JANUARY 1993

B - New Year Resolutions - In Three Parts
F - What Retailers Don't Know about Christmas
The Art of Writing Press Releases and Annual Reports
I Wondered as I Read...
A - When Should We Express Appreciation?
No Wonder Retailers Make Bad Decisions
Can You Name All of the Types of Retailers?
Invading a New Territory Isn't Easy
Retailing Around the World
Canada Changes Bankruptcy Rules in Favor of Vendors
Is This Confused Thinking?
How the British Regard the MBA Degree
W - Words of Advice About the Numbers You Read

FEBRUARY 1993

B - Where There Is No Discrimination
F - A Review of the "Dateline" Story about Wal*Mart
A - Tabs Galore!
A Unique, Benevolent Employer
How to Figure Labor Turnover
Fortune Reports - CEOs Speak Out
Retailing: The Neglected Profession
The Fight Against Biased Tests
Pilot Fatigue Could Kill You
Does Being Out of Stock of an SKU Bother You?
W - Words - About Our Society

MARCH 1993

B - A Nice Touch from the Gas and Electric Company
C - Corrections (ads by Foley's and extended hours in New Zealand)
F - What I Have Learned in 60 Years in Retailing
Lack of Service - Why Many Retailers Will Fail
A - Should I be Reading This Kind of Story about Penney's?
Answering "Tom"
National Advertising Division of the Better Business Bureau
The Headline I Have Been Waiting for: "Sears to Spend $4 Billion to Revamp Stores"
Setting Up an Industry and Raising the Cost of Living
When Taxes Get Too High
W - Words -- About a Dream

APRIL 1993

- B - It Depends Upon Whose Ox Is Being Gored
- C - Correction and Explanation (Dickinson/Hollander)
- F - Some Thoughts About Philanthropy
  - AICPA Proposes Tax Change
  - A - Which Stores Want to be Where?
    - If You Believe Laid-Off Factory Workers Soon Will be Re-Employed, Study These Figures
    - A Ready Source of Capital
    - On "Honesty" and "Ethics," Where Would You Place Retailers?
  - W - Words -- That Come to Mind ("If--," Kipling)

MAY 1993

- B - The Price of Emotional Distress and Discrimination is $1,160,000
  - Christmas Planning Advice
- F - Retail History Repeats
  - Not Everyone Will Own a Home
  - A - Dillard Advertising is Back to Normal
    - How Did Alpha Beta Get its Name
    - Not All Unemployment Percentages are Figured the Same Way
    - How Many Trees Could We Save?
    - Don't Bet that Consumer Debt is Decreasing
    - Let's Not Degrade Ourselves Just to be "One of the Boys"
    - A Worldwide Disease
    - What Happened to Downtown Pedestrian Shopping Areas?
  - W - Words -- From John Heywood (sayings)

JUNE 1993

- B - This Isn't About Retailing (Ben Kuroki, WWII)
- F - Sales Per Gross Square Foot: The Ultimate Productivity Measure
  - Penetration of Cities and MSAs in the U.S. by Discount Stores
  - A - Is Saks Fifth Avenue Going the Way of Gimbels?
    - An Analysis of Department Store Reference Pricing in Metropolitan Washington, D.C.
    - I Get Mixed Up on Forecasts
    - It All Depends Upon Where You Stand
    - Can You Believe the Statements of Keyes Fibre Co.?
    - Retailers Recognized by EDI, spread the word!
  - W - Words - From Henry David Thoreau (1817-1862)

JULY 1993 B - Proof That Government Does Not Always Take More and More
F - A Look at Comparative Prices
A - Reporters Don't Always Understand Their Subjects
Abuse of Numbers
Do Our Photo Studios Do Their Best for Our Customers?
What Does Macy's Mean?
What Happened at a Local Supermarket Chain Store
Whence Cometh, Whence Goeth the New Health Food Stores
A New Scam
W - Words -- That Came to Mind After the Wal*Mart Annual Meeting

AUGUST 1993 B - The Wheel of Retailing Goes Around
F - If You Don't Want to Work Hard for EDLP...
A Retailer Who Fights for Principles (Roscoe)
A - Correction -- All in The Family
Is ABC More Ethical Than NBC?
Are You Prepared for The California of The Future?
Let's Use More Eighth-Page Ads
Does Your Market Include Senior Citizens?
W - Words -- For Me -- Five Years from Now

SEPTEMBER 1993 B - It Depends (John Donne)
F - Shorting Retail Stock
Better Business Bureau Challenges Ward's Jewelry Ads
A - Where is The Depression?
Common Sense at Sears
The Wheel of Retailing at Nordstrom
The Problem of Comparing Prices
W - Words -- For Those Who Study The Bible

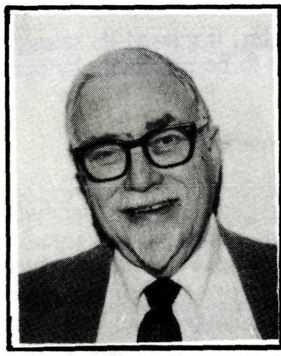
OCTOBER 1993 B - Tom, There Is Still Hope (metric system)
F - How Much Is a Retailer's Promise Worth?
'Survival Guide to Supermarkets'
A - Budd Gore Has a New Address
Biased Tests
Wither Goest TV Retailing?
Sears Stops Stealing The Cash Flow of Its Stores
How Bergdorf Goodman Could Have Saved $2 Million
Retailers Among The Largest Employers in the World
Who Owns the National Debt?
W - Words - To Explain The Rich and The Poor (John Ruskin)

NOVEMBER 1993 B - Teen Suicide: Can It Be Prevented?
F - Wal*Mart: Selling Below Cost -- And Conway, Arkansas (four-page Feature)
A - Rediscovering the Path of James Cash Penney
A Word About Retailing in South Africa
Change in GAF Sales for States and Metropolitan Statistical Areas
Beware of List Prices...in Illinois
Consumers Still Prefer Item Pricing
Hasbro, Inc., Settles Charges re GI Joe Toys
Missouri Settles with Montgomery Ward for $150,000
The Prevelance of MBAs Among CEOs of the 800 Largest Corporations
Everyday Low Prices Expand to the Auto Industry
W - Words -- of Wisdom

DECEMBER 1993 B - "Goodbye, Bud"
F - Has One of Your Insurance Policies Been Sold?
Is Micro-Lending a Solution to Our Unemployment?
A - The Myth of QVC (almost a three-page article)
The Question Is Not Whether Weather Should be Part of Your Information Base -- But When
W - Words -- About Disappearing Customers

~~JANUARY 1994 B - Can We Retailers be Proud of This?
F - Who Spends How Much on Advertising?
Does a Deceptive Promise Help a Retailer?
Affinity Program for Shareholders
Abuse of Numbers
A - Should You Have an Ombudsman?
Job Stealing - The American Way
When It Comes to Service, The Boss Is Not Always Right
My Reaction to Published Studies
Did Your Customers Know If You Were Open on Thanksgiving?
Will Retail Advertising Be Next?
Is There a Weakness in The Auto Industry?
W - No "Words" this month~~

FEBRUARY 1994 B - Just Say "No" to Gang Profiles
F - Whither Goest the Department Store?
Are These Your Suppliers?
A - Marketing Lessons from the Clinton and Bush Campaigns
Controlling Prices in Tabloids
Hash
Creating Wealth - Through Increased Market Value
'Twas the Sunday Before Christmas...
If You Distribute a Catalog, Do You Know What You Are Doing?
Have You Studied the Labor Force Lately?
W - Words -- of Wisdom from the Villages of Africa



RETAILING TODAY

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ROUTE TO

JANUARY 1993

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WHEN SHOULD WE EXPRESS APPRECIATION?

Just recently I was reminded that each of us MUST say something nice to friends and associates when we think of them. The matter of timing is of utmost importance.

I read the *Journal of Accountancy,* and I was pleased to note in the October 1992 issue that an old friend whom I have not seen for many years was honored by the California Society of CPAs for public service. These honors are awarded annually by each state society. I called an accountant with whom I work and who, 40 years ago, worked for the honored gentleman. Seeking the awardee's address, I learned then that he had not lived to know of the award bestowed upon him.

Each time over the years, when I have read an article about his good, public service work, I have *meant* to call or write to commend him. Those opportunities are now gone.

I ought to have known better because I became painfully conscious of a lost opportunity just after my 25th reunion at Stanford. A friend from both Stanford and Harvard Business School died shortly after the reunion. I had special reasons to appreciate him. I had thanked him after one incident 25-plus years earlier, but not for all that he had done for me. I found myself telling his widow about what I should have written to him many years earlier.

RThought: I am not perfect, being a mere mortal. My failure to write my old friend, the CPA, is but one example. However, I try, and I hope you do, too. Both of us will feel better for it. And the world will be better if we applaud good works in some way more tangible than a thought. You want to make this a habit before you, too, find yourself sending a note to someone left behind.

NO WONDER RETAILERS MAKE BAD DECISIONS

A record on executive compensation recently crossed my desk. It was prepared by a consultant of one of the Big Six accounting firms.

The report did not: (1) indicate the number of firms contributing information; (2) indicate the size of the firms providing information; (3) indicate the type of retailer (department store, discount, etc.); (4) indicate whether or not contributors were growing, contracting, or in Chapter 11; or (5) worry about graphics which distorted the published data.

RThought: When I challenged the author, he agreed only on the fifth point, by saying, "I strongly agree we should hire a new graphic artist!" However, I wondered who had proofread the article, including charts, before publication.

What concerned me most was his comment: "Interestingly, several retail executives called to say the information was helpful if not statistically valid."

NEW YEAR RESOLUTIONS — IN THREE PARTS

All resolutions are divided (like Gaul) into three parts, so here are mine.

Preserving the family:

Marriage is a 60-60 proposition. If you think it is a 50-50 proposition, you lose. Both parties must be willing to go more than half way, if they want an even chance of meeting in the middle.

