no longer a joke that the Financial Accounting Standards Board is embarked on a program that will ultimately require that all balance sheets bear the caveat "Any resemblance to fact is purely accidental."

DOES CHARLES TANDY HAVE A "THING" ABOUT DEBENTURES?

On September 7, 1978, Tandy Corporation announced that they plan to sell at least $75 million in Convertible Subordinated Debentures. It was not too long ago that Tandy Corporation was trying to boost their earnings per share by offering high interest debentures in exchange for outstanding common stock. They succeeded in reducing the tangible net worth of the company to less than a year's earnings!

But this move of September 7th means dilution when earnings per share are computed to reflect equivalent shares.

And on September 7, 1978, Tandy Brands (another Tandy Company—1978 price range $7-$14) announced that they would pay a $1.00 per share dividend—payable in 9% subordinated debentures due 1992. When these debentures trade at less than par, Tandy Brands can purchase the bonds at a discount, retire them, and report an operating profit!

DUTY-FREE KNOWS HOW TO CHARGE

If there is one business that has the image of saving money it is the Duty-Free Shops that one sees in airports around the world.

It is true that their prices are substantially lower on liquor and, in many cases, tobacco products. But once one gets out of those categories, the ball game seems to change.

On a trip to Hong Kong I suddenly realized as I rushed to catch my plane that I had forgotten my promise to my daughter to bring her a good 35mm camera. A quick visit to the substantial Duty-Free Shop and I bought a Minolta—only to see it advertised in the United States some 2 weeks later at $15 less than I paid for it in the Duty-Free Shop.

Then on a recent trip to Montreal I spent some idle minutes before plane time looking at their assortment. I am always looking for a particular type of flip-up sunglasses that for a while were in short supply. I found them at Duty-Free marked "Regularly $7" (the price of $7 was printed on a removable portion of the pre-printed tab) and being offered at the bargain price of $5.30. Valuing the Canadian dollar at 85¢, that would be $4.50 in U.S. dollars. The only problem was that they are now in ready supply in the United States at $4!.

RThought: The oldest game in the world to establish an image of "low prices" is to sell at low margin those items that you think the customer will know comparative prices on while selling at higher prices the "blind items." (Note: I think that "blind" is, perhaps, inappropriate as a description for clip-on sunglasses).

BARGAINS ARE NOT BARGAINS IF YOU DON'T KNOW WHAT YOU GOT

The Food and Drug Administration ordered the recall of 6,500 cases of egg shampoo—because there was no egg in it! ! !

Caught with the bargain purchases, but apparently without facilities to test whether they got what they ordered from J. L. Prescott Co. of South Holland, Illinois, were some of the famous names of retailing—Shop Rite, Topco, Revco, Stop & Shop and Heck's.

RThought: Long ago I saw a chalk reproduction of Venus de Milo that sold for 39¢ and bore the inscription "There is nothing anyone ever made that someone else could not make cheaper." It should be obvious to an astute retailer that one of the ways to cut the cost of shampoo that is supposed to contain 2% whole egg or 2% fresh egg is to eliminate the egg!

On the other hand, I think it was Barnum who observed that a sucker was born every minute.

IT'S A WOMAN'S WORLD

Hechinger's, "The world's most unusual lumberyard," talks of serving "Harry and Harriett Homeowner." But unlike their counterparts (Grossman's, Builders Emporium, Handy Dan, Channel, Ernst and many more), they put Harriett to work for Hechinger's.

Building Supply News picked The Hechinger Company as their

The evidence is accumulating that the National Retail Merchants Association (NRMA) will not move against member firms that arbitrarily impose charges on vendors. To the extent that these charges are a violation of the Uniform Commercial Code, they constitute unilateral, arbitrary and illegal charges that are, in effect, discriminatorily extorted from vendors.

Here is an example of how this works. On June 19, 1978, The Bon Marche in Seattle, a major division of Allied Stores, issued a letter that started:

> **"Effective July 1, 1978, we will impose a handling charge on defective merchandise we return to our vendors. This charge is necessary to cover part of our direct expense . . . The handling fee will be calculated at 10% of the cost . . ."**

One can only conclude that written contracts with The Bon Marche are worthless—when weeks or months after entering into a contract The Bon feels that they can unilaterally change the terms.

Killing attempts to solve vendor/store problems.

In January 1978, the NRMA Vendor Relations Committee met with representatives of the Federation of Apparel Manufacturers (FAM) to discuss the increasingly serious problems developing on both sides of this relationship.

Stores were complaining of non-compliance with shipping dates, routing instructions, handling of original invoices, restrictions on split shipments, overshipments, and unauthorized substitutions of styles, colors and/or sizes, to name just a few problems.

Vendors, on their side, were complaining of arbitrary charges not set forth in either the purchase order or the purchase order confirmation, unauthorized returns, arbitrary returns, and deductions of discounts long after the expiration of the discount period, to name a few of their problem areas.

After the meeting, considerable time was spent in working out a summary of the meeting and it was the understanding of FAM that each organization would distribute copies of the summary to all of their members—about 1100 in the case of FAM and about 3000 in the case of NRMA. FAM sent out the summary; NRMA did not.

I saw Jim Williams at Western Regional Retail Financial Executives meeting where we both talked—and I asked him about it. His letter of August 25th said, in part,

> **" . . . it is our practice to make available to our members materials to help them in their operations rather than burden them with reports of committee meetings and such. Quite frankly, our members repeatedly have directed us to do just that. Further, it is inappropriate to give wide distribution to reports of proceedings that affect only a particular segment of our broad membership . . .**
>
> **"As I told you, what we are doing to respond to this very inportant subject is to develop for distribution to the entire membership a checklist entitled "Guidelines For Effective Vendor/Retailer relations" which will address many of the issues raised at last January's meeting. It will cover the broad spectrum of the subject matter rather than just the limited parameters discussed at the meeting."**

Note that Williams is saying that they won't give wide distribution to reports that affect only a particular segment of the members and then he reports they are working on a guideline **on the very same subject** to send to everyone!

Based on this I immediately challenged FAM to prove their claim that each side was to distribute the summary of the meeting. They provided a letter dated March 24,1978 from R. Patrick Cash of NRMA which said "It is our understanding that you will circulate this summary to your membership. **NRMA will handle the distribution of its report to its own members.**" A casual reader would assume that NRMA was going to distribute the summary—but a careful reading discloses that **not sending it** to any of the NRMA members also constitutes a way to "handle" distribution. That, apparently, is what Williams was telling me that he really meant.

For NRMA members, or any retailer, who wants to know what was discussed and what many key members of the NRMA Vendor Relations Committee hope would be an on-going attack on a serious problem area, just write to Federation of Apparel Manufacturers, 450 Seventh Avenue, N.Y.,N.Y. 10001 and FAM will gladly send you a copy. Ask for the summary of the January 1978 FAM/NRMA meeting.

More recently, Sam Feinberg dealt with this matter **(Women's Wear Daily** 9/6/78.) When Feinberg interviewed Williams about the January meeting Williams reportedly said ". . . We feel exposure to the issues has been laid out. It remains to be seen what specific corrections are going to be made. We have to try and see if we can evolve a few specific things. The manufacturers must do something about quality control. Something must be done by manufacturers about modifying a return-authorization requirement that adds immeasureably to the stores' paperwork."

Williams, with assistance from Charles Binder, repeated the subjects discussed at the January meeting, yet any action to solve the problems is blocked by Williams' refusal to participate in further meetings. I was most surprised at the following sentence:

> **"He (Williams) and Binder were taken aback when apprised Barnard has charged 'quite a few' retailers are still using long abandoned tradewide basic terms of sales as a weapon to persuade resources to accept penalties and assessments without protest."**

This matter was brought to Williams' attention by RT and that is when RT learned that the Basic Trade Agreements had been withdrawn some years ago on advice that such agreements were deemed in restraint of trade. The current use of NRMA and/or the Basic Trade Provisions and Williams' specific knowledge of this was reported in the May 1978 issue of RT (see "Chiseling on the Suppliers").

RThought: RT knows that there are many NRMA members among RT readers who expect their Association to be committed to high principles. It appears that Jim Williams does not share that commitment. It may well be that Williams doesn't want to criticize big member Associated Dry Goods (ADG) despite the fact that RT identified two divisions of ADG that were putting the blame on NRMA. It may well be that Jim Williams has no stomach to bring improper conduct on the part of The Bon Marche to the attention of Allied Stores whose CEO was recently Chairman of NRMA.

And it may will be that Jim Williams is not the kind of executive that should speak for the industry if he has such a low concern about unethical and dishonest conduct by members.

It is time to seriously attack the problem of vendor/retailer relations. The problem is getting worse as retaliation builds upon retaliation. The failure of NRMA to continue the dialogue has already led FAM to conduct a seminar under the title "Retailer Relations—Problems and Possible Solutions." A distinguished attorney on the panel pointed out that many of the actions by stores as reported by vendors appear to be criminal violations of the Robinson—Patman act (inducing unfair price discrimination) or the Federal Trade Commission Act (unfair trade practices.)

Nothing will be gained if vendors file civil suits for damages against stores or if they file complaints with the FTC that lead to criminal charges against top retail executives. The battle lines will only become harder.

NRMA is not the only retail trade association that should be involved in such discussions—the problems are serious among members of Menswear Retailers of America, National Mass Retailing Institute, National Association of Catalog/Showrooms and others; and it is serious among vendor associations other than FAM.

If one wonders why there are more and more complex laws restricting businesses, they have only to look at the conduct of NRMA during the past year in resisting a joint attack on a common problem.

Note: RT would be pleased to know of efforts readers make to advance constructive action in this area and would be happy to publish, with or without identification, thoughts that readers may have on constructive action that can be and should be taken.

How small is Penney's? Plenty—despite $10 billion in sales. The authoritative **California Journal** reports "Officials of the J.C. Penney Corporation are saying in Sacramento that the state lost a 2,800 employee distribution center to Las Vegas partly because Governor Brown refused to meet with the company president." RT has long wondered about the Taj Mahal that Penneys built in Fairfield, CA—100,000 sq. ft. plus, standing for years in the middle of an open field waiting for a shopping center. Was that store built because the Mayor of Fairfield was willing to meet with the President of Penneys?