Never go to bed mad. It is easier at night to say, "I'm sorry," than to remember in the morning that you are still angry.

We do not live our lives alone. We must have time for our spouse, our children, our parents, and our friends. Money is not everything. Bring home a present now and then just to say "I love you." It takes just a little thought and very little time or money — even a single flower can be a memorable gift.

Preserving our world:

Live by the Boy Scout Law (a Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean and reverent) or by the Girl Scout Law. These are laws for life — not just for our youthful years.

We must listen more than we talk, praise more than we blame. Just as we respond to proper treatment, so do others. A little praise brings out the best in all of us.

Forget hatred. It can destroy you; yet the object of your hatred won't even know it exists.

Remember that the writings of every major religion contain a passage that says something similar to "Do unto others as you would have others do unto you."

Know and support what is right. Have principles and stand up for them. Tom Paine said, "A long habit of not thinking a thing is wrong [like our massive use of dishonest price advertising] gives the superficial appearance of being right."

If an attempted solution fails, try again. It takes at least three different approaches before you can consider your idea wrong. Dr. Ehrlich found a cure for syphilis — on his 606th try!

Developing your business:

Your future depends upon being a partner, rather than an adversary, of your vendors. If you work together, there is a chance you will both survive and prosper; if you treat each other as "the enemy," it is likely that you both will fail.

The larger your business, the more your future depends upon computers and electronics. You will not find your future in the stars — it is in letters, such as EDI, QR, EFT, EPOS, ATM, ACH, and many more yet to come.

It is better to have one system too many than one more store. When planning capital investment, plan for your systems first. The remainder can be spent on new stores.

You don't need to hire experienced people. With tender, loving care and interest, your present people can become better than any other retailer's people.

RThought: Dotted lines were used because I hope you will want to save these resolutions. A Gallup poll found that 61% of those who *made* resolutions in 1990 said they had kept their promises to themselves a year later!

Have a wonderful 1993 — let the other stores have your share of the recession!

CAN YOU NAME ALL OF THE TYPES OF RETAILING?

Sure, you know about off-price retailing, à la Marshalls and Ross Stores. You know about TV selling and catalog selling. You have heard about the tremendous growth in so-called factory outlet stores. And you certainly have shopped at some of the super computer stores and/or super bookstores.

But what do you know about the barter industry?

Issue 26 of *BarterNews* (Fall 1992) shows the following growth pattern from 1974 to 1991. (You didn't know about barter in 1974? Neither did many others.)

	($ millions)		
	1974	1991	CAGR*
Corporate trade companies' sales	$ 850	$ 5,100	+11.1%
Trade exchange sales	80	800	+14.5
Total Sales	$ 930	$ 5,900	+11.4%
Number of companies	100	460	+ 9.4%
Number of clients	10,000	240,000	+20.6

*CAGR: Compound Annual Growth Rate.

This industry does *not* consist of local barter clubs, where the dentist treats the car mechanic's teeth in exchange for work on his car. This industry includes national associations, large companies and/or trade exchanges.

How many of the following organizations do you recognize?

Active Media Services, Inc.
Asset Remarketing of America, Ltd.
Bay Area and Hawaii Barter Exchange, Ltd.
Circle Fine Art Association (through a subsidiary; traded OTC on NASDAQ; currently has a poor earnings record)

InterCity Network Association
INTERNET Business Network, Inc.
ITEX Corporation

TradeAmericanCard - Computerized Bartering System
Tradewell World Trade Corporation
UltraTrade (now being designed to let major corporations trade directly)

McDonnell Douglas Helicopter has a manager of countertrade. With defense contracts being cancelled, there is likely to be a lot of excess inventory to be bartered.

Barter companies are working with former Iron Curtain countries. In many cases, this is the only way western companies can get their profits out of those countries.

What can you trade? Almost anything in exchange for free hotel space, free airline tickets, factory excesses that you might be able to sell, real estate, almost anything that someone else might want. Your return will probably be greater than that which you would net from forcing the goods out at 50% off or more.

RThought: If you want an insight into the barter systems, subscribe to *BarterNews* ($40/yr. in the U.S. for four issues; $54 in Canada and abroad by airmail) by calling 714-831-0607, using Visa or MasterCard; or write to P.O. Box 3024, Mission Viejo, CA 92690.

A few issues will let you know what is happening in countertrade retailing.

INVADING A NEW TERRITORY ISN'T EASY

In September 1991 Daimaru opened a major department store in Melbourne, Australia. A year later Daimaru is spending A$600,000 to relocate departments and change presentations. Despite being an experienced retailer, it missed its sales projections by 15%. Daimaru expects to be profitable before its new target date: 1996.

Here are some of the changes Daimaru is making:

1. Greeting cards are being moved from the fifth floor to the first floor.
2. It will expand women's apparel, swimwear, and toys.
3. There will be more carpeting on the second and third floors.
4. It will add more Japanese goods, something customers expected to find in a Japanese store.
5. It will introduce lower price ranges in many departments.
6. Its advertising will no longer stress high-price merchandise.

[Thanks to Australia's *Inside Retailing,* September 7, 1992, for the insight. Published weekly, A$437 airmail, or approximately US$302, worldwide. Fax 011-61-2-955-0011. Visa and MasterCard accepted.]

RThought: You may laugh about putting greeting cards, an item usually considered an impulse/traffic item, on the fifth floor; but then I might have to comment on the size, location, and starting price points in some U.S. department stores.

RETAILING AROUND THE WORLD

Singapore: According to *The Japan Times, Ltd.*, Japanese retail giants, which have long dominated the downtown shopping centers, are now opening branches in the suburbs. As expected, small, family-run businesses are objecting. Singapore is an attractive market: the per capita income is $18,000, and the Japanese retailers (Isetan, Daimaru, etc.) have a special attraction for the many Japanese tourists.

Japan: *The Nikkei Weekly* reported that five major department stores (Daimaru, Matsuzakaya, Mitsukoshi, Sogo, and Takashimaya) reported losses for the six months through August 31, 1992. All, except Matsuzakaya, had a decline in sales. Three of the six major chains — Daiei, Jusco, and Uny — had lower pretax earnings, while Ito-Yokada, Nichii, and Seiyu had increases in sales of less than 2%.

Canada, Australia, and New Zealand: There is increased pressure to extend store hours. In some areas in each of these countries, there are still laws restricting sales on Saturday afternoon and Sunday. In Canada the pressure is greatest near the U.S. border, where it is easy for Canadians to shop at U.S. stores.

RThought: It is my observation that the greater the percentage of women in the labor force, the greater the pressure for unlimited store hours!

WHAT HAPPENS WHEN VISA AND MASTERCARD SPRING 'THE TRAP'?

Visa and MasterCard are offering supermarkets a discount rate of 1% plus an item charge, but they will not make that rate available to non-supermarket firms with sales in the hundreds of millions of dollars.

The Nilson Report reported that supermarket usage of Visa and MasterCard was up 123% in the first quarter of 1992 over the first quarter of 1991. Total volume is still small; but with a growth rate, year to year, of 100%-plus, the volume will soon be significant.

When the volume is significant, it will mean that many supermarket customers will have become accustomed to using their cards for grocery shopping. At that time Visa and MasterCard likely will raise the discount to the same amount they charge everyone else. Supermarkets will then be faced with an additional 1% to 2% expense on a growing percentage of their sales. The smarter supermarket retailers who did not fall into

WHAT RETAILERS DON'T KNOW ABOUT CHRISTMAS

Every Christmas season I am amazed by how little retailers understand the Christmas sales pattern. Comments to reporters on their stores' sales are indicative of their poor grasp of what happens when Christmas changes from a Wednesday to a Friday, as in 1992. In the past 70 years, a Wednesday-to-Friday change has occurred only *twice:* in 1936 and in 1964.

There are two parts to a retailer's Christmas season.

Part I is the Thanksgiving Day kickoff, covering Friday through the following Sunday (three days). This period can be compared with the prior year because the days of the week and the number of days are the same. A major difference in sales volume would be explained by a difference in economic conditions and/or a difference in weather conditions. Differences in economic conditions are fairly well known, and the impact on sales is anticipated. Weather is a different matter. Most retailers print their advertising before they know what the weather will be when the ads appear. A handful of retailers have learned of and now use long-range (six to 12 months) weather forecasts. They incorporate this knowledge into the buying decisions of weather-sensitive items placed far in advance of the season. For the first time, the National Retail Federation included in its 1993 convention a session on using such forecasts.

Part II is the period beginning with the Monday after Thanksgiving and culminating on December 24. This period varies in length from 23 to 29 days. Most years have 52 weeks plus one day (leap years have 52 weeks and two days). The result of this extra one or two days is that Christmas will fall either one or two calendar days later than it did the previous year. As pointed out in 1992, a leap year, Christmas was on a Friday compared to a Wednesday in 1991.

Most retailers use what is called a "4-5-4 calendar." Instead of using the regular calendar. For the fourth quarter of their year ending in January, they have a four-week period, then a five-week period, and then a four-week period. Each year there are four weeks in November, with four of every day of the week, instead of 30 days, with a varying number of Fridays, Saturdays, and Sundays (the largest volume days). The same is true of December, which has five weeks (or 35 days instead of 31 days). January has four weeks instead of 31 days. Every five or six years it has an extra week to include the extra days not included in the 4-5-4 calendar.

As reporters questioned retailers about their 1992 Christmas sales, the persons interviewed had in mind the following "comparable" weeks:

December 2- 7, 1991	versus	November 30-December 5, 1992
December 8-14, 1991	versus	December 6-12, 1992
December 15-21, 1991	versus	December 13-19, 1992
December 22-28, 1991	versus	December 20-26, 1992

Overlooked was the fact that the last week in 1992 benefited from five selling days before Christmas and one after, while in 1991 there were three selling days before Christmas and three days after. *The two more days before Christmas were very big sales days.*

Many retailers were quoted as ending with a good December because of the "two extra days!" Many retailers are myopic: they tend to see clearly only today, yesterday, and the same day last year. Were they really surprised to find those "two extra days"? The days were there all the time.

During the first three Christmas weeks listed above, retailers generally reported they were "about even with last year" or were "making plan," without saying what "plan" was. They should have known that *matching the prior year's sales for the first three weeks* foretold an excellent December!

From a study of many December sales patterns, I have deduced that there is a psychological change in buying when Christmas switches from a Wednesday in one year to a Thursday in the next year (and an even greater change in the case of a two-day jump, as happened in 1992). Shoppers, for all practical purposes, consider Christmas to be one week later. The "I must get my shopping done" syndrome in 1991 developed during the week of December 15-21 but not until the week of December 20-26 in 1992. (The Christmas madness really started the Saturday of the week ending December 19.)

Retailers need to study their sales patterns of prior years. If they were in business in 1964, they should have developed the percentage of December sales done in each of the first three weeks listed above. By dividing that percentage into the 1992 sales, a projection can be made for total December 1992 sales.

Retailers who were not in business in 1964 could have planned 1992 with a moderate drop for the first three weeks and a sizable increase in the fourth week. You have now adjusted for the "I must get my shopping done" syndrome.

Less significant adjustments should be made for new competition, changes in merchandising, and changes in advertising schedules. Availing yourself of long-range weather forecasting will further take the risk out of Christmas planning.

The year 1992 is past; now what about the future?

The table below will help you through the year 2000, which is **NOT** a leap year. (The rule for leap years is: the number is divisible by 4 except when also divisible by 400.)

Current Year	Change of Christmas Day From Prior Year	To Current Year	Comparable Years Since 1965
1993	Friday	Saturday	1982, 1971, 1965
1994	Saturday	Sunday	1983, 1977, 1966
1995	Sunday	Monday	1989, 1978, 1967
1996*	Monday	Wednesday	1968
1997	Wednesday	Thursday	1986, 1975
1998	Thursday	Friday	1987, 1981, 1970
1999	Friday	Saturday	1993, 1982, 1971, 1965
2000	Saturday	Sunday	1994, 1983, 1977, 1966

*A leap year.

RThought: I hope that I have provided information for future use, although we will not have another leap year until 1996.

Please drop me a note if you wish me to send you either of the following:

1. **Comparative years for Christmas planning, beginning with 1922 and running through 2020. (This table will identify past years that can be studied for pattern changes in the day on which Christmas falls.)**

2. **Information on obtaining reliable long-range weather forecasts.**

I will be very interested in your reaction to this article.

THE ART OF WRITING PRESS RELEASES AND ANNUAL REPORTS

The questionable art of "making everything look good" comes to mind when reading press releases and annual reports.

The following statement comes from the 1990 annual report for The Great Atlantic and Pacific Tea Company (A&P), under "Management's Discussion and Analysis":

> **Gross margin as a percent of sales of 27.7% increased 1.4% over the previous year, resulting primarily from improvements in shrink control, changes in merchandise mix, and increased buying allowance as a result of an aggressive purchasing policy and the continued expansion of the centralized purchasing program, including one-time benefits achieved during the integration of Miracle Food Mart into Canadian operations.**
>
> **Store operating, general and administrative [SGA] expenses as a percent of sales was 24.7% compared to 23.6% during the prior year. The increased rate is due primarily to increased costs and expenses associated with store labor, store occupancy, employee benefits, and expenses related to new stores opening during the year.**

From 1987 to 1990 A&P's gross margin increased from 25.4% to 27.7%, and the SGA increased from 22.9% to 23.6%.

In each report management applauded itself for special skills in increasing gross margin while attributing the increase in expenses to matters beyond management's control. Virtually the same wording has appeared in its annual reports for the past five years.

RThought: This is the management-can-do-no-wrong theory: increases in gross margin are due to skilled management; increases in the SGA are for reasons beyond management's control. There are some in retailing, led by the late Sam Walton, and including Charles Lazarus (Toys "R" Us) and Bernie Marcus (Home Depot), who believe good management reduces expenses so that gross margin can be reduced, sales can be stimulated, and market share can be increased.

Now comes Kmart with its 1992 third-quarter sales and earnings report.

> **The gross margin for the quarter was lower than a year ago, at 24.2% of sales versus 25.0%, reflecting increased clearance markdowns of some apparel merchandise lines early in the period and *the greater sales contribution of the lower-margined Pace Membership Warehouse operation in the third quarter of 1992.* [Emphasis added.]**
>
> **The selling, general and administrative expense ratio was 0.9% lower at 21.7% of sales in the third quarter of 1992, versus 22.6% of sales for the comparable period, as a result of the *effectiveness of cost-control programs at the Kmart store division.* [Emphasis added.]**

RThought: Wait a minute! Pace has a much lower gross margin than Kmart and the other specialty retailers. But Pace also has a much lower expense ratio. Publicly held Price Co. and Costco report total expense rates of roughly 8%; Pace is probably somewhat higher. Doesn't the "greater sales contribution of. . . Pace. . . in the third quarter of 1992" mean that the lower expense rate of Pace is going to pull down the expense rate of the total company, even if each division has the *same* expense rate as last year?

RThought: Although I have mentioned just two, there are many examples. A drop in the expense rate or an increase in gross margin must always be attributed to the exceptional skill of management; a drop in gross margin or an increase in the expense rate must always be attributed to matters beyond management's control.

In the case of A&P, there are increased "store occupancy" and "store labor" costs. Isn't management expected to control these expenses?

In the case of Kmart, *who* bought the merchandise on which it was necessary to take the additional markdowns? [Leslie Wexner of The Limited has attributed poor performance to bad managment decisions.]

I WONDERED AS I READ . . .

In an analyst's report: "Despite the flat sales, XYZ's gross margin **improved** from 41.58% to 42.21% in the quarter. The SGA was well contained, and all other expenses declined, leading to a 7.30% increase in pretax income." **RThought:** I have emphasized the word **"improved."** Trying to improve profits by increasing gross margin seems to me to be the first step toward failure. Gross margin can never exceed 100%, but expenses can.

IMASCO Limited demonstrates why cigarettes are pushed at young people: Imperial Tobacco represented 31.0% of IMASCO's revenues and 49.6% of earnings from operations. Earnings from operations were 15.0% of Imperial Tobacco's revenues. Many white adults have stopped smoking. To maintain sales of high-profit cigarettes, manufacturers use advertising targeted at young people, blacks, and other ethnic groups. **RThought:** Every package of cigarettes carries a warning. I don't know who has the strongest habit: those who smoke the cigarettes or those who sell the cigarettes to the habituated smokers.

How could Mervyn's not know a California law banned asking for telephone numbers on bankcards? The December 8, 1992, *Contra Costa Times* reported that Mervyn's has settled for $6 million in discount vouchers an estimated five million violations (maximum fine could have been $5 billion!). The class action was initiated by a woman who was asked to provide her telephone number when making a bankcard purchase. The California law went into effect January 1, 1991, and was well publicized. **RThought:** Some one among the thousands of employees in its 118 California stores must have known that Mervyn's was violating the law; yet, nobody brought it to the attention of management.

[**Late note:** A December letter to the editor in the *Contra Costa Times* reported the tale of a customer who was asked for her telephone number on a *cash sale!*]

Have people changed in size? *The Wall Street Journal* (November 11, 1992) devoted a major article to "Stores Carry Fewer Clothing Sizes." A clerk, who is 5 feet 2 inches, working at Macy's in the Mall of America, cannot find clothing her size — *in the largest mall in America!* The Gap received special mention, as did Bergdorf Goodman and Sharper Image (which carries a $150 men's shirt in large only). **RThought:** I recall Mervin Morris, founder of Mervyn's, and his reply to a merchant friend who was trying to make some equally silly "savings": "Pretty soon, you will be closing on Tuesday because it is the slowest day of the week!"

Does advertising bring in customers? The item above reminds me again of retailers who cut their advertising costs to save money. I thought advertising brought customers to the store. If you can get the customers in, you should be able to make a profit on the merchandise you sell. **RThought:** There are still trade associations which tell their members what percentage of sales they should "contribute" to advertising media without mentioning that the retailers should make a profit on response to their advertising investment.

this trap will have a significant cost advantage over the "industry leaders," who jumped into honoring Visa and MasterCard.

RThought: With U.S.-wide grocery sales up only 1.4% for the first nine months of 1992, I doubt that the increase (if any) in sales has offset the additional cost of bankcards.

RThought: Visa and MasterCard will just happen to announce their new, higher rates at about the same time. The fact that both select the new rate will be just a "coincidence." Those of us who might think there is some violation of antitrust laws are just "evil-minded people." Fortunately, some state attorneys general may see an opportunity to replenish the funds in their consumer protections section.

CANADA CHANGES BANKRUPTCY RULES IN FAVOR OF VENDORS

Effective December 1992, Canada changed its bankruptcy rules. A vendor can reclaim any unsold merchandise delivered within 30 days of declaring bankruptcy or going into receivership.

Were this ruling to exist in the U.S., Macy's/Carter Hawley Hale's technique of January filings would not work as a financing strategy (enjoy large cash flow in December, build end-of-month inventory, combined with large accounts payable to help finance the company until debtor-in-possession financing is in place). In both cases, much of their inventory should have been reclaimed by vendors and the stores would have looked empty.

There is another side to this change. It has a direct impact on established businesses. Since the recapture right may create a priority claim on unsold inventory, superior to the bank's lien, the banks are nervous. As a result, banks which formerly advanced up to 50% of inventory cost are now advancing only 25%. This may cause pressures on solvent retailers using inventory financing.

RThought: This change appears to level the playing field between the vendor and the retailer, but it is likely to reduce the probability of survival of the store and the jobs for its hundreds/thousands of employees as well as a customer for the vendor.

RThought: The U.S. bankruptcy laws should, however, pick up one foreign feature. In several countries it is a criminal offense not to file for a receivership when a business is insolvent. The management knows well before the public when liabilities exceed assets; it should not be allowed to trade on that secret information.