Marks & Spencer succumbs! You no longer need cash on the barrelhead to enjoy the values of St. Michaels garments. M&S has been seduced by Citibank—who will start a test program in September. The credit limit will be 30 times the monthly payment—and the finance charge will be 1.65% per month (19.8%/year). As the Sunday Times (London) commented "But the prospects of irresponsible housewives rushing round Marks buying up unnecessary stocks of St. Michael underwear on tick, bodes ill for the future of the nation."

Can you utilize product knowledge on merchandise carried in a hardware store? That means anything from floor coverings to sporting goods, aerosols to power garden equipment, nuts and bolts to fireplaces. Then send $2 to **Hardware Retailing**, 770 North High School Road, Indianapolis, Indiana 46226, and ask for the May 1978 issue. Almost 300 pages of information on thousands of different types of products.

Levitz tries to get money from the grave. An RT reader writes "Levitz assures me as of today, Ben is a 'preferred customer' and has a $1,000 credit card." Unfortunately, Ben (her husband) died in October 1950. She asks "Join me in my fury"—and I do. Levitz, of course, doesn't give a damn—unless the mailing didn't produce a profit in which case they will discontinue it. Retailers continue to do their share to dehumanize society—and then complain because customers don't like them.

Ever wonder how General Motors got to be the largest corporation in the world? Consider their current advertising, "If you are looking for a great Japanese car, look for a great American name—Buick OPEL!" After all the years of telling us that Opel stands for great German craftsmanship, we find it really comes from Japan and is really an American name!

The Super Giant Quarter appears in quarterly reports! For the 2nd quarter of 1978, May Department Stores reported "Sales . . . were up 7.1% . . . but were below our expectations. The sales shortfall affected first quarter earnings which were 30¢ per share, down **modestly** from 33¢ . . . (a year ago)." A 7.1% gain is reported, even though unhappily, but without description as being "up 7.1%" while a larger 9.1% earnings drop is described solely as "modestly."

Sometimes manufacturers of consumer goods do stay ahead of legislation—rather than forcing legislators to legislate control. The Chain Saw Manufacturers Association took the lead in establishing voluntary safety standards for chain saw kickback that was accepted by the Consumer Product Safety Commission.

Worried about how long to keep records? Electric Wastebasket Corp. (145 west 45th Street, New York, NY 10036), puts out a handy "Records Retention Timetable" available on request—as well as making machines that will handle the disposition when the time comes.

Competition from your buying office? That is what is happening in Europe according to the Retail News Letter of the International Association of Department Stores. The Kaufring retail buying group, which claims to be the most important general merchandise buying group in Europe, has announced the opening of three department stores (average 35,000 sq. ft.) to be operated by the buying office and not by the retailer members.

Changing credit standards—at Saks Fifth Avenue. About 2 years ago RT reported the experience of a person returning from a number of years in Europe and settling near a Saks Fifth Avenue store. She applied for credit at Saks as well as at Neiman Marcus, I. Magnin, and others. Saks turned her down, despite a credit reference to American Express and to accounts in New York that she had maintained while in Europe. Recently she shopped in Saks and offered her American Express Card—the same reference that was previously inadequate—and was immediately offered an "instant account" based solely on the Amex card! So much for appearing to be a logical and rational major retailer in the eyes of the customers.

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

1978 Retailer of the Year in the over $50 million category. Although the reporter who wrote the article apparently was not struck by the dominance of the gentle sex in the merchandising division, RT (where all captions are read) could not help but note that 4 of 9 members of the buying team, including the buyers for housewares, paint, plumbing and electric, are women. RT hereby selects Hechingers as the ERA Champion of the DIY Industry.

WHY WE CONTINUE TO HAVE HIGH UNEMPLOYMENT

Let me set forth an hypothesis:

1. College graduates do not have serious unemployment problems.
2. College graduates run most business and most government.
3. Therefore, college graduates cannot understand and deal with the problem of serious unemployment.

The tables below were constructed from the U.S. Department of Labor Special Labor Report 209 "Educational Attainment of Workers, March 1977" to demonstrate these points.

First, let us look at the distribution of workers 16 years and older by education attainment broken down by color (Note: Hispanic origin is a breakout of the white population; white plus black equals 98.3% of the labor force—the remainder being oriental, native American, etc.).

Highest Education Level		Total	White	Black	Hispanic Origin
Elementary:	Less than 8 years	8.7%	7.5%	17.7%	27.6%
	8 years	7.9	8.0	7.5	8.5
High School:	1-3 years	19.9	18.9	28.7	23.5
	4 years	35.8	36.8	28.8	25.1
College:	1-3 years	14.7	15.1	11.3	10.3
	4 or more	13.1	13.8	6.1	5.0

Comment: A significantly lower percentage of blacks and Hispanics complete college—while a significantly higher percentage have not completed 8 years of elementary school. To a small extent this latter figure is influenced by the lower average age of blacks and Hispanics than whites—thus a higher percentage of black and Hispanic working force over 16 are likely to increase their educational attainment in years to come.

Second, let us look at the pattern of participation/non-participation in the labor force. The table below shows the percentage of individuals, by their highest educational attainment, **who are not in the labor force.**

Highest Education Attainment		Total	White	Black	Hispanic Origin
Elementary:	Less than 8 years	64.5%	65.8%	60.7%	52.0%
	8 years	60.0	60.7	53.9	46.0
High School:	1-3 years	47.1	46.5	50.4	45.7
	4 years	32.1	32.5	28.0	29.5
College:	1-3 years	31.5	31.6	30.4	24.8
	4 or more	20.4	20.7	14.5	19.3

Comment: This tabulation is seldom shown—but it demonstrates that educational attainment has a strong impact on whether or not an individual is in the labor force. 64.5% of all persons who have less than 8 years of school are **not** in the labor force—either working or looking for a job. Among these are the "permanently discouraged" people often mentioned when discussing the accuracy of unemployment figures. **It also reflects the fact that for many people over 65 and retired, going to high school was a luxury.** Yet it seems hard to accept that 64.5% of any segment of our population really want to be excluded from the labor force.

On the other hand, when looking at those who have 4 or more years of college, only 20.4% are not in the labor force.

Thus we can see that the more education you have, the more likely you are to be in the labor force.

Third, let us look at the likelihood of being unemployed if you are in the labor force.

Highest Educational Attainment		Total	White	Black	Hispanic Origin
Elementary:	Less than 8 years	10.0%	9.9%	10.5%	10.8%
	8 years	10.3	9.6	15.3	13.8
High School:	1-3 years	13.8	12.7	20.0	17.2
	4 years	7.5	6.8	14.4	10.0
College:	1-3 years	6.0	5.5	12.5	8.2
	4 or more	3.3	3.2	5.1	5.0

Comment: This table shows an unusual pattern in the first three levels of educational attainment—higher unemployment with more education. This is influenced by people who involuntarily terminate their schooling because they have to take a job that is available in order to meet economic pressures. A good part of this may be in agriculture. But once high school level or higher has been attained, the rate of unemployment drops rapidly.

We see here that for practical purposes there is little or no unemployment among college graduates. Combine this information with the 2nd table that shows that 80% of college graduates are in the labor force. Now we see why college graduates talking to college graduates don't fully appreciate the problems of having less than 8 years of schooling (8.7% of the population) and being outside the labor force (64.5%) or being in the labor force and experiencing 10% unemployment.

Finally, let us look at what happens to the percentage unemployed with increasing age:

Category	Total	16-24 yrs.	25-54 yrs.	55 and older
Total	7.9%	15.0%	5.9%	4.9%
White	7.2	13.3	5.5	4.6
Black	14.2	30.1	9.9	7.6
Hispanic Origin	11.4	17.4	9.1	8.4
Elementary:				
Less than 8 yrs.	10.0	18.4	10.0	8.5
8 yrs.	10.3	31.1	9.3	6.3
High School:				
1-3 yrs.	13.8	22.0	9.6	5.6
4 yrs.	7.5	13.4	5.8	4.1
College:				
1-3 yrs.	6.0	9.1	5.0	3.9
4 or more yrs.	3.3	8.3	2.8	2.0

Comment: The older you get—if you are still in the labor force—the less likely you are to be unemployed regardless of educational attainment. 8.5% unemployment for those over 55 and with less than 8 years of education is a debilitating experience. Yet it is only slightly higher than the 7.9% for the total work force as of March 1977

But if we look at our college graduates, who are making our policy, we see only 2.8% unemployment for ages 25-54 and only 2% unemployment for ages 55 and over.

RThought: Just because people with more education have a higher labor participation rate and a lower unemployment rate does not mean that just by pushing people through school—without learning anything (we have all seen reports of high school graduates who cannot read)—that we can cut unemployment. But it does auger well for programs that stimulate people to **want** more education. The income advantage for people with higher educational attainment is narrowing—but the prospects of steady employment continues to be a tremendous benefit. Yet this latter point is seldom stressed with young people—and the initial high rate of unemployment or underemployment for recent college graduates tends to distort the facts when viewed by those who are at the point of making the decision to go to or complete college.

THE FUTURE IS NOT SO SWEET FOR CANDY

The 51st Annual Survey of Confectionery Manufacturers' sales and distribution shows a continuation of the long-run (since 1968-69) drop in per capita consumption of candy. During the past decade consumption has dropped from 20.3 pounds per capita to 15.4 pounds.

This partially reflects the declining birthrate since 1956 which has meant a declining percentage of the population is at the candy eating age. But it also reflects the rapidly rising price of candy ingredients, especially chocolate, and the rising reaction of informed parents to sugar intake.

The importance of consumer reaction against sugar intake is demonstrated by the rising percentage of the chewing gum market captured by sugarless gum—now 27%. **Some stores in high income areas** report as much as 75% of their gum volume is done by sugarless gum.

DOES EFTS DEPEND ON WALKING LESS THAN 10 FEET?

That, apparently, is what Spence Nilson is reporting in **The Nilson Report** (August 1978 issue No. 193, P.O. Box 49936, Los Angeles, CA 90049 $165/year), the "must" report for people involved in credit cards.

Nilson reports that banks are recognizing that supermarket checkouts are not the proper environment for banking activities. It is a different matter in the privacy of one's self-service gas station.

A bank in Canton, Ohio is handling 5,000 transactions a month through an ATM (Automatic Teller Machine) located at a self-service gas station. In Sweden where automatic gasoline pumps now accept currency, they will soon accept 800,000 credit cards.

The appeals of a service station are many: convenient parking, 24-hour availablity, regular visits.