IS THIS CONFUSED THINKING?

Often, when I talk to the leadership of a company that is installing an advanced computer application, someone will boast to me about the number of programs backed up for implementation. One will say, "We have 100 programs backed up," and another will say, "Well, we have 200." At times it reminds me of kids arguing over "my dad can lick your dad."

It also makes me stop and wonder about the following:

1. How many millions of dollars have been invested in computers?
2. Unemployment is high in Silicon Valley, Southern California, and Route 128 outside of Boston (with 25,000 more layoffs to come from IBM). How many are programmers?
3. Did someone figure the potential benefit (reduced cost, improved operating information, better flow of merchandise, reduced out of stocks, etc.) expected from each requested program?
4. Is the MIS department restricted by a dollar budget determined independently of the savings/benefits which could be produced by more rapid implementation of desired applications?

Failure to maximize the benefits of computer systems is the natural result of budgeting computer operations as a percentage of sales instead of as a percentage of benefits produced. When I look at MIS operating costs, I don't know if 1% of sales is better or worse than 0.8%.

RThought: How does a company benefit from a big backlog of requests for programs, all of which should increase efficiency/reduce costs throughout the company, just to operate within a budget that is in line with the National Retail Federation's Financial and Operating Results? The 1991 edition (1990 data) states that for department stores over $600 million the middle range for data processing is 0.47%-1.74%, with the median at 1.24%. To the NRF, lower than median cost is considered better!

[**Note:** These thoughts were stimulated by reading *Retail Working Paper,* Vol. I, No. 2, entitled "Conventional Retail Accounting." For information, write Harry Schreiber & Associates, 12137 Stirrup Road, Reston, VA 22091, or telephone 703-476-4430.]

HOW THE BRITISH REGARD THE MBA DEGREE

Arthur Andersen looked at 15,000 directors and senior officers of the 2,000 largest publicly traded companies in Great Britain and found the following:

Qualified accountants	2,100
Chartered engineers or surveyors	200
MBAs	41

Arthur Andersen also tallied the following:

Percentage of women directors or senior officers	3%
Those who attended Oxford or Cambridge University	900
Those who attended Eton	194
Those with some type of honor	730
CBE*	320
Knights (Sir)	347
Lords	104
Princes	2
Reverends	2

*Commander of the Order of the British Empire.

RThought: During a two-week vacation in England (a first-time visit) this past September, I was struck by the tendency for the Crown to confer titles on builders of big businesses. Unfortunately, if the business has since collapsed and liquidated, the honoree retains his or her title.

Australia has just announced that its government will no longer submit recommendations for "honors" — a move toward a more democratic society.

SHORT SHORTS

Abuse of numbers. Tailor, Needle & Thread (TNT), a franchise concept operating two units (one in Chicago and one in Detroit), announced that it plans for 310 units in 16 states and Washington, D.C. in five years. **RThought:** Picking such a precise number as "310," when TNT has only two stores now, raises "178" doubts about its success!

SHORT SHORTS

Something I have never understood. My wife and I spent several minutes trying to figure out why we had the customer's copy of a credit slip for $35.18. I finally recalled returning a birthday present to Nordstrom and not finding anything to replace it. We could see nothing that said "Nordstrom" on the slip, but I finally found it faintly printed in the *background* of the very bold name and address section. **RThought:** What is gained by making it difficult to identify the tag as having come from Nordstrom? Is it ashamed of its name? Does the saving in ink reduce the cost? Is it "P.C." to hide a store's name? I don't understand.

How an idea grows. Don Bagin, publisher of *Communication Briefings* (700 Black Horse Pike, Suite 110, Blackwood, NJ 08012; $60/yr.), saw this sign in a cleaner's window: "Unemployed? If you need a suit cleaned for a job interview, bring it to us, and we'll clean it free. We hope you'll remember us when you get the job." Bagin liked the idea and told his readers: "If you lose your job and can't afford to maintain your subscription to keep the ideas coming, let us know. We'll continue the subscription for six months, free." **RThought:** An unpublicized policy of *RT* has been to continue *RT* for one year, without charge, to long-time readers who retire — to help their transition into retirement.

A random thought: Why should the poor be charged the same percentage for Social Security deductions as middle- and upper-income workers? A much smaller percentage of the poor live to collect benefits. (I realize that the payout is a higher percentage of the first $1,000, next $4,000, etc., of average earnings, but you have to live long enough to collect.

WORDS OF ADVICE ABOUT THE NUMBERS YOU READ

The New York Times (June 18, 1992) printed the results of the survey question: "Do you feel that Mr. Perot's spending of $100 million on his own campaign is a good thing, because he did not have to raise funds from 'special interest groups,' or a bad thing, because he was 'trying to buy the Presidency'?"

The results reported were as follows:

In the survey, 51% said it was a good thing, 33% said it was bad, 6% said it was some of both, and 19% said they were not sure.

RThought: The only "bad thing" with this survey is that the answers total 109%, proving, I believe, that there is a greater demand for answers than there is for questions.

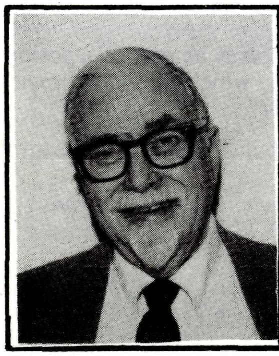
Retail Monthly/Year-To-Date Sales Comparison (Unadjusted $ millions)

SIC Code	Category	September 1992: 1992	September 1992: 1991	Percentage Change	Year to Date Nine Months: 1992	Year to Date Nine Months: 1991	Percentage Change
52	*Bldg Matl Group	$ 9,177	$ 8,301	+10.6%	$ 78,678	$ 72,617	+ 8.3%
57	*Furniture Group	7,642	7,062	+ 8.2	66,639	63,949	+ 4.2
571	Furniture Stores	4,168	3,800	+ 9.7	36,577	34,698	+ 5.4
572	Appl, TV, Radio Stores	2,663	2,472	+ 7.7	23,206	22,681	+ 2.3
5941	*Sporting Goods Stores	1,239	1,191	+ 4.0	11,635	10,276	+13.2
5942	*Book Stores	917	810	+13.2	6,439	5,571	+15.6
5944	*Jewelry Stores	1,038	923	+12.5	9,130	8,845	+ 3.2
531 Pt	Conventional Dept Stores	4,129	3,971	+ 4.0	34,366	33,904	+ 1.4
531 Pt	Natl Chain Dept Stores	2,916	2,753	+ 5.9	25,732	24,745	+ 4.0
	Subtotal	7,045	6,724	+ 4.8	60,098	58,649	+ 2.5
531 Pt	Discount Stores	7,356	6,526	+12.7	66,028	59,336	+12.6
531	*Department Stores	14,401	13,250	+ 8.7	126,126	117,985	+ 6.9
541	*Grocery Stores	29,702	28,705	+ 3.5	270,152	266,456	+ 1.4
56	*Apparel Stores	8,385	7,496	+11.9	69,712	66,017	+ 5.6
561	Men's & Boys' Stores	632	646	− 2.2	5,769	5,721	+ 0.8
562,3,8	Women's Stores	2,878	2,637	+ 9.1	24,277	23,020	+ 5.5
565	Family Clothing Stores	2,693	2,228	+20.9	21,520	19,452	+10.6
566	Shoe Stores	1,509	1,410	+ 7.0	12,900	12,789	+ 0.9
591	*Drug Stores	6,090	5,947	+ 2.4	56,862	54,870	+ 3.6
596	*Nonstore Retail	3,970	3,899	+ 1.8	33,441	34,406	− 2.8
5961 Pt	Mail Order (Dept Stores)	376	321	+17.1	3,108	3,020	+ 2.9
5961 Pt	Mail Order (Other)	2,072	2,126	− 2.5	17,190	18,184	− 5.5
	**Retailing Today* Total Store Retailing†	82,561	77,584	+ 6.4	728,814	695,992	+ 4.7
	**GAF TOTAL	39,108	35,715	+ 9.5	337,539	317,411	+ 6.3

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.



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ROUTE TO

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TABS GALORE!

My local paper, the *Contra Costa Times,* contained tabloids from the following retailers in its Sunday, December 6, 1992, issue:

Best Products
Big 5 (sporting goods chain owned by Thrifty Drug Stores)
Emporium (Carter Hawley Hale)
Good Guys (consumer electronics)
Hallmark
Home Express

Kmart
Macy's
Mervyn's
Millers Outpost
Montgomery Ward
Petco

J. C. Penney
Ross Dress for Less (off-price chain)
Sears
Sportmart
Target
Thrifty Drug Stores

The *San Francisco Chronicle* (although I do not live in its primary area) added Blockbuster Video and Whole Earth Access, as well as duplicating Emporium, Good Guys, Hallmark, Kmart, Ross, and Target. The *Oakland Tribune* (again, I am not in its primary area) duplicated Emporium, Hallmark, Kmart, and Thrifty Drug.

RThought: I received a total of 18 different tab inserts! Fortunately, more and more newsprint is being recycled.

A UNIQUE, BENEVOLENT EMPLOYER

Assume that you operate one of California's largest retailers of cigarettes, but you know that smoking cigarettes is a health risk. What can you do? What should you do? Here is what one reader has done.

Assume that your company, like his, is unique: it meets Costco, Pace, and Price Club on cigarette prices and has developed two private-label cigarettes that sell for much less.

Assume further, as an employer, that you, like him, want to do anything you can to discourage your employees from smoking. A solution is to have two health plans: a health maintenance organization covering those who smoke and a more comprehensive insured plan covering those who do not smoke. If an employee *wants* to quit smoking, the company will pay *part* of the cost for hypnosis, patches, anything which might work. The retailer believes that an employee will be more sincerely committed to the effort to quit smoking if he or she pays part of the cost. When the employee has broken the addiction, he or she is then transferred from the HMO to the broader health plan.