United Citizens Bank a 4-year old bank in Winston-Salem, North Carolina offered customers a card good at card-activated self-service pumps in Pace Oil Co. service stations that automatically billed gasoline. In the first year **6**,000 of 12,000 bank customers asked for and were using cards! The gas is sold at 2¢ to 4¢ below other self-service stations.

CREATIVITY IS THE FOUNTAINHEAD OF THE FUTURE

Some studies have shown that only about 2% of adults use their creativity—a terrible drop from 10% among seven-year olds and 90% among five-year olds.

Here is a test for your organization. Ask "How many correct answers are there to the question 'What is half of eight?'." One would expect that almost all of your people will come up with 4. But then push them for two more answers—which should be 0 and 3. How does one get those answers? Creativity! Draw a line horizontally through an "8" and you get a zero above and a zero below—thus a half of 8 is 0! Draw the line vertically, and the right hand half will be a 3, and the left hand half will be a reverse image of a 3. (My very creative secretary came up with a fourth answer—7:30!)

RThought: Encourage creativity and free thinking in your business. Do it by being receptive to all ideas. Never put down people because you know the idea will fail—treat the idea with respect, consider it for a time, and then discuss it with the originator in terms of the idea and not in terms of his part. Never say "Your idea is no goood"—rather say "I think this aspect would be a problem. Do you see how **we** could overcome that?" That way he will come back to you with more ideas—and one of them may be a wonderful benefit to both of you.

COMMERCIAL BRIBERY

Pride Laboratories of Farmingdale, New York, said they are "built on pride" but it looks like they are built on commercial bribery. A printed form letter sent recently to the controller of a 9-unit department store group offered a choice of four gifts (handy tool set, thermal blanket, Swiss-type army knife or Thermos cup)"an absoultely FREE GIFT just for getting to know us. It's our simple, no-strings way of sayin[g] 'nice to meet you'." But in very small type on the postage-paid return card is the statement "Offer limited to those authorized to buy maintenance supplies."

After the "FREE GIFTS" comes the "BONUS GIFTS" that are "Yours to select on our special Buying Plan" and these include a Moped-type motorcycle, full-size billiard table, Sony portable TV, 5-piece matched luggage set, complete fishing set including line and reel, Midland 40-channel CB or Tasco binocular/camera combination.

All of this, of course, goes to the person "authorized to buy maintenance supplies" and not to the company that pays for the overpriced merchandise.

RThought: Pride yourself on staying away from Pride Laboratories.

WORDS TO WRITE A NEWSLETTER BY

I am indebted to Dick Nolan of the San Francisco Examiner who passed on an " author unknown" rhyme sent him by Irene Dobbins, a proofreader and copy editor. After the issue of RT that had 11 misspelled words and two arithmetic errors, we found comfort in these words:

> **The typographical error is a slippery thing, and sly.**
> **You can hunt 'till you are dizzy, but it somehow will get by.**
> **'Til the forms are off the press, it is strange how still it keeps;**
> **It shrinks down in a corner and it never stirs or peeps.**
> **That typographical error is too small for human eyes,**
> **'Til the ink is on the paper, when it grows to mountain size.**
> **The boss, he stares with horror, then he grabs his hair and groans.**
> **The copy reader drops his head upon his hands and moans.**
> **The remainder of the issue may be clean as clean can be,**
> **But that typographical error is the only thing you see.**

RETAILING TODAY

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CORRECTION

In the October 1978 RT under the title "DO ACCOUNTANTS HAVE COMMON SENSE?" I pointed out the weakness in the logic of showing the liability under long-term leases as co-equal with other liabilities. I said ". . . the Bankruptcy Laws Limit such liabilities to not more than 1 year under Chapter X and 3 years under Chapter XI . . ." Those of my readers who have been through a Chapter X knew I was wrong—as did a reader who is an expert in bankruptcy law. The correct statement should have been ". . . 1 year under straight bankruptcy and 3 years under Chapters X and XI."

HOW WRONG CAN THE FEDERAL TRADE COMMISSION BE?

One can hardly understand the thinking that goes on within the FTC. On one hand they pick on lots of little retail businesses, especially those close to Washington D.C., and on the other hand they take on the major manufacturers with national advertising but neglect the smaller manufacturers.

Now the FTC proposes to abandon their interest in retail advertising guidelines. Why? Because the FTC says that price comparison advertising by retailers isn't important any more!

One wonders what newspapers the FTC people read—certainly not those in the United States. The men's wear stores are increasingly concerned about the number of phony "factory outlet stores" using price comparisons that are untrue and which mislead the public but **the FTC says price comparison is no longer a matter of concern.**

Marshall's is going nation-wide with untrue and misleading price comparisons on almost every price tickect, claiming "values" based on prices for perfect merchandise offered 1, 2 or more seasons ago but **the FTC says price comparison is no longer a matter of concern.**

The entire catalog/showroom industry has developed using price comparisons that are limited only by their own conscience, price comparisons that connot be validated but **the FTC says price comparison is no longer a matter of concern.**

All of this has developed when the world thought the FTC was sincere in setting forth their revised guidelines in 1974. Now the FTC admits they have not enforced them—and that they do not intend to enforce them.

RThought: The FTC set the guidelines but many disregarded them because the FTC did not enforce them. **Caveat emptor** is now the rule. Only the uneducated and the poor get hurt by the frauds and who cares about them. Certainly not the well paid public servants at FTC.

DO CUSTOMERS LIKE GAMES?

Apparently they don't, according to a survey made in 8 western cities by the students in the Food Marketing Management Program at the University of Southern California. The cities checked were Los Angeles, San Francisco, Dallas, Seattle, Denver, Salt Lake City, Phoenix and Portland.

The results are worth noting:

75% disapproved of games
48% favored deposits on beverage cans and bottles
74% didn't like trading stamps (the degree of dislike rose with income)
52% felt supermarkets made too much money
45% blamed high prices on labor costs
50% felt shopping in a supermarket was a chore

The sample seems fairly broad. It might lead the supermarket industry to quit fighting bottle/can deposits. However, it is doubtful that it will stop the resurgence of games and stamps.

RThought: Perhaps we can do something to hasten the pattern of continuations/games/stamps followed by "Going Discount! ! ! Everyday Low Prices." The food industry seems to have stayed in the "discount" mode longer than in the other phases which has produced a modicum of stability, although profit levels have declined in markets with limited growth.

There is a great deal of parallel between the logic of the FTC and that of the kid who killed both his parents and then pleaded for mercy because he was an orphan. Only in this case it is the FTC helping to kill the honest small businessmen (who complied with the guidelines because they were the rules of the FTC) and the poor—while endorsing practices that are more appropriate to the Mafia.

REPORTING THE GOOD NEWS

One of our staff recently had the following exchange of letters with Clairol, Inc.:

"Gentlemen:

"My daughters and I have been the proud and happy owners of two of your 'CLAIROL HOT STUFF 1000 WATT MULTIDRYERS.' I believe we purchased the first model made and then when that one outlived its warranty we purchased a second one.

"When the second one started acting like it was 'overheating' and would not operate for longer than a couple of seconds at a time and then would turn off by itself until it cooled and would then restart itself again, we decided to take it into a small appliance repair shop to have it fixed rather than purchase a third hair dryer.

"The repair shop really surprised me when they phoned to give me an estimate on the repair costs.

"Their findings were that the dryer was 'dying' a natural death and could not be repaired! I was startled and told them I thought all small appliances could be fixed for a price–and their reply to me was that your hair dryer was built to be 'DISPOSABLE! ! !' They said there was no way to repair your dryer!

"If this is true then I believe you have badly represented your product through your advertising. I can find nowhere where it is stated that this product is to be considered 'disposable' and would not be repairable after its warranty lapsed.

"I would greatly appreciate hearing your thoughts on this matter."

The reply from Michael Burke, Product Manager for Hairdryers said:

"Your letter of September 18th regarding Hot Stuff has been brought to my attention. Under separate cover, I have sent you a Hot Stuff 1200 to replace the dryer that has given you trouble. Please send me the unit in question to enable us to evaluate this matter.

"As to your repair shop's comment that our dryer was 'built to be disposable,' I can assure you that this is not the case. Any one of our *authorized* service centers can repair almost anything that might go wrong with one of our appliances. (You'll find a list of centers packed inside the carton, or call (800) 447-4700). Our business is built on loyal consumers like yourself, who buy more than one of our products. It would not make sense to disappoint a hairdryer purchaser and lose future sales on other products made by Clairol. For that reason, our quality standards are among the highest in the industry.

"We apologize for the inconvenience this situation has caused you. If you ever have another problem with one of our appliances, please notify me personally and I will see that the problem is handled promptly."

RThought: The problem remains–how to find the service center. In this day of 800-telephone numbers it would be wise to include on the product the number to call for the location of the closest service center.

SELDOM CITED DATA ABOUT FAMILY INCOME, SIZE AND EDUCATION

The new Consumer Price Index is based on data recently published in "Consumer Expenditure Survey: Integrated Diary and Interview Survey Data, 1972-3" published as Bulletin 1992, U.S. Department of Labor, Bureau of Labor Statistics (Stock No. 029-001-02206-9, Supt. of Documents, GPO, Washington, D.C. 20402).

The table below has been generated from this publication:

Family Income	No. Families (000's omitted)	Avg. No. in Family	Avg. Age of Family Head	Number Persons Over 65	% with 12 or More Years of Education
Under $3,000	9,065	1.4	57 yrs.	.6	10.7%
$3-3,999	3,991	1.9	55	.6	13.6
4-4,999	3,624	2.1	53	.6	15.7
5-5,999	3,282	2.4	51	.5	14.1
6-6,999	3,401	2.5	49	.4	19.4
7-7,999	3,251	2.5	46	.3	18.9
8-9,999	6,594	2.8	43	.2	23.3
10-11,999	6,278	3.2	43	.2	25.3
12-14,999	8,375	3.4	43	.2	30.4
15-19,999	9,996	3.6	44	.1	36.0
20-24,999	5,128	3.8	46	.1	46.4
25,000 & Over	4,560	3.8	49	.2	63.4
Total Complete Reports	67,447	2.8	48	.3	27.1

The interesting observations from the data are:

1. The higher the income, the larger the number of people in the family. This is a point seldom made–and one which few people would have anticipated when there is discussion about the poor.
2. The higher the income, the fewer the number of people over 65 in the family unit. Today they are out on their own (thus making an abnormal percentage of the "poor" family units) or put in rest homes rather than being kept within the family structure.
3. The higher the income–up to $15,000–the lower the average age of the head of the family. Thus it is the young people who appear to be making the better money–a factor that may be the basis of some of the resentment being expressed in our society today. Even in the higher family income units, the average age of the head of the family tends to be below the average age of the head of all families.
4. A factor that one would expect–the higher the family income, the greater the percentage of family heads with 12 (high school graduate) or more years of education.