When a store has only nonsmoking employees, each employee will receive an extra $1,000 at the end of the year. This continues as long as there are no smokers in the store.

continued

WHERE THERE IS NO DISCRIMINATION

Adapting to the Americans with Disabilities Act (ADA) has disturbed retailers. Many are annoyed that entrances, checkouts, and other parts of the business plant have to be changed in order to enable handicapped persons to buy merchandise. Others are annoyed because they may have to renovate offices so that people with physical handicaps which do not interfere with their ability to perform a job will have an opportunity to earn a living.

I read an "opinion article" in the Faith Forum section of the *Oakland* (California) *Tribune* by Russ Cooper-Dowda, a parent, World Institute on Disability intern, and seminary student. Cooper-Dowda is permanently confined to a wheelchair, has a special hand-held reader, is equipped with braces, and uses a specially adapted van.

Cooper-Dowda made a special point about the handicapped: it is the most nondiscriminatory group in our society. If we lose our eyesight, become crippled, or lose a limb, we can join. No questions asked. People of all races, all religions, all ages, both sexes, and any intelligence level may join.

There is nothing that can happen to you or me and nothing we can imagine that will lead to discrimination against us by the world of the handicapped. In fact, we are likely to receive more true support and empathy *from* them than we have *given* to them, before we became one of them.

RThought: "Most handicapped persons don't seek sympathy," says Cooper-Dowda, who was motivated to write the article after watching Jerry Lewis raise $48 million for "Jerry's Kids," where the children with muscular dystrophy appear before the TV camera to inspire contributions.

The next time we consider contributing to the Jerry Lewis Telethon, we might consider spending an equal amount to widen doors or construct ramps so that people in wheelchairs can move around our buildings. Handicapped people become loyal customers where it is easy for them to shop. Also, as an educational exercise, try to determine which of your employees is handicapped by checking each employee's output per hour, number of days absent, or happiness in having a job. You won't be able to do so.

Had we looked at this problem with clearer vision, we would not have needed the ADA law.

RThought: Is this employer nuts to spend that much money? This employer doesn't think so. This employer is convinced that employees who smoke have more health problems than those who don't. More health problems increases the cost of the insured plan; fewer health problems reduces the cost of the insured plan.

The better health of nonsmoking employees not only reduces the cost of the insured plan but also means fewer absences (thus, less use of sick leave), a better quality of work, and coffee breaks that are not stretched to finish a cigarette!

HOW TO FIGURE LABOR TURNOVER

Turnover is usually computed by dividing the number of employees in a unit (which can be the opening number, ending number, or average of the two numbers) into the number of people who have worked in a department or unit during the time interval less 100%.

The following is an example:

Number of employees at start of interval	100
Number at end of period	90
Average number	95
Possible divisor	100, 95, or 90
Number of persons employed during period	150
Possible turnover rate	50%, 58%, or 67%

But let's look more closely at the breakdown of the 150 persons employed.

Group 1: Full-time or short-hour employees eligible for fringe benefits	80
Group 2: Short-hour employees not eligible for fringe benefits	20
Names in Group 1	90
Names in Group 2	60
People in Group 1 (90 names, less 80 original, equals 10 turnovers divided by 80)	13%
People in Group 2 (60 names, less 20 original, equals 40 turnovers divided by 20	200%

RThought: It is my opinion that what we should try to measure is the constancy of the work force interfacing with our customers. On that basis, one would disregard anything except the exact numbers at the beginning of the period. Assume the number of names at the start and at the end of each period are as follows:

	Employed at Start of Period	Still Employed at End of Period	Continuity Percentage
Group 1	80	70	87%
Group 2	20	10	50
Total	100	80	80%

The "continuity percentage" is a more accurate measure of what we want: a measure of the "regulars" our customers will recognize and, hopefully, come to know and trust.

RThought: When one considers the complexity of systems which must be executed in a department or the range of merchandise about which people must be informed, one can understand the probability of costly errors and the absolute need for intensive training. The higher the percentage of our employees still present at the end of any period, the higher the level of service.

FORTUNE REPORTS — CEOs SPEAK OUT

Fortune (December 14, 1992) reported on an "independent" survey of chief executive officers of the Fortune 500 and Service 500, asking their views of "Clintonomics."

One question was of particular interest to retailers:

> If Clinton does need to increase taxes as part of a serious long-term, deficit-reduction plan, which of the following four approaches would you prefer:

The responses:

Raise the gasoline tax	50%
Adopting a value-added tax	37
Higher individual tax rates	7
Higher corporate tax rates	1
Don't know	5

RThought: Note that 87% of the CEOs favor a regressive tax, with the highest percentage in favor of the most regressive tax. The gasoline tax impinges most heavily on the middle- and lower-income families and will have an equal and opposite impact on retail sales. When it comes to CEOs, some with million dollar salaries, there is strong objection to paying higher individual or corporate taxes.

Should we feel comfortable in a society where the richest want to increase the taxes on the poorest?

RETAILING: THE NEGLECTED PROFESSION

The above title appeared on the Feature Report in the November 1992 issue of *RT* and brought forth a most thoughtful reply from Edi Lorenz, a former student of Professor Stan Hollander at Michigan State University. She is now the Dean for Academic Affairs at The American College for the Applied Arts in Los Angeles, which she described as "a small, private college which teaches both fashion marketing and business administration."

Lorenz addressed the question of why young people are turned off by retailing. Here are some of her thoughts:

> **What many retailers fail to recognize is that undergraduates base their opinion of the retailing field on their part-time jobs in the industry. A large majority of our working students work for retail firms while attending school, since the night and weekend hours allow them flexibility in choosing classes. Unfortunately, these students often change their minds about entering the retail field after negative experiences with these jobs, which, in many cases, could have been avoided.**
>
> **Low wages are one of the main factors. However, the tedium and lack of variety in part-time retail positions seems to be equally important in reinforcing a negative image. Store managers, assistant managers, and the corporate structure tend to reserve the creative and challenging duties for full-time employees, leaving only customer service and custodial duties for their part-time workers.**
>
> **There are part-time college students who would love a chance to merchandise, plan, assist with buying, create visual displays, analyze financial performance, etc. Our students who work for Nordstrom provide an excellent example. Nordstrom not only pays well but gives all of their employees a variety of responsibilities, and many stay with them after graduation.**

Lorenz makes good points. Retailing has a conundrum which offers personnel departments a reason for their traditional conduct: the department is convinced that "they" aren't going to stay with us, so why waste money on training and job rotation. The accepted "truth" that time spent with part-time employees doesn't produce long-term employees becomes a self-fulfilling prophecy.

According to Lorenz, Nordstrom finds that its time invested in part-time employees *does* produce good part-time and full-time employees. That is why Nordstrom does not overlook any of its employees; it nurtures all of them.

A REVIEW OF THE 'DATELINE' STORY ABOUT WAL☆MART

Most of you, my readers, know that I have been a director of Wal☆Mart since 1980. You also know of the emphasis I have placed on ethical standards.

I want to review some of the issues that were raised on December 22, 1992, during the NBC "Dateline" program.

On December 27, 1992, *The New York Times* ran a short item which included the following sentence:

> **The controversy raised questions about Wal☆Mart's import standards and *whether the "Buy America" program started by Wal☆Mart's late founder, Sam M. Walton, was more an advertising gimmick than a substantial plan to create jobs.*** [Emphasis added.]

The April 1988 *Nation's Business,* in a lengthy article on Wal☆Mart, described the origin of the "Buy America" program:

> **Late in 1984, the torrent of imports began to weigh on Sam Walton. "I had just finished a trip to Central America," he recalls, "and on the trip, something got to me; about feeling that we needed to do all we could, as a corporation, to start buying merchandise in the United States, proving that we could be competitive."**
>
> **Around that time, Governor Bill Clinton of Arkansas called Wal☆Mart's president, David Glass, and asked for help in saving Farris Fashions, a struggling shirt company in Eastern Arkansas. "It was a sad, sad situation," Walton says. They'd made X-brand shirts for years and years; then X-brand shirts had pulled the contract and gone overseas with it. Bill thought the guy had some potential; he had 90 people working.**
>
> **Walton and Glass and other executives mulled over the possibilities. Walton said, "We called Bill and said, 'We're going to get in touch with this guy, and we're going to see if we can do something that has never been done before.'"**
>
> **When his secretary told him that Sam Walton was on the phone, Farris Fashions' President Farris Burroughs recalls, "I thought someone was playing a joke on me. But he kept talking, and I realized who it was, and then I panicked. It was like talking to President Reagan."**
>
> **A few weeks and several trips to Bentonville later, Burroughs had a contract to make 240,000 printed flannel shirts — a product that Wal☆Mart had been buying in the Far East.**
>
> **This year, his fourth as a Wal☆Mart supplier, Burroughs will produce 1.5 million garments — mostly men's and boys' shirts — for the giant retailer. His payroll has tripled to more than 325 workers in *two* Eastern Arkansas towns, and he has invested more than $1 million in new equipment. Farris Fashions and another American manufacturer now make about 75% of the flannel shirts Wal☆Mart sells.**
>
> **Wal☆Mart buys the flannel in Asia — the cloth itself is still available only overseas....**
>
> **"Many suppliers," [Burroughs] says, "try to push their inefficiencies off onto their customers; every year they want more and more money. Instead of getting more efficient each year, they try to get more money up front. We look at it the other way: We try to see if we can actually cut the price."**

In March 1985 Sam sent an open letter to thousands of U.S. manufacturers, inviting them to take part in a "Buy America" program. Sam wrote: "Our American suppliers must commit to improving their facilities and machinery, remain financially conservative and work to fill our requirements, and most importantly, to improve employee productivity."

It was at this time that Wal☆Mart committed itself to "Buy American" if the quality is "as good or better than" and the price is "equal to or lower than" items being imported. [Since then, the expression has been changed so that a *higher* price may be paid for better quality items.]

Discount chains X and Y proclaimed the letter a gimmick and announced their intent to continue to buy for their customers wherever they could find the best value.