RThought: There are several contradictions to "common knowledge" contained in these figures. It is often said that the poor have more children–but if that is the case, they leave the family faster. It now appears that having children may become a luxury–more common among the well-to-do than the poor. There was a day (when we were an agricultural nation) that a man's wealth was the number of children he had; today having children may mean not having a color TV set with a remote control.

Part of the higher average number of people in the family with higher income probably reflects a higher percentage of the children going to college and being recorded as still within the family unit.

The future shows promise and failure. The pattern of completing high school was just being established during the 1920's (such people would now be 65 or older) when it was interrupted by the Depression years (1930-37) and later by World War II (1941-46). The rapid rise of post-high school education, particularly the growth of community colleges and the expansion of state colleges and universities, came in the post-World War II period, greatly stimulated by the inclusion of educational benefits in the G.I. Bill.

This rise in importance of education is showing up in the correlation between the percentage of heads of families with 12 or more years of education (high school and beyond) and the family income level. But in addition to correlating with education, education correlates with family size. Thus, continued enrollment in higher education may forecast (1) the continuity of the family as we have known it and (2) some relief in the percentage of the population categorized as below the poverty level.

Unfortunately, these trends may be more beneficial to whites than to minorities although Clark Kerr, working with the Carnegie Foundation for Education, recently reported that on a basis adjusted for family income, blacks and Hispanics are participating in higher education to a greater degree than are whites. This would indicate a strong basic desire to enter the traditional economic society.

THE SMALL BUSINESS ADMINISTRATION IS CUTTING SOME RED TAPE

Retailers are not the favorites of the Small Business Administration–RT is not aware of many SBA loans to retailers.

TAXING EMPLOYEE DISCOUNTS

Congress has blocked the Internal Revenue service (until 1981) from taxing employee fringe benefits.

The major item of concern to retailers is discounts on employee purchases. Matters such as company-provided cars, country club dues, entertainment allowances, free income tax advice, and others affect only a small percentage of retail employees.

The press–including the retail trade press–has failed to discuss the factors involved in employee discounts.

First, there is the need for an appearance of loyalty to one's employer. Most retail employees are not highly paid. In major department stores they average less income than the customers they serve. Yet the employer wants employees to be familiar with the products sold by the store.

One might ask why an employee selling men's sport shirts should get a discount on a General Electric refrigerator. Normally, stores would sell a G.E. refrigerator for somewhat more than Sears sells their private-label Coldspot. Yet the employees knowledge of the G.E. products is important; and the employer benefits by not having the employee's friends and acquaintances exposed to a Sears product.

Often the products bought on discount by an employee are beyond what he would normally spend–and yet it benefits both the manufacturer and the store to have the employee wear what he sells. The store and the manufacturer often combine to lower the price of top line apparel and other items just for the people selling the product. The manufacturer will often sell to those employees at less than they charge the store.

Second, in many cases the employee pays very little less as a result of employee discounts (sometimes more) than if he shopped at discount stores. (RT realizes that this is not true in the case of top executives who often buy at or near cost.)

Third, employees are not the only ones who get discounts. Most drug chains give a 10% discount to the elderly. Many retailers give discounts to the clergy. It is common for bookstores near colleges to give discounts to faculty members. A great many firms attract policemen and firemen with special discounts. There are even discounts for people who pay cash instead of charging!

Under these circumstances will the store have to report all such amounts as income to the recipient? If the discount to a faculty member on a book is not income to the faculty member, why is it income to the employee of the bookstore? I doubt that Congress has the ability, even if they had the desire, to eliminate selective discounts offered by retailers.

Finally, what is the discount? What happens if an employee is not allowed discounts on sale items? What happens when an employee buys an item at a discount and 2 weeks later the store marks down the price more than the amount of the discount? Has the employee obtained a real addition to his income? Or has he paid about the same amount of money that he might have paid elsewere for an equivalent product?

Let us look at some fringe benefits that are not listed by the IRS as targets for taxation.

How about taxing people who work in the central city for the fringe benefit of being able to use public transportation which is not available to workers who work in industrial parks? How does one withhold a percentage of the money saved by not driving a car to work?

How about taxing workers who are not exposed to asbestos, black lung disease, heat from iron furnaces and other dangers and who, as a result, have fewer medical expenses? Shouldn't the government withhold on that fringe benefit?

How about the people who work Monday to Friday, 8 to 5, which doesn't upset family life or cause strains that lead to divorce with all the attendant costs? Should business have to withhold taxes on those fringe benefits?

How about people who work in smaller communities, where the pace is slower and the air cleaner and the streets safer and the car insurance costs and housing costs lower and people live longer? Shouldn't there be withholding on these fringe benifits?

If Donald C. Lubick, Assistant Secretary of Treasury for Tax Policy, would just follow the statement he made before the House Ways and Means Committee Task Force on Employee Fringe Benefits, the IRS project would be dismissed as impractical in both administration and equity. While purporting to support taxing such fringes, he said:

> **"The taxability of noncash items provided by employers to employees should depend not only on the nature of the item, but also on the administrative implications of taxing it. Unreasonably expensive recordkeeping requirements should not be imposed on employers. Nor should Internal Revenue Service audit resources be frittered away. Compensation in kind should not be taxed if it would be administratively impractical to do so. If the total combined costs to an employer in accounting for an item and to the government in collecting tax on it would be unreasonably large in relation to the value of the item, the item should not be subject to tax."**

We then add the concept of fairness–that the fringe must provide an ascertainable value in money and that it also has a value to the employee equal to the equivalent cash.

Just to be sure that we don't misunderstand the two sides of buying at an employee discount, let me relate two stories. When my Mother married my Father in 1912, Kahn's was the largest store in Oakland. Mother appeared at a family affair in a dress that Grand Uncle Fred admired. He asked her where she got it. When she said Capwell's the second largest store, Grand Uncle Fred, before the rest of the family, said "The Kahn women get their clothes at Kahn's!"

Now we move ahead 34 years–I brought home a bride from Texas. She did our Christmas shopping and selected a wonderful gift for Dad. Unfortunately I didn't catch the Capwell's gift box. Dad told my bride of just a few months "We don't give gifts in Capwell boxes even if it is purchased there!"

CREDIT OFFICE RATING

RT is pleased that new stores are being added to the list as new reporters volunteer to provide information. The more stores reported, the more representative the report.

And as the list grows, so does the Honor Roll.

HONOR ROLL

Store	Days	Store	Days
Liberty House	2.0	Levy Bros	3.6
Macy's–NYC	2.0	Oshman's	3.6
Rubensteins	2.0	Mervyn's	3.9
Ivey's	3.3	Bamberger's	4.0
Gimbels–Phildelphia	3.6	Macy's–No. Cal.	4.0

CREDIT OFFICE RATING

AUGUST-SEPTEMBER 1978

Information From	AUG.-SEPT. 1978			JUNE-JULY 1978		
	No. of	Days to Bill		No. of	Days to Bill	
Reporters	Reports	Average	Range	Reports	Average	Range
Abraham & Straus (NY)	1	8.0	8	1	8.0	8
B. Altman (NY)	2	6.5	8-12	1	6.0	6
Bamberger's (NY)	2	4.0	4	1	3.0	3
The Broadway (LA)	1	10.0	10	–	–	–
Bullock's (LA)	1	11.0	11	–	–	--
Bullock's (No. Cal.)	8	5.8	4-8	8	6.1	5-7
Capwell's (No. Cal.)	6	7.5	6-10	9	12.8	7-23
B. Dalton (LA)	2	9.2	8-11	–	–	–
Nan Duskin (Phila)	2	4.5	4-5	–	–	–
Emporium (SF)	1	6.0	6	–	–	–
Gimbels (Phila)	1	4.0	4	1	3.0	3
Grodins (No. Cal.)	1	6.0	6	2	5.5	6
Gumps (SF)	2	10.0	9-11	2	10.5	10-12
Hinks (Berkeley)	1	12.0	12	1	7.0	7
Liberty House (No. Cal.)	1	2.0	2	1	5.0	5
Livingston Bros. (SF)	3	6.0	5-7	2	5.5	5-6
Lord & Taylor (NY)	2	4.0	4	2	5.5	5-6
Macy's (NY)	3	2.0	2	1	4.0	4
Macy's (No. Cal.)	5	4.0	4	10	3.8	3-5
I. Magnin (SF)	3	5.0	4-7	5	4.2	3-6
McCaulou's (Contra Costa)	2	7.0	7	2	6.5	6-7
Penney's (Oakland)	1	7.0	7	2	6.5	6-7
Penney's (Buena Park)	1	8.0	8	–	–	–
Penney's (NY)	1	6.0	6	–	–	–
Penney's (Spokane)	1	9.0	9	–	–	–
Saks 5th Ave.	1	8.0	8	3	8.3	8-9
Sears (LA)	1	13.0	13	1	9.0	9
Sears (Phila)	1	7.0	7	–	–	–
Sears (Alhambra)	4	10.1	9-13	5	8.6	8-9
Shreve & Co. (SF)	3	8.3	8-9	1	9.0	9
A Sulka (NY)	1	7.0	7	–	–	–
John Wanamaker (Phila)	2	5.0	5	1	6.0	6
Weinstock's (Sacto)	2	7.0	7	2	7.5	7-8
TOTAL	69	6.6	3-13	65	6.9	3-23

Information From	AUG-SEPT. 1978			JUNE-JULY 1978		
	No. of	Days to Bill		No. of	Days to Bill	
Stores	Reports	Average	Range	Reports	Average	Range
Gimbels (Phila)	36	3.6	3-5	36	3.6	3-5
Holman's (Pac. Grove)	6	5.9	5-9	8	6.0	4-7
Iver's (LA)	10	5.6	4-8	10	7.2	4-11
Ivey's Carolinas	20	3.3	2-5	10	3.5	2-5
Levy Bros. (San Mateo)	16	3.6	3-5	16	3.7	3-6
Maison Mendessolle (SF)	2	5.0	5	1	6.0	6
Mervyn's (No. Cal.)	20	3.9	3-4	20	3.9	3-4
Oshman's (Houston)	12	3.6	3-5	10	3.5	3-4
Penn Traffic (Johnstown)	10	4.8	4-6	10	4.5	3-6
Ben Snyders (Louisville)	8	7.5	7-9	–	–	–
Rubensteins (Shreveport)	3	2.0	2	6	2.5	2-3
Wineman's (Htngtn Pk)	3	7.6	7-9	6	5.3	4-7
TOTAL	136	4.5	2-9	132	4.2	2[illegible]

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

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

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

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

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

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

There are a variety of reasons—but paramount among them are (1) the red tape which makes banks reluctant to participate in loans and (2) banks telling stores that a regular loan (often at a higher interest rate and for a shorter term than SBA although perhaps with a less inclusive lien) is better for the retailer.