The "Buy America" program grew. By 1988 Wal☆Mart had appointed an executive as the USA director of the program which was then called "Bring It Home to the USA." On May 31, 1988, the executive director sent a letter to each state. The message: "To involve more manufacturers, we are recommending to you a program that would solicit the help of state and local agencies in finding other manufacturers for us. The program is outlined in this packet...." The material included a list of 47 items, described as "TARGET USA CONVERSION ITEMS," which ranged from cuticle scissors to 24-pack washcloths. The list indicated which Wal☆Mart buyer should be contacted for each item.

I had served on the Wal☆Mart board for five years before Sam sent his famous letter to the manufacturers. I can attest to the continued attention given to the program. At each annual meeting, one or two outstanding conversions are recognized.

Response to the "Dateline" program from Wal☆Mart's vendors who had "Brought It Home to the USA" was immediate. The following ads appeared in the December 24, 1992, *USA Today:*

GE LIGHTING
We Support
WAL☆MART'S
Buy America Program

GE Lighting Is Proud Of Its Partnership With WAL☆MART, Joining Together For More Than 25 Years to Produce And Sell Quality Products in America

* * *

BONJOUR

We Support
Wal-Mart's
BUY AMERICA
Program.

We're proud to have a partnership with Wal-Mart, which has allowed us to increase our brand's "made in the U.S.A." production by over 500% and employ over 10,000 Americans in the last two years.

One would have to ignore the consumer and the current economic state, as well as be totally naive, to think that everything can be produced domestically, unless one assumes that the consumer is ready to pay five to ten times as much for certain items. However, Wal-Mart strongly encourages manufacturers to "Bring Home" all production where it will not overinflate the consumer's price. To this end, Wal-Mart is ready to pay a premium for competitive domestic production. Furthermore, in cases where overseas production is required for labor-intensive items, Wal-Mart encourages the use of American made materials and components.

* * *

In the *Los Angeles Times* for December 23, 1992:

We Support
Wal-Mart's
BUY AMERICA
Program.

We are proud to have a partnership with Wal-Mart that allows us to produce quality products in America, for Americans.

We share their commitment
We share their vision.
Together, we are bringing it home to the U.S.A.

[**Note:** The above was signed by 16 small manufacturers, none of whom are nationally known.]

FEATURE REPORT *continued:*

"Buy America" toppers on racks of imported items

"Dateline" showed a small segment of its 90-minute interview with David Glass. On the subject of inappropriate toppers, Glass observed that the toppers shown by "Dateline" above non-U.S. goods was a mistake. Action has been taken. In the future, toppers will carry the identification of a specific product. Should a topper applying to men's flannel shirts be on a fixture above men's knit tee shirts, Wal☆Mart customers will know that a mistake has been made.

The interview with the U.S. Customs Service official

During a portion of the "Dateline" broadcast, a U.S. Customs Service official was interviewed. He explained the term "submarining," which is the process of sneaking goods out of China, so as to avoid the quota, by attaching a label for a country that is not subject to quota restrictions. "Dateline" identified a wholesaler who had just begun to serve Wal☆Mart and who, unknown to Wal☆Mart, was being investigated by the U.S. Customs Service.

There was nothing offered by the official to indicate that Wal☆Mart was engaged in such an activity or knew that such activities were being carried out by its new vendor. The vendor in question is no longer serving Wal☆Mart. [**Note:** The U.S. Customs Service later issued a press release stating that Wal☆Mart was not under investigation.]

Goods made by slave or prison labor

"Dateline" implied that Wal☆Mart knowingly purchased goods made in China by slave or prison labor, or both. No documentation was offered. The reporter showed a scene in which he purported to have talked his way past guards at an unidentified plant which was said to serve Wal☆Mart. He did not report that Wal☆Mart's contracts strictly provide that it will not buy *or accept* products made by slave or prison labor. Regretfully, it is difficult to trace the origin of much of the goods coming out of the Far East.

Recently, I visited the home of a prominent South American retailer. I was surprised that it was behind a high wall and that there were armed guards. It was not unlike my visit in the early 1950s to the home of the largest ice cream manufacturer in Casablanca. His home had been within a walled area that also enclosed his factory. He, too, had armed guards.

Armed guards and a barbed-wire fence atop a high wall do not prove the presence of slaves or prisoners.

"Dateline" reported that a plant employed child labor

The following letter, which appeared in the January 5, 1993, *Arkansas Democrat & Gazette,* summarizes the contradictions:

> **I read your article in the December 23 issue about the NBC newscast concerning Wal☆Mart. NBC is the originator of the biggest setup in history to degrade a company.**
>
> **Did you notice how well dressed and healthy the kids appeared who were supposedly working in a sweat shop? Any child that was working long hours in a sweat shop would be worn and haggard looking. Their clothes would be dirty and ragged. Those kids were well dressed and happy, with big smiles on their faces.**
>
> **Something smells rotten here, and it's not Wal☆Mart. Shame on NBC for stooping so low.**

Something else came to mind. Recently, I visited a client in South Africa. Generally, living areas are separate for blacks, whites, and Indians. We visited one of my client's department stores in a shopping center serving an Indian community. I was startled by how small the women were, even those who were obviously the mothers of the small children in tow. I asked my client if he had a special petite department for the women. The answer was no. I do know that most of the women would be unable to find ready-made garments in our petite departments. I saw similarly small adult women during my two-year duty in Southern Iran, and again, on Leyte, where the high-school student who did our laundry was about the size of the featured "12-year-old" individuals on the "Dateline" program. The Catholic church on Leyte kept records of the date of birth; Iran and Bangladesh do not.

The letter writer above makes an interesting point. The "kids" did seem to be wearing attractive, clean dresses, and they appeared to be well fed. Some of the "kids" most often highlighted did not seem to be doing real work. One appeared to have a round piece of paper in her hands which she just rotated.

Did the "Dateline" story impact Wal☆Mart's sales?

Eight out of 30 December selling days were after the program was aired. Wal☆Mart reported a 27% increase in sales for December, with a 10% same-store gain. The same-store gain is in line with an 11% same-store gain for 11 months. No major retailer did better.

Did the "Dateline" story impact Wal☆Mart's stock?

The content of the "Dateline" program was known well in advance of December 22 because union handouts were distributed outside Wal☆Mart stores and elsewhere, before the originally scheduled December 15 date. On December 18 Wal☆Mart closed at 65 5/8, with an all-time high of 65 7/8 set during the day. By January 13 the close was down to 59, or off about 10%. By early February, Wal☆Mart again set highs.

What is the accurate story about the North Carolina plant?

Two references clearly refute the story told by a "former" investor in Sweaters USA.

First, a December 22, 1992, Wal☆Mart press release said, ". . . Wal☆Mart, in fact, continued to support the troubled plant in an effort to keep it in business. And when the plant finally declared bankruptcy, Wal☆Mart was left with unfilled orders."

Second, *The New York Times* article of December 24, 1992, starting on the first page of the business section, ends its report on the "Dateline" story as follows:

> **Yet many of those [Sweaters USA] jobs apparently ended up in Jersey City, not overseas, as NBC had asserted. A New York investor, Stan Cayre, said in an interview yesterday that he bought the sweater-making equipment at a bankruptcy auction in North Carolina. The factory he set up in Jersey City last April quickly won an $8 million Wal☆Mart order for 60,000 dozen cardigan sweaters that previously were made in China; his payroll now exceeds 300.**
>
> **"Wal☆Mart proved to me that their slogan, Buy America, was true," Mr. Cayre said. "They bent over backward for me, and my price might not have been the lowest. I was so upset when I saw the NBC program. It was just lies. I'm writing a letter now to the people at NBC."**

RThought: If for one minute I had believed Wal☆Mart to be the company portrayed by "Dateline," I would have disassociated myself long ago. I am proud of my 13-year association with Wal☆Mart.

Most retailers would be happy to trade their present success for the record Nordstrom has attained.

Further, and of utmost importance: Logic and understanding of employees argues on the side of Lorenz's suggestion.

THE FIGHT AGAINST BIASED TESTS

Many tests in use today, including honesty tests used by some retailers, have not been fully validated. An analysis of the scores of 1992 high-school graduates taking the American College Test (ACT) produced the following results, with scores ranging from 1 to 36:

Male	20.9
Female	20.5

The problem here is that females earned *higher* grades in both high school and college, yet they scored *lower* than males on the ACT.

Let's look at the scores by family income. Here, we find a perfect correlation:

Family Income	Score
$60,000 and over	22.4
$50,000-$59,999	21.6
$42,000-$49,999	21.3
$36,000-$41,999	20.9
$30,000-$35,999	20.6
$24,000-$29,999	20.3
$18,000-$23,999	19.8
$12,000-$17,999	19.3
$ 6,000-$11,999	18.5
$ 6,000 or less	17.4

Why does income have such a pronounced effect? Among other things, the ACT tends to utilize a broad vocabulary, including words such as *dividends, stocks, bonds, opera, symphony, partner, corporation,* all words which are more likely to be used in higher-income homes than in lower-income homes.

RThought: Before you utilize any pen or pencil test, and particularly, before you use a computerized test, I would suggest that you contact the National Center for Fair & Open Testing, 342 Broadway, Cambridge, MA 02139-1802, telephone 617-864-4810 or fax 617-497-2224, for all of the information you will need in order to evaluate the test. You may learn enough to reject the claims of its purveyor.

PILOT FATIGUE COULD KILL YOU

The above headline in *Health Letter,* published by Public Citizen Health Research Group, caught my attention. I take approximately 30 air trips a year; perhaps you take more. The article quoted from the April-June 1990 issue of *Occupational Medicine: State of Art Reviews* which said, "Obtaining less than four hours of 'anchor sleep' [obtained in the 26 hours before flight] *produces* [in pilots] *a greater performance deficit than being legally drunk.*"

From a syndicated TV program entitled "Pilots — Dead Tired," this quote should attract your attention:

> **While studying the connection between pilot fatigue and airline safety, we found most accidents are blamed on pilot error. You can do an autopsy for drugs or alcohol, but you can't do an autopsy for fatigue.**
>
> **So we looked at pilot schedules...and found some disturbing evidence in two of last year's most widely publicized crashes...those involving the late [Senator] John Heinz and [former Senator] John Tower.**

The study found that the copilot on the Heinz plane had had only two and a half hours of sleep before flying and that the crew on Tower's plane was *in the hotel the night before for only six and a half hours* (not all of which were spent sleeping).

An eight-hour rest period sounds reasonable. However, if that "time" includes time spent on the field after landing, transit to the hotel, time at the hotel, transit back to the airport, filing a flight clearance, being in the plane while passengers load, and through the actual takeoff, there isn't much time for sleep.

RThought: The problem is worse with commuter flights and worst when there are long weather delays which keep crews in the planes longer than scheduled. Fatigue can show up in "near misses," flying at the wrong altitude, and *the frequency of cabin attendants bringing hot coffee to the crew.*

Commuter pilots, in many cases, have a starting salary of $12,000, a far cry from the $100,000-plus a year paid to the 20-year-plus veterans flying the wide-bodied planes.

Late Note: The Federal Aviation Administration is considering a rule which will allow a pilot on a three-pilot plane, when on a long, overwater flight, to have 40 minutes of sleep *followed by 20 minutes of reorientation.*

DOES BEING OUT OF STOCK OF AN SKU BOTHER YOU?

When I give talks to retailers, I ask, "What is the most important service you can render to your customers?" I get answers like "location, location, location" or "having enough salesclerks on the floor" or "having short checkout lines."

No one ever says, "Being in stock in the item the customer had in mind and expected you to have in stock when he or she got into a car, rode a bike, or walked to your store with that item in mind."

John P. Hammond, writing in his "In Perspective" column in the October 1991 issue of *Do-It-Yourself Retailing,* described his experience when he set out to buy six common hardware store items:

- a gallon of acetone
- a dial-a-spray hose nozzle
- a polishing bonnet for a 7½-inch buffer
- a scrub brush with a plastic handle
- shop towels
- a plastic reducing elbow from 1-inch thread to ¾ inch

Hammond's first stop was a 35,000-square-foot home center that brags about assortment. The only item it had was the hose nozzle. About the gallon of acetone, the salesman explained it was dangerous and people seldom bought a gallon.

The next store was his neighborhood hardware store. It had the gallon of acetone but not the nozzle or towels or polishing bonnet, nor did it carry housewares.

The next stop was another 10,000- to 15,000-square-foot programmed hardware store. It had the polishing bonnet and the brush but not the plumbing parts or shop towels.

The last stop was a smaller hardware store (10,000 square feet) which had only the shop towels and the plumbing parts.

RThought: Hammond observed that most of the stores had empty hooks or spaces for the items he wanted — *they just happened to be out of stock.* One store offered to "special order" the items — they would arrive in a week.

Hammond closed by saying, "Stop and think how much we spend in advertising to bring a customer *into* our store. Think what we spend to provide an attractive shopping environment and then think what it really costs us when we send that 'almost' customer out of the door emphy handed. **We spent all of the investment money needed to consummate a sale; we just didn't have anything to offer at the moment of truth."** [Emphasis added.]

I visit stores that state they carry XXL sport shirts and then have the choice of one (or, perhaps, none). The sign on the display says, "Sizes to 17½," but the largest in stock is size 17. I go to the supermarket for Ralston Almond Date Muesli. It is not on the shelf, because Ralston added two new types of muesli, and the store cut the Almond Date to one facing. Dreyer's Grand Ice Cream invented Rocky Road ice cream. I often go to my favorite local supermarket which carries Dreyer's, but often it is out of Rocky Road.

No wonder we lose customers. We alienate them until they stop coming in. They return only when the other store alienates them.

WORDS — ABOUT OUR SOCIETY

The Gallup Poll Monthly (September 1992) offered the following results on the degree to which people trust segments of our society as reported by generation. The segments are defined in *Generations*, by William Strauss and Neil Howe, as:

Young adults (YA)...............18-31
Baby boomers (BB)...............32-49
Silent generation (SG).............50-67
GIs (GI)........................68 and older

Most of the time have confidence in:	YA	BB	SG	GI
The government	13%	13%	11%	23%
Business corporations	19	18	22	28
News media	28	27	21	23
Community organizations	63	54	47	48
The average person	49	50	56	57

RThought: Is there a good future for us when there is such low confidence in the three largest segments of our society: government, large corporations, and the news media?

Retail Monthly/Year-To-Date Sales Comparison (Unadjusted $ millions)

SIC Code	Category	October 1992 1992	October 1992 1991	Percentage Change	Year to Date Ten Months 1992	Year to Date Ten Months 1991	Percentage Change
52	*Bldg Matl Group	$ 9,238	$ 8,592	+ 7.5%	$ 88,001	$ 81,209	+ 8.4%
57	*Furniture Group	7,961	7,328	+ 8.6	74,601	71,277	+ 4.7
571	Furniture Stores	4,334	4,018	+ 7.9	40,938	38,718	+ 5.7
572	Appl, TV, Radio Stores	2,792	2,541	+ 9.9	25,980	25,222	+ 3.0
5941	*Sporting Goods Stores	1,163	1.060	+ 9.7	12,822	11,336	+13.1
5942	*Book Stores	696	629	+10.7	7,138	6,200	+15.1
5944	*Jewelry Stores	1,116	1,034	+ 7.9	10,239	9,879	+ 3.6
531 Pt	Conventional Dept Stores	4,508	4,317	+ 4.4	38,873	38,221	+ 1.7
531 Pt	Natl Chain Dept Stores	3,211	3,019	+ 6.4	28,943	27,764	+ 4.2
	Subtotal	7,719	7,336	+ 5.2	67,816	65,985	+ 2.8
531 Pt	Discount Stores	8,459	7,286	+16.1	74,515	66,622	+11.8
531	*Department Stores	16,178	14,622	+10.6	142,331	132,607	+ 7.3
541	*Grocery Stores	30,782	29,548	+ 4.2	300,853	296,004	+ 1.6
56	*Apparel Stores	8,877	7,789	+14.0	78,510	73,806	+ 6.4
561	Men's & Boys' Stores	734	695	+ 5.6	6,509	6,416	+ 1.4
562,3,8	Women's Stores	3,084	2,794	+10.4	27,301	25,814	+ 5.8
565	Family Clothing Stores	2,932	2,396	+22.4	24,402	21,848	+11.7
566	Shoe Stores	1,422	1,468	− 3.1	14,305	14,151	+ 1.1
591	*Drug Stores	6,299	6,309	− 0.2	63,144	61,179	+ 3.2
596	*Nonstore Retail	4,550	4,304	+ 5.7	37,980	38,710	− 1.9
5961 Pt	Mail Order (Dept Stores)	457	391	+16.9	3,562	3,411	+ 4.4
5961 Pt	Mail Order (Other)	2,493	2,323	+ 7.3	19,679	20,507	− 4.0
	**Retailing Today* Total Store Retailing†	86,860	81,215	+ 7.0	815,619	782,207	+ 4.3
	**GAF TOTAL	42,171	37,976	+11.0	379,685	355,387	+ 6.8

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.

Put in Jan Feb 93

Pg-in Binder

ROBERT S. REID
198 LEYDEN ROAD
GREENFIELD, MASSACHUSETTS 01301

413-774-4122

25 January 1993

Robert Kahn
Box 249
Lafayette, CA 94549

Called 1/28/93
16:10

Dear Mr. Kahn;

Subscriber Thought:

Have read your publication, RETAILING TODAY, for many years both while in retail and since retiring from my company now 110 years young.

We tried to operate our business with a certain amount of Integrity and we found your publication and its continued references to Integrity of some comfort, strength and support.

My recent reading of "Sam Walton - The Richest Man in America" leads me to believe that you were close to him, traveled with him (Australia) and served on his Board.

In RETAILING TODAY December 1992 Vol. 27, No. 12 under "Efficiency in the Military" and "Polk Brothers, Inc. - R.I.P." you refer to your seat on the Board of Wal-Mart and the Wal-Mart "Buy American" program.

DATELINE - NBC recently interviewed David Glass, CEO of Wal-Mart and I'm hopeful you are aware of his performance.

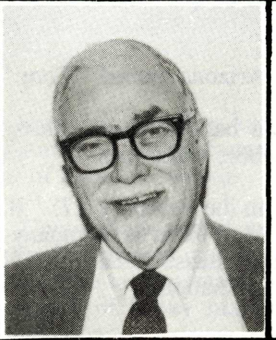
INTEGRITY, it would appear, has been surrendered for substantial growth.

We look forward to your response regarding this subject either by letter or in subsequent publications of RETAILING TODAY.

Sincerely,

Robert S. Reid

RSR/r



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ROUTE TO

MARCH 1993

VOL. 28, NO. 3

CORRECTIONS

In the December 1992 *RT,* in the front page box, I gave examples of ads run by Foley's, Macy's, and J. C. Penney Company in Dallas, offering high percentage markdowns from "regular" and "original" prices. I then wrote, "Note: These three stores compete with Dillard's, which uses virtually no comparative pricing because of their 'Everyday Fair Pricing' policy."

I received a letter from a Dallas reader who reported that his "unscientific sample of three" could see no difference between the advertising of Foley's and Dillard's. I thereupon entered a two-month (minimum) subscription to the *Dallas Morning News.* Based on two weeks of mainly clearance ads, ending with Valentine's Day, I must agree with my reader's observation and thank him for writing.

* * *

In the January *RT,* in an item on countries experiencing pressure to extend hours, I included New Zealand with Canada and Australia. I received a note from A. D. McLaren, chief executive of the Retail and Wholesale Merchants Association of New Zealand, pointing out that stores must close only four holidays. Otherwise there are no limits.