BANKING magazine, in reporting that the SBA will let banks take over more of the credit approval process, reported on the amount of such loans done by banks that had made 50 or more SBA-guaranteed loans since fiscal year 1968. That would be as few as 5 loans a year.

The report illustrates how banks have defeated this SBA program by non-activity. The table below shows the 10 largest banks arranged by loan volume:

Bank	No. Loans	Amount of Loans
Bank of America	2,469	$104,000,000
Marine Midland (Buffalo)	669	45,000,000
Security Pacific (L.A.)	542	39,000,000
Zions First National (Salt Lake City)	431	38,000,000
Rainier National (Seattle)	456	28,000,000
Wells Fargo (S.F.)	509	27,000,000
Seattle-First (Seattle)	377	26,000,000
Bankers Trust (NYC)	196	25,000,000
Citibank (NYC)	210	23,000,000
Nat'l. Bank of Alaska (Anchorage)	191	21,000,000

All other banks, including 3rd largest Chase Manhattan, had less than $20 million for the entire 10 years. Some of the giants, such as Continental-Illinois and First Chicago didn't get on the list because they didn't make 50 loans in 10 years!

RThought: If you want to know how banks in your state did, write to RT and we will send you a photocopy.

MAKING A MAN INTO A MACHINE— IS THIS PROGRESS

I always thought that progress was improving man's control over machines rather than interfacing man with a machine.

Years ago we did interface people with simpler machines. I can recall rooms full of people operating key-driven comptometers for 8 hours a day. An unlimited series of numbers could pass through the eyes of a trained operator and out her fingers without passing through her mind.

Now the telecommunications people are suggesting that the Rolls-Royce ot systems is the "Personalized Computer-based Message System" (CBMS). Let me quote from one description.

> **"Operation of CBMS begins when an employee (manager, executive, secretary) sits down at a keyboard terminal and logs on. The CBMS asks for the employee's name and the authorization code. After recognizing (Note: this is recognition? Ed.) the employee, the CBMS will, on command, print out a listing of all incoming messages (subject only) and who the message is from.**
>
> **"CBMS increases efficiency in several ways:**
>
> **—It allows people to handle up to 30 pieces of routine correspondence in as little as an hour (this compares with 5 or 6 telephone calls in that time, holding one face-to-face meeting or writing about 3 letters).**
>
> **—It allows managers to use non-simultaneous time instead of real time to solve non-simultaneous problems. CBMS reduces the need for face-to-face meetings.**
>
> **—It puts problems in perspective. Problems can be handled according to relative importance and during a specific period set aside for problem solving.**
>
> **—CBMS allows for interruption-free periods. Psychologists claim that we work best when we have some period of uninterrupted time in which we can concentrate on the task at hand. The system also cuts down on telephone interruptions."**

I find this hard to identify as an advance in management.

At the very time when even middle management keeps saying "You know?" and "He knows where he is coming from," at the very time when most middle and upper management can not write a concise and precise set of instructions, it is proposed that all communications be reduced to written form!

With the increasing job mobility of management, we no longer have management teams that have stayed together. The "teams" don't even have a common definition of words. (If you want to test how inaccurate words are, have an associate try to draw a picture that you are describing but that he can not see.)

Can you and your associates even agree on the definition of a pretty girl? Or a great car?

Do you think you can stimulate your peers/subordinates with words printed by a daisy wheel? Can't you just see a subordinate telling his wife at dinner "The Boss really gave me a boost today—he signed off with 74 instead of 73!" and all the time it was a typographical error?

RThought: Better management will come when managers find better ways to stimulate people—to provide leadership—to get management's dreams converted into tangible results. It is doubtful that this can be done with less one-on-one contact, without the availability of voice intonation to help convey the desired innuendo of each word, without sensing when the other person needs a pat on the back or a dressing down.

If big business does go this way, it will mean a great opportunity for small business.

WHO BENEFITED FROM THE MOVE TO WASHINGTON BY FOOD MARKETING INSTITUTE?

Is Washington D.C. central to the food industry in the United States? Hardly. The 10 largest food chains are headquartered in Oakland (California), Montvale (New Jersey), Cincinnati, Wilmington (Delaware), Dublin (California), Chicago, Philadelphia, Jacksonville (Florida), Woodbridge (NJ) and Boston.

For meeting purposes and considering air transportation available, Chicago is undoubtedly the most available city in the United States. That is why O'Hare Field is the busiest airport in the world.

So why abandon Chicago—and many long-time employees—and move the whole shooting works to Washington D.C.?

For one reason, it helps to protect the staff jobs. Living and working in Washington will make FMI sensitive to all the new legislation—both introduced and rumored—that will or might affect the food industry. The staff can always appear aware of the horrible things that are going to happen to the food industry—and how FMI is fighting successfully to protect the industry (and thus FMI deserves more dues and the staff people deserve more pay).

The fact that such quantities of legislation have been introduced for years and most of it doesn't even get a committee hearing will not be conveyed to the members. After all, it doesn't help the staff's status for the members to know that most of the legislation dies by itself; the members must be convinced that FMI killed it.

Finally, it is much easier to keep track of national legislation than legislation in 50 states, although it is state legislation that most often impacts the food retailer.

RThought: If the director of your association suggests that headquarters should be moved to Washington, start questioning the motive. It may not be for the reasons being put forth.

WILL LARGE RETAILERS MISS THE MARKET PREFERENCE FOR SMALLNESS?

History reflects that existing merchants tend to miss the new major markets that develop after their own basic format was set. Department stores completely missed the automotive, appliance, and home improvement markets that developed after the department store concept was established prior to World War I (they even regressed out of some markets they were in at that time).

Supermarketing chains have failed to address the rapidly growing healthfood market. Many traditional furniture and department stores have found it difficult to address the needs of apartment dwellers for smaller or multi-use furniture.

But what about a market that is now 5,000,000 people, and is projected to reach 25,000,000 by 1987 and 60,000,000 by the year 2000? Most retailers don't even consider it to be a market.

According to an article by Carter Henderson in the May 1978 Bulletin of the Atomic Scientists, as summarized in the September 1978 Executives' Digest (Cambridge Associates, 137 Newbury Street, Boston MA 02116), my friend Charlie Anderson, President of Stanford Research Institute (SRI), has his scientists doing some studies that are quite different from SRI plans to build multi-billion dollar enterprises in the Saudi desert. **SRI has recently studied the Americans who are committed to a simpler life!**

More and more Americans are convinced that they do not have to join the American rat-race that has so often been called success. It is not necessary to have a newer and bigger and more wasteful car every year (according to recent ads, Buckminster Fuller has opted for the smallest Honda). It is not necessary to concentrate on selling products to people that don't need them or to design products with shorter and shorter style life or less durability.

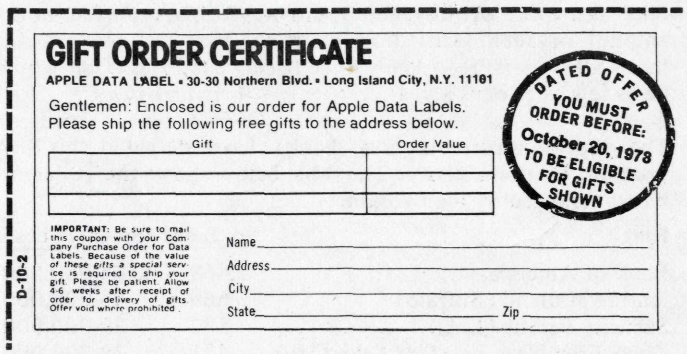
These 5,000,000 people have chosen a simpler lifestyle, often in a smaller community or even a rural area. But this does not mean that they don't want goods from our industrial society–goods that some retailer will provide them. Unfortunately for the existing retail organization, it will probably come from a new type of outlet.

What do these consumers–who could number 60 million people in 22 years–want in the way of merchandise? Their desires are quite objective, quite simple and well within the ability of our existing industrial society (although manufacturers starting with the largest–General Motors–have been rejecting the specifications for many years). To quote the SRI report, **"the person living the simple life tends to prefer products that are functional, healthy, non-polluting, durable, repairable, recyclable or made from renewable raw materials, energy-cheap, authentic, esthetically pleasing and made through simple technology."**

RThought: if existing retailers don't want to serve this market, there are plenty of entrepreneurs within "simpler life" groups, some of whom are or were top employees in your own organization.

COMMERCIAL BRIBERY I

An RT reader who refuses to deal with Apple Label, apparently a division of Apple Data, 30-30 Northern Blvd., Long Island City, NY 11101, sent us their latest "Free Gift Selector." If your supply manager has a new "Fabulous Pentax 35 mm Camera Outfit" or a "New G.E. 10" Porta Color II Color TV," you may just have purchased $950.00 or more of labels. Your order may have been placed on a "bid basis"–who bids the most to buy your buyer. The "Free Gift Selector" has a two-color "Gift Certificate" reproduced below:


GIFT ORDER CERTIFICATE

APPLE DATA LABEL • 30-30 Northern Blvd. • Long Island City, N.Y. 11101

Gentlemen: Enclosed is our order for Apple Data Labels. Please ship the following free gifts to the address below.

Gift	Order Value

DATED OFFER YOU MUST ORDER BEFORE: October 20, 1978 TO BE ELIGIBLE FOR GIFTS SHOWN

IMPORTANT: Be sure to mail this coupon with your Company Purchase Order for Data Labels. Because of the value of these gifts a special service is required to ship your gift. Please be patient. Allow 4-6 weeks after receipt of order for delivery of gifts. Offer void where prohibited.

Name ______
Address ______
City ______
State ______ Zip ______

D-10-2

Note that the instructions are specific–"Please ship the following free gifts to the address below" and "Be sure to mail this coupon with your Company Purchase Order to Data Labels."

RThought: Bribery in black and white and two colors!

COMMERCIAL BRIBERY II

The presence of Berol Corporation merchandise in your store–especially Spree II–should cause you to ask your buyer what he did with the Kodak Pleaser ($39.95 value) that he got for ordering 24 dozen! The ad begs your employee to rip you off–it says "Contact your pen supplier and grab onto your FREE ($39.95 value) Kodak Pleaser Instant Camera with every 24 dozen of Berol Spree II pens ordered." Also check your office manager–the ad appeared in **The Office** September 1978.

FTC AND THE LAW

Zayre Corp: The FTC has accepted a consent order prohibiting Zayre from knowingly inducing and receiving discriminatory promotional payments or services from suppliers of certain products it sells. The complaint alleged that in 1972 Zayre held a private trade show at which products of suppliers were displayed. Approximately 190 suppliers were induced to rent space and required to staff the space and demonstrate and promote their products. Zayre threatened to or actually did eliminate or decrease purchases from suppliers who refused to participate. Zayre knew or should have known that participating suppliers did not offer similar payments and services on proportionately equal terms to all their other customers who compete with Zayre.

WORDS TO MEASURE THE PASSAGE OF TIME

Who said:

> **"The world is passing through troubled times. The young people of today think of nothing but themselves. They have no reverence for parents or old age; they are impatient of all restraint; they talk as if they alone knew everything and what passes for wisdom with us is foolishness with them. As for the girls, they are foolish and immodest and unwomanly in speech, behavior and dress."**

Think for a moment. It could have been said yesterday or last year–certainly not earlier than the 1960's. But it was, in fact, set forth by Peter the Hermit in the year 1274–704 years ago!

RThought: Neither the young people nor the older people have changed much over seven centuries.

RETAILING TODAY

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ROUTE TO

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OUR WISHES FOR YOUR HAPPINESS IN 1979

To most publishers who you support by your subscriptions you may be just another pretty number—perhaps even a name. At RT we think we know a great many of our readers—even if we have not met you.

On more and more trips around the country (38 to date in 1978) I am trying to call on RT readers **(if you would like me to drop in, let me know).** With others I try to correspond periodically, especially if you or your firm has done something good.

We hope that 1979 will bring you all the things that you want—and that the things that you want will be things of which you are proud. We hope that includes running an ethical and profitable business and dealing fairly with customers, employees and suppliers. We hope that somewhere you will find time to offer your services in some way to better your community, your state or your country.

And most of all we hope that while doing this you will put aside some time to share with your loved ones—time to share with them their joys and happiness and accomplishments while at the same time sharing with them your own successes. Remember the observation on **60-Minutes** of the police negotiator whose son brought him up short with the statement "Dad, you always have time to talk for 4 or 5 hours to someone you never met before who is holding hostages but you don't have an hour for me."

And let me repeat the three resolutions that each year we ask each of you to adopt—plus a fourth that perhaps is even more important.

First, never go to bed mad. Think of the damage you do to yourself when you try to punish your loved ones by continuing your display of anger through the night and into the morning. Think of waking up and having to recall what angered you and then rekindling that anger. Make an agreement with your loved ones—someone must apologize before going to bed.

Second, make your marriage a 60-60 deal. Any time people consider marriage a 50-50 proposition they find that there is a big gap between where each thinks the mid-point is. But if each is committed to going that extra distance—beyond the mid-point—many problems will disappear.

Third, remember that there are 20 ways to do every job—and usually 5 are perfect. That's right—there are usually 20 ways to do a job: 5 are perfect, 10 are OK and only 5 are wrong. So why spend time, energy and emotion trying to get people to do things the perfect way that you happen to have in mind when the other person may clearly see one of the other four perfect ways. More time is wasted on this form of dialogue and bickering than on any other thing in business.

And finally, promise to spend each day the way you know you should spend it. Each night when you go to bed, when you put your head down on your pillow, you are the only person who knows exactly how you spent that day. I hope that each and every day in 1979 you will be able to say to yourself, "I spent this day the way I know I should."

AN EXAMPLE OF RESPONSIBLE RETAILING

Women's Wear Daily (Nov. 15, 1978) ran an article by Hazel Mosely entitled "Neiman-Marcus polishes up its changing image." In it was a paragraph that clearly set forth the epitome of responsible retailing:

> **"A former insider tells of the time Lawrence Marcus was general merchandise manager and reviewed what was normally a good suit line. But Marcus and the buyer agreed it was terrible that season. He called Herbert Marcus, Sr., his father, and the store's founder. 'Listen,' the elder Marcus is said to have replied, 'We've done business with this manufacturer for 30 years. You go back in there and tell him it's bad, and you work with him until you find a successful collection.' Lawrence and the buyer worked four hours with the manufacturer restyling the line."**

RThought: Let's look carefully at what this story tells us. First, there is a mutuality to the relationship between retailer and supplier. It is not, as so many in retailing argue, a case of each being out to make the most money (Nobel Prize to the contrary, Milton Friedman cannot change that). Second, retailing (both for stores and vendors) is a long term business; one swallow does not a summer make and one season does not make or break a vendor's ability. Third, the first two items exist only when responsible people are in charge of businesses; and it appears that responsibility is most often evidenced by the founders of businesses and least often by the hired-hand successors, despite the salaries being paid to many hired hands.

AT LAST—AN UNDERSTANDABLE ANALYSIS OF CAPITALIZED LEASES FOR RETAILERS

RT has often pointed out the lack of reality of some of the accounting standards established by the Financial Accounting Standards Board.

One of the unreal standards imposed on retailers is Financial Accounting Standard No. 13 which requires that leases meeting certain tests must be capitalized—that is, large dollar amounts entered as both assets and liabilities. That assumes that certain long term leases really are the equivalent of ownership of the premises and therefore, in order to be able to compare companies that lease premises with those that do not, the capitalized value of the lease must be reflected.

The only problem is that the chance of ever owning your premises in a shopping center, no matter how long your lease, is very close to zero.

In order to analyze the impact on retailing, it would be necessary to devote more than the total space in an issue of RT. But fortunately for retailers a very competent financial analyst, Joe Ellis, Vice President of Goldman, Sachs, has done such a job in their Investment Research Bulletin, "Lease Capitalization and Retailers: Does it Serve the Purpose?"

Joe has been kind enough to provide RT with copies that can be sent to readers. If you would like a copy please write to:

FAS-13
P.O. Box 343
Lafayette, CA 94549

IRRESPONSIBLE JOURNALISM

Is it the task of trade press journalists to act as scouts and shills for kidnappers and burglars? Does the retail trade press feel that they should foster the type of kidnapping of industrialists that has become so common—and so heartbreaking—in Italy?

The answer, as I read an article by Sidney Rutberg in Women's Wear Daily, appears to be yes. Just recently he decided to write about how much one individual would get in dividends—an amount that he described in his best high school vernacular as "cool."

Mr. Rutberg apparently did not understand the Patty Hearst case. Patty Hearst was not kidnapped because she was a pretty young coed at the University of California at Berkeley. She was kidnapped because the people who did it knew that her family had a great deal of money. The kidnapping brought fear to the hearts of hundreds of wealthy parents who love their children and do not want to see them hurt. Apparently this is of no concern to Mr. Rutberg—at least not compared to having an opportunity to describe something as "cool."

I am familiar with cases where heads of successful businesses have merged with major companies rather than gone public. Many people asked why? The answer is that they didn't want the disclosure that is necessary in public companies—and which permits newspaper reporters like Mr. Rutberg to endanger their family.

The most unfortunate thing about this situation is the breakdown of the heirarchy in the press. It is possible for a reporter to fail to understand this factor—or to overlook it in his jealousy of another's high income. But then the editor should make the changes in the copy. Here the editors also failed—so we have to look to the owners and publishers who, in many cases, are extremely wealthy and probably are personally concerned about this situation. Yet they have failed to emphasize this point to their editors.

RT attempted to correspond with John B. Fairchild with no success. Two letters went unanswered. Several phone calls were made to his secretary. The final result was a one-sentence letter acknowledging our communication. So much for Mr. Fairchild's concept of the responsibilities of a Free Press.

RThought: Unfortunately the same desire to sell copies by endangering innocent parties prevails in other publications. The San Francisco Chronicle also failed to reply. Two other retail trade publications did reply and indicated they had not thought of this problem and would not publish such items in the future.

THE EXTRA PENALTY FOR DOING BUSINESS IN WASHINGTON D.C.

It seems that the Federal Trade Commission prides itself on discriminatory application of the laws that it administers. How else does one explain the headline in the FTC News Summary for September 8, 1978, that says:

FTC'S FIRST WARRANTY ACT COMPLAINT CITES MAJOR HOME APPLIANCE DEALER

What comes to mind when you read that? Sears, Wards, K-Mart?

Well, it was none of those. As usual, the FTC has picked on a local dealer—George's Radio and Television Co., Inc., one of the founders of the great Washington Birthday Sales (TVs for 22¢) a number of decades ago.

RThought: Fairness would dictate that FTC not be allowed to bring complaints under new laws against companies within 100 miles of Washington D.C. (where complaints arise through over-eager employees) until they have successfully brought complaints against at least 2 firms farther away on the same offense.

It is obvious that the FTC does not approve of that part of the United States Constitution which says "nor deny to any person within its jurisdiction the equal protection of the laws."

The Federal Trade Commissioners continue to show their pettiness by permitting such selective enforcement of laws despite their oath to uphold the Constitution.

RThought: The above portion of this item was brought to the attention of the FTC and an unofficial response was received from the staff (which cannot speak for the Commission). In their response they pointed out that since bringing the case against George's Radio & Television they have also cited Montgomery Ward.

More important, they reported that the Washington D.C. Regional Office (which was dissolved in December 1977) handled enforcement in Virgina, Maryland, Delaware, most of Pennsylvania and the District of Columbia. It conducted checks of stores in Richmond, Baltimore, Philadelphia, Washington and New York before citing George's.

Finally, they pointed out that George's has not raised the constitutional issue of being denied equal protection of the law—but RT feels that George's should.

DO RETAILERS EXPAND THE "INFORMATION VACUUM"

In a talk before the 1978 Marketing Educators' Conference sponsored by the American Marketing Association, Tracy Westen, Deputy Director of the FTC Bureau of Consumer Protection suggested that there were five reasons why an "information vacuum" was developing:

1. The number of products on the market has dramatically increased.
2. Products themselves are more complicated than they used to be.
3. Elaborate packaging prevents the buyer from inspecting the products.
4. Price is no longer an accurate guide to quality.
5. The bulk of modern advertising appeals to the non-rational, emotional aspect of human personality.

THE EDITOR SPEAKS

Basics of Retailing
This was the title of the talk given to the Shopping Center Managers School conducted by the E. W. Hahn organization. It was an opportunity to talk about the history of retailing, how retail firms are structured and operated, and the future of retailing as I see it.

It is amazing how few retailers know the history of retailing. Otherwise they would recognize that the blossoming of discount stores in the 1950s was nothing more than a repetition of the appearance of department stores in the 1870s. Even the financial structure was the same–20% gross margin against 40% for conventional stores, cash vs. credit, high turnover vs. low turnover. The new "Plain Jane" limited assortment stores are not much different from some of the early "supermarkets"–in gross margins, labor costs, and rents.

Chains are not new–they existed in China in 200 B.C. There was a drug chain in Japan in 1643. And what about the trading posts of the Hudson's Bay Company as early as 1670? It was well into the 1970s before the convenience store industry was larger than The Great Atlantic and Pacific Company was in 1928 in both total stores and the number of stores opened in one year. If one adjusts the average sales of an A&P store in the late 1920s for the change in purchasing power of the dollar it equals the volume of an average convenience store today.

The future holds many new forms of specialty store–almost all of which will be developed by entrepreneurial individuals who prove that their idea will work. After that will come emulation by other entrepreneurs and then acquisition by retail (or even non-retail) conglomerates. The entrepreneurs will be unhappy in the slow-acting, overly-controlled, big company environment and will either totally retire or they will leave and start new again. In many cases their successful concept will weaken and even disappear.

But it was ever so. Once Meier & Frank dominated Portland and Leonard Brothers dominated Fort Worth. Now the former is just a major store in Portland and the latter is gone.

The evolution of new retail forms will continue to follow the pattern of identification (often in the form of mail order for the interested customers that are few and far between), expansion of product (after which time specialty stores will appear in major cities), imitation (as entrepreneurs bring the concept to their town), replication (as local chains develop) and in a few cases, national franchising.

All of this has caused successful specialty chains (which usually have low capital requirements since they favor small, simple stores with credit handled by bank credit cards) to be in great demand. Such diverse non-retailers as W. R. Grace, Chromally, CBS, General Mills, MCA, Gulf+Western, Pet, Incorporated and Michigan General have acquired specialty retailers.

Retailing Today
This was the title of a presentation to the Western Region Retail Financial Executives–an organization I first addressed in 1950. As background I distributed a copy of that 1950 talk–entitled "Do Your Figures Fool You?" because the subject and analysis is still pertinent. (Note: If you would like a copy write to "Do Your Figures Fool You?" P.O. Box 343, Lafayette, CA 94549.)

This was an opportunity to remind retail financial officers and controllers of a number of things.

First, the retail inventory method is no longer adequate for retailing as we do it today–with fewer true staples, frequent price changes and virtually no "regular" price. With the advent of computers it should be possible to do a better job of valuing the residual inventory–and thus more accurately determine gross margin.

Second, most stores are so dedicated to stock/sales ratios or mechanical approaches to turnover that they unduly fluctuate inventory as part of "scientific" inventory management. When a store's selling space remains constant, its customers continue to come in all sizes and fashion interest, and manufacturers continue to offer wide assortments, it is foolish to think you can manipulate dollar investments in inventory up and down within a season by amounts on the order of 15%-25% as is done in many open-to-buy plans. For most stores a level inventory, except in the face of important peak selling periods (Christmas, Back to School), will bring economies of operation (level receiving load), better staple stock condition (these are neglected as a result of buying promotional items), fewer markdowns and more profit.

Third, I reminded them that return on net worth is a better measure of performance and a better goal than high profits as a percentage of sales.

Fourth, I implored them to reduce the level of warfare with vendors. So many of the abusive retaliations against vendors for real or imagined noncompliance with purchase order instructions come from the financial division as it attempts to prove it can generate "miscellaneous revenue." I urged them to bring the National Retail Merchants Association out of the caveman age. Hammurabi might have been right (2500 years ago) with a code that called for an "eye for an eye" but that is not appropriate today.

Finally, I asked that they appoint themselves as a guardian of ethics in their firm. They are in a position to test each policy against a high ethical standard; and they have the standing in their company to question policies and procedures that should be discussed.

The Internal Auditor–Friend or Foe?
This was the title of the closing presentation to the 3rd Annual Retail Internal Auditors Conference. The internal auditor in retailing is, to coin a phrase, just now "coming out of the closet." For too many years the internal auditor was really the "go for" of the controller or chief financial officer when, in fact, he should have been reporting to the board of directors (or audit committee) after checking on the controller or chief financial officer.

The Securities and Exchange Commission is moving public companies in this direction–but private companies should consider the same evolution.

I was helped in expressing myself by using the words of another in defining internal auditing:

> **"Internal auditing, as a staff function, evaluates, reports upon, and provides recommendations pertaining to the efficiency and effectiveness of operations, planning and control systems, goal setting**

activities, policy formulation, and other managerial and administrative processes and systems at all levels of organization. Internal auditing should serve as a control, review and advisory role for all levels and types of activities."

On the practical side I asked a few questions. How many of them had checked the actual dimensions of store buildings to see that they have the number of square feet for which they are paying (and on which they pay taxes)? How many have reviewed the policy manual for both profitability (I can recall when Macy's cut attempted COD deliveries from 3 to 2 as an economy and lost $100,000 a year) and fairness (as in the many companies that formalized stealing accounts receivable credit balances under computer procedures)? How many have developed systems to protect and reward employees who come forth with information about improper or dishonest conduct within the company?

Some Thoughts on Retail Accounting and Retail Annual Reports

This was the title of a talk to the annual meeting of the Peat, Marwick, Mitchell (PMM) partners from the United States and Canada who are involved in retailing. This is the fourth time I have had an opportunity to present this type of review. The previous groups were the Retail Section of the New York Society of CPAs, and the retail groups of Arthur Anderson and Touche Ross.

My objective in all these presentations has been to stimulate thinking, sometimes about matters that are not often thought about. This time I was able to point out that several items covered four years earlier are no longer problems—sometimes because of the FASB or SEC. But there is still much to do.

I challenged their certification of inventories. It was Jim Powers of PMM who wrote the manual for NRMA that points out that the retail inventory method, without regard to markdowns, overstates the cost value of inventory because the mix in the ending inventory does not match the mix in the purchases from which the cost complement is computed. Most often the close-markup (high cost percentage) in-and-out promotions are "out" at the end of the year. I asked how certain they were that stores were taking adequate markdowns, particularly in years when the store is under profit pressure. And I wondered why they wanted to increase the value of inventories determined under the retail method in an adjustment called "current value accounting."

I wondered why they persisted in using the same words to describe "retail method" in a supermarket as they did in a department store when the systems are different.

I discussed with them the weaknesses of open-to-buy systems and the unnecesary fluctuation of planned monthly inventories. I expressed the view that this is why many retailers are constantly overbought.

I wondered whether it was deceptive to allow clients to treat captive finance subsidiaries as strangers to the mercantile operation—and not consolidate them with the parent? This causes a problem when these subsidiaries are loaded with debt (often 3 or 4 times the net worth). The true magnitude of assets and liabilities—and the relation of liabilities to the net worth of the business—are concealed from all except the trained financial analyst.

At the same time, the accountants have set up through the rulings of the FASB and the SEC a number of phantom assets and liabilities—long-term leases that are not true debt, deferred taxes that mature into liabilities only on the elimination of credit sales or the liquidation of the business, and the impact of hypothetically selling each foreign subsidiary at the end of each reporting period.

At the same time many significant liabilities such as those related to unfunded or underfunded pension plans are inadequately disclosed. In the event of a business failure I think a company is more likely to be sued by employees for pension benefits than by the IRS for deferred taxes which disappeared in the morass of liquidating losses.

I chided them about not disclosing more information about the sales volume of operating divisions (in firms such as Federated, Macy's, and others) when such information is provided regularly to some analysts and is published in booklet form by Fairchild each year. I wondered why deferred income from bargain purchases (price paid is less than the value of the assets) is allowed to flow into income over 5 to 10 years whereas any premium paid is amortized over 30 to 40 years (never amortized if acquired "prior to 1970"—even if the acquiree is bleeding red ink out of every pore).

I particularly wondered why accountants meticulously valued the receivables to see that the reserve for bad debt was adequate and yet failed to disclose the promptness with which accounts payable were handled. In too many cases the firm's delinquency on payables is greater than the available and unused credit line with the result that the business survives at the mercy of the vendors (Food Fair recently said they filed in Chapter XI because suppliers would not sell them on "normal" terms despite a major reduction in total debt).

Once again I offered the view that the auditor's certificate should state that everything has been disclosed and explained in such detail as the auditor would want his Mother, an untrained individual, to have if she was considering purchasing stock in that company.

SHORT SHORTS

If you are concerned about the impact of capitalized leases (Financial Accounting Standards Statement No. 13) write for the November 1978 issue of **Financial Executive** ($2.00 633-3rd Ave., NY NY 10017). It contains an article—"The Impact of SFAS 13 on the Retail Industry" by Francis T. Phalen of Touche Ross & Co.

Do you want to help the Blackfeet Indians? In order to end the pattern of 60%-70% unemployment each winter the 12,000 member tribe has established The Blackfeet Indian Writing Company, Inc., which manufacturers pencils, ballpoint pens and felt-tip pens and markers. The quality matches others on the market—and the product is ideal for company use or sale in the stationery/variety department. The company has been in business for several years, encouraged by the late Senator Lee Matcalf of Montana. Volume has reached $4 million and customers include such firms as Sears, Aetna, Prudential, General Motors, United Airlines and many more famous names. You can join the group—write to Bill Meyer, Vice President for Sales, The Blackfeet Indian Writing Company, Inc., 121 Spencer Place, Mamaroneck, NY 10543—and tell him that Bob Kahn sent you to ask for a price list.

It is true that retail stores have avoided the type of advertising that impressed on the public the belief that hemorroids, inability to fall asleep, and uncomfortable dental plates are major medical problems, the solutions to which represent major medical breakthroughs meriting consideration for a Nobel Prize.

But if one reads the bulk of retail store advertising for apparel it is often impossible to learn what fabric is used. How a woman makes a logical decision amongst the alternative cosmetics without wondering whether her future happiness will be spoiled because she did not select the other one escapes most logical students of advertising. The Food and Drug Administration has no power to compel manufacturers to disclose any of the 125 substances used in cosmetics that are known to cause or are suspected of causing cancer.

Sears/Penney/Wards learned long ago that if they wanted to sell through a catalog they had to properly describe the product being offered. When Sears wandered from that basis—into appeals to the emotions—catalog sales declined. This was remedied several years ago.

Yet most advertising for in-store purchases, whether by Sears or others, tends to forget the facts and appeals to sexualism/ego/status. Newspapers find themselves with conflicting standards—photographic illustrations that they won't accept for X-rated movies are apparently OK for major department store ads.

One could support the position of store retailers if it could be proven that all society had arrived at this sexualism/ego/status level; but if that is so, why do mail-order buyers respond more to specific product descriptions? Why do so many people buy through the Sears/Penney/Wards catalog desk **right in the store** for items that are often available instantly in the store departments?

A CEO'S VIEW ON SELLING CHARGE ACCOUNT LISTS

RT has long maintained that charge customers give their name and address to retail stores solely for proper identification and for mailing of periodic statements showing the amount owed. Unfortunately, not all retailers share this view.

But George Foos does.

Mr. Foos is now Chairman of the Board of The Emporium-Capwell Company, a division of Carter Hawley Hale, and for years headed the May Company in Los Angeles. He wrote that both companies "have a specific policy against selling their charge account lists" despite the receipt of many offers.

He said further, "I have a high degree of respect for our charge account list. It is a confidential relationship that must be respected . . ."

RThought: Shouldn't this policy be universal? If you head a smaller firm, don't believe it when someone tells you that the major stores sell their lists. Make the speaker prove it to you—and even then, don't sell your list.

HERTZ STEALS CREDIT BALANCES, TOO—PERHAPS YOURS

Retailers and banks are not the only ones who steal credit balances. The retail industry will long remember the amounts that Carter Hawley Hale, Associated, Genesco and others were required to repay some years ago.

Now the Federal Trade Commission is forcing Hertz to give back the money they have stolen from their customers.

Unbelievable as it may be, "prior to May 1976 Hertz had no system of informing certain of its credit customers that their accounts reflected a credit balance and that they were entitled to request and receive a cash refund of these balances. Furthermore, Hertz did not refund them without a request."

Hertz has now agreed to provide statements if the credit balance is more than \$5.00 and to advise customers of the right to a refund; to automatically refund balances over \$5.00 not used in the following 7 months; not to write off any credit balances of more than \$1.00 unless the consent order is complied with; to refund within 30 days any credit balance requested within 6 years of creation and to refund unclaimed credit balances that were created within the 3 years prior to October 16, 1978.

RThought: So far Hertz, unlike Citibank, has not defended their practice by saying "we were just doing what the retailers do."

ABSURDITIES OF TRADE ASSOCIATIONS

All of the associations are reminding members that the minimum wage will increase in January from \$2.65 to \$2.90 and they urge their members to start planning now. Suggestions are made to review the production records of employess, how people are scheduled, what departments can be combined, what hours the store should be open.

RT will pose a question and would be very much interested in an answer from any reader.

> **What action should a retailer take today that can be considered sound management because of the increase in the minmum wage that would not be considered sound management if the minimum wage did not increase or if there was no minimum wage at all?**

NRMA/STORES STIMULATES CORPORATE GIVING

RT is often critical of the National Retail Merchants Association because it fails to provide leadership within the industry, particularly on sensitive matters.

Thus it is appropriate to comment approvingly on the presentation in STORES magazine on "Retailing and Corporate Giving." It is true that Dayton-Hudson, until very recently a private family business, is an outstanding example (one of the top 15 corporate givers in the U.S.) and that few other publicly held companies follow their pattern. But with the exposure provided by NRMA perhaps other stores—and especially family dominated stores—will follow the Dayton-Hudson pattern.

RT has often maintained that the longer the time since a person with the same name as that on the outside of the building had his hand on the controls inside the building, the less well developed the social conscience of the business. Let us hope that Dayton-Hudson survives the movement of the Dayton family into a less prominent management position.

A word about the United Way. The article discussed corporate contributions to the United Way but even more important is the job done to gain employee support for an agency that provides services to your employees through dozens of agencies. It is unfortunate that the article did not report on this effort–because the contribution per employee varies widely in the same community between comparable stores. The difference is the attitude of store management.

Yet even the top people in the store–who often neglect (even inhibit) employee support for the United Way are the very ones who demand Boy Scouts, Girl Scouts, Camp Fire Girls, and other United Way-supported agency services for their own children.

We usually find the CEO and the GMM and the CFO to be recipients of charity from these United Way organizations. Let's hope the executives remember that.

NACS REJECTS NRMA METHODS–WORKS WITH MAJOR SUPPLIER

NRMA cannot get together with vendors to retailers while the National Association of College Stores (NACS) is working smoothly with the Government Printing Office. So much for NRMA's dedication to the free enterprise system–as they create a new area in which the Federal Trade Commission can start to impose regulations. But NACS and the Government Printing Office, which provides many publications for use in school courses, are working together. William Barrett, Deputy Assistant Public Printer, wrote recently in **The College Store Journal**:

> **". . . your response to our specialized service offer since it began in early 1976 has been mind boggling. And we are grateful to you because you–collectively, more than any other single Association–have helped us to fulfill our mandate from the Congress to make government publications available to the American public.**
>
> **"College Stores have placed orders with us in excess of 33,000 for almost 1 million publications since April of 1976. Amazingly, 83.4% of those orders were on deposit accounts which are easier for us to process. Additionally, we completed 95.4% of the orders within the promised 10 workdays after receipt."**

RThought: Too bad other retailers prefer warfare to cooperation.

REPORTING THE GOOD NEWS

Our faith in the fairness and integrity of retailers continues to grow as more and more readers send in reports for "Reporting the Good News." This report discusses a retailer–GEMCO. Remember when conventional retailers slyly indicated that one of the ways discounters saved money was by being tough on returns and exchanges? If you do–then read on.

> **"I think you should mention GEMCO as a store which has a good customer-relations return policy.**
>
> **"I've had several occasions to return goods–usually because of manufacturers defects. In every instance the procedure is the same:**
>
> **"On entering the store you check your return in at the control desk. The polite young lady fills out a yellow check-in tag and says:**
>
> **" 'If you want your money back, please go to the credit office. If you wish to exchange it go directly to the department, select your merchandise and take it and your return to the cashier. They'll take care of it.'**
>
> **"If you go to the department and get a replacement when you bring it to the checkout they usually ask what the problem was and note that on the tag. You are then passed through. The entire process may take two minutes. On one occasion I was returning a small hose to the patio department. The checkout was busy but the cashier noted that I had a return and a replacement. She took 15 seconds to give me a colored slip, took back the defective one and waved me on with a smile."**

WHO OFFERS THE BEST BATTERY GUARANTEE?

Sears has their 36 Battery, 42 Battery, 48 Battery and 60 Battery. The numbers look like the numbers on the backs of players. Their advertisements mention the numbers just like players. With lots of white space, especially in the magazine ads, Sears claims that the reason they don't set forth their guaranty (either the specific limited warranty on the battery or their vaunted "Satisfaction Guaranteed or Your Money Back") is that there isn't enough space! ! !

Now comes J. C. Penney with full page ads. The case of their battery says clearly "The J. C. Penney 5 Year Battery" or 4 or 3 years as the case may be. The copy says such things as:

Limited 5 Year Warranty
THIS BATTERY IS WARRANTED
AGAINST FAILURE TO ACCEPT
AND HOLD A CHARGE FOR
5 YEARS WHEN USED IN
YOUR PRIVATE CAR OR TRUCK
**If it fails during the first 3 years
we will replace it free.

**If it fails during the 4th year,
we will alow $20.00 towards the
purchase of a new battery.

**If it fails during the 5th year
we will allow $10.00 towards the
purchase of a new battery.

RThought: Have you noticed how Sears is doing lately? Some months sales are behind last year. And have you noticed how Penney's is doing? Perhaps the people are trying to tell something to each of them.

SHORT SHORTS

"Most hardwaremen sell their know-how to consumers. It's their most valuable specialty." So says Bob Vereen, Editor of Hardware Retailing. It is true in other stores beside hardware stores–but practically all the stores where the giving away of know-how is important have forgotten how important it is. They often give it grudgingly. They seldom mention it in their promotion. They never put signs up around the store telling customers to ask for it. I have never seen a statement stuffer reminding customers that it is available. Too often they think the only thing that sells is price.

WORDS TO REMIND US OF OUR SEXISM

A reader sent the following item which is headed. . .

DOUBLE STANDARD?

A businessman is aggressive; a businesswoman is pushy.
He is careful about details; she's picky.
He loses his temper because he's so involved in his job; she's bitchy.
He follows through; she doesn't know when to quit.
He's firm; she's stubborn.
He makes wise judgements; she reveals her prejudices.
He is a man of the world; she's been around.
He isn't afraid to say what he thinks; she's opinionated.
He exercises authority; she's tyrannical.
He's discreet; she's secretive.
He's a stern taskmaster; she's difficult to work for.

June 16, 1980

Mr. Richard B. Tippett
Edit, Inc.
1026 Sedwick Drive
Wilmington, De. 19803

Dear Mr. Tippett:

Please go ahead and use the item from December 1978 issue of RETAILING TODAY. However, Mr. Kahn prefers that you not give full credit to RETAILING TODAY.

We received a copy of the article from a friend and it had ample room around the top and bottom but does not contain an author's name nor does it indicate the publication from which it came.

Mr. Kahn is very reluctant to receive credit for anything obtained in this manner and suggests you credit it from an interested reader.

Enclosed is a copy of our May issue and a subscription card. We hope you will be interested in becoming one of our regular readers.

Sincerely,

Annabelle Farrell
Permissions Editor