A NICE TOUCH FROM THE GAS AND ELECTRIC COMPANY

Recently, I closed an account in the name of my deceased sister. The gas and electric company, which did not know the reason for closure, included the following on her final bill:

> **Elinor Kamath**
> **for the past 12 months**
> **you had an excellent**
> **payment record and**
> **received no delinquent**
> **notices. If you need to**
> **establish credit at**
> **another utility, you may**
> **use this message as a**
> **credit reference. On**
> **service since 08/15/80.**

RThought: With the proliferation of automated accounts receivable, whether on store accounts or bankcards, isn't it possible to include a cheerful message on our December statements? Let me offer this:

> **Thank you.**
> **During the past year,**
> **you have maintained your account**
> **in accordance with the terms.**
>
> **We wish you a Happy New Year!**

There is a simple reason why we don't: our credit department people tend to think of our customers as enemies rather than as friends. However, as soon as one company establishes a precedent, many others follow.

Life is so much more enjoyable when we show appreciation for each other.

SHOULD I BE READING THIS KIND OF STORY ABOUT PENNEY'S?

I read a variety of publications, such as *Lemon Times, Tightwad Gazette,* and *Skinflint News* (*Skinflint News*?!).

Skinflint News (1460 Noell Boulevard, Palm Harbor, FL 34683; $12/yr.) describes itself as written by and for "A thrifty-minded person who saves or gains money by all means possible; also recycles for the environment."

The November 1992 issue contained the following item:

> **I have a quick and easy tip that can save you a fast $20 in one easy phone call. The call will probably even be toll free. I'm sure you have noticed that most banks charge an annual fee for the privilege of using their credit cards. We have a Visa card from J. C. Penney that we've had for several years. We received the card a few years ago because we have a department store credit card and an excellent credit history. The Visa card did not have an annual fee and the interest rate was competitive so we kept the card for emergencies.**
>
> **When our bill arrived this month it included an annual fee of $20. We decided to call the J. C. Penney National Bank on its toll-free number and cancel the card because we did not want to pay the $20 annual fee. I told the credit card company due to all the no-fee credit cards available we would take our Visa business to a more economical company.**
>
> **The customer service representative on the phone immediately took a fast look at our credit history. Then she told me about two different plans they could offer to keep us from cancelling the card. They were willing to offer the credit card with no annual fee and the same interest rate, or a lower interest rate with an annual fee.**

RThought: I am surprised since Melodie and Ron Moore, publishers of *Skinflint News,* have such good credit that Penney's bank did not initially present the two options rather than billing an arbitrary annual fee.

By 1860 one-price retailing began to replace bartering. On the East Coast, Rowland Hussey Macy pioneered it in New York City, after having failed on his first two or three attempts; and on the West Coast, David Lubin was successful on his first attempt in Sacramento. (Lubin, with his half-brother, Weinstock, founded Weinstock-Lubin, now called Weinstocks and part of Carter Hawley Hale.)

I have always believed that J. C. Penney Company, founded in 1902, was committed to a one-price policy. Perhaps I have been wrong. It would appear that one may bargain.

ANSWERING 'TOM'

I received the following letter, signed only "Tom," in an envelope from Phoenix, Arizona. I have little patience with those who express negative opinions but are unwilling to sign their names. There have been other letters on the same subject, which have been accompanied by appropriate signatures. I have written to or spoken with most.

Dear Mr. Kahn:

You have been a frequent and generally effective critic of questionable practices in retailing. I have been interested in your comments about retail companies and have, on occasion, been taken back by the criticism you have directed at Sears. "I am not a stakeholder of Sears."

On the other hand, you have been a cheerleader for Walmart (sic). Since the television expose about Walmart (sic), you have published a couple of newsletters. You have not, however, included a comment about Walmart (sic) and their "holier than thou" attitude about their "Made in America" campaign. Apparently, it is a case of "different strokes for different folks." Why haven't you confirmed the absurdity of their "Buy American" campaign? I am sure you have watched their advertising and even more damaging, probably, their signs and displays many times over the past couple of years.

Does their power and/or your association with them prevent an objective look at what has been done? We are all admirers of the Walmart (sic) philosophy, but surely to be even-handed, you need to deal with their "warts" as well as the many strong attributes which they have. If (sic) this a fair question?

Tom

Dear "Tom":

1. When I comment on Sears (or other companies), I base my analysis on public information such as is contained in their own reports, press releases, or in information released by others. I used information from the State of California in the case of Sears' recent problems with auto service in California; in the recent case of Lucky Stores, I bought and read the 193-page court decision. I do not seek inside information from employees or directors. I possess backup documents on each article I write and have been challenged only once in 28 years (I had complete documentation). In the case of Wal☆Mart, I do not use inside information (which is voluminous) available to me as a director and/or as a consultant.

2. If you are a retailer, "Tom," you are not well informed. Four times you wrote "Walmart," whereas most retailers would correctly write "Wal-Mart." Some would write the new form, "Wal☆Mart," with the asterisk (star) replacing the hyphen in memory of Sam Walton.

3. "A couple of newsletters" have not been published since the "television expose." The December *RT* was mailed before "Dateline" was aired, and the January issue was too close to press time to allow full comment. However, the February *RT* carried a two-page Feature Report dealing with the "Dateline" program. [**Note:** On February 9 "Dateline" admitted to airing a rigged crash and explosion of a General Motors truck and publicly apologized to GM. On March 3 *The New York Times* carried an extensive story about the resignation of Michael G. Gartner, president of NBC News, and related it to the GM story and other problem news stories.]

4. "Tom," you wrote, "Why haven't you confirmed the absurdity of their 'Buy American' campaign." If you have information to confirm your assumption, I would like to see it. Without disclosing any inside information, I can only say that the "Buy American" program is real, large, and sincere. And successful!

5. I believe the first word of your last sentence should have been "Is," rather than "If." Your question **IS** a fair one, and I have tried to answer it.

6. I have no *RT* subscriber in Arizona named "Tom."

7. And lastly, "Tom," if you believe in something, be brave enough to attach your whole name to it.

RThought: Let me close as I did in the February *RT:* "If, for one moment I had believed Wal☆Mart to be the company portrayed by 'Dateline,' I would have disassociated myself long ago. I am proud of my 13-year association."

NATIONAL ADVERTISING DIVISION OF THE BETTER BUSINESS BUREAU

The National Advertising Division (NAD) is a voluntary self-regulator of national advertising. We sometimes forget that the Better Business Bureau (BBB) was founded by advertising agencies to police advertising practices.

In 1992 65 cases were closed by the NAD, against 88 in 1991.

The closing action in the 1992 and 1991 cases were:

Decision	1992	1991
Substantiated	14	16
Modified/discontinued	37	66
Referred for review	10	4
Referred to government	4	2
No substantiation received	0	0
Total	65	88

The sources of cases were:

Source	1992	1991
NAD monitoring	8	12
Competitor challenges	47	63
Local BBBs	2	2
Consumer complaints	7	5
Other	1	6
Total	65	88

RThought: Cases involved major as well as small advertisers. In the NAD report of January 18, 1993, the following were listed among firms which modified or discontinued their advertising after reviews:

Procter & Gamble (Always sanitary napkins)
Procter & Gamble (Pampers disposable diapers)
U.S. Shoe Corporation (Walking Shoes)

Think what would happen if competitors (or customers!) challenged retail advertising? The NAD would have to handle thousands of cases, and many retailers would have to modify or discontinue their ads!

THE HEADLINE I HAVE BEEN WAITING FOR:

'SEARS TO SPEND $4 BILLION TO REVAMP STORES'

I have written several times that the reason Sears, Roebuck and Co. slipped as a retailer when it was the largest in the world was that it used its depreciation money from retailing to buy financial institutions instead of reinvesting in its stores and mail order.

Sears had previously announced that it would sell the Dean Witter Financial Services Group (which includes the Discover Card), the Coldwell Banker Real Estate Group, and the Sears Mortgage Group.

WHAT I HAVE LEARNED IN 60 YEARS IN RETAILING

1. Successful retailers know how to convert a consumer into a customer. A customer means a person who shops at your store out of habit or custom.

2. Conventional retail accounting does not provide a sound basis for decision making. Allocation of overhead expenses in proportion to department or branch store sales causes the abandonment of lower margin units that are really profit contributors.

3. No retailer assumes enough bad debt expense to maximize profit from credit sales. Using point scoring for opening accounts and evaluating existing accounts should result in a lower point score limit which will match your bad debt loss with the contribution you have from your sales. This probably results in an overall bad debt loss in the 5% range.

4. I have found that most "human resource" people employed by retailers hate retailing. They don't like our hours and they don't like our starting pay. They think of their skills as transferable to any business. They fail to teach newcomers that retailing is the most challenging form of competition that we have in our free-enterprise system. Every store can obtain the same or equal brands, location, advertising, etc., that competitors can obtain. It is those variables which we combine in perhaps a million combinations that lead to our success or failure. And we have a score card at the end of the year: the bottom line on our income statement.

5. Few retailers permit their employees or associates to make all of the contributions to the success of the business that they want to make.

6. You can greatly improve the success of any retail business by having the top management visit more of the stores and branches than are now being visited. Employees are discouraged when they sense that the CEO and members of top management think that the "little people" are unimportant.

7. Group incentives often work much better than individual incentives.

8. Consumers believe that many ads are dishonest. Once the consumers begin thinking that way about you, your store has little chance to change that view.

9. Most "we will not be undersold" claims are dishonest. In most cases retailers do not adjust their selling price when confronted by a consumer with an ad at a lower price. As the observant customer walks out with a rebate, the retailer is still selling the same item at the higher price, which is known not to be a competitive price.

10. Depreciation is not free cash. We kid ourselves by computing cash flow. Depreciation dollars *must* be reinvested in stores and systems if a retail business is to survive.

11. If we look carefully, we can find some good ideas in even the worst of stores. Sam Walton taught me this time after time when we visited competitors' stores.

12. God gave us two ears and one mouth so we could listen twice as much as we talk.

RThought: I presented the above points at the annual retail conference put on by *Inside Retailing,* Australia's leading general merchandise and apparel newsletter. I presented it in an unusual way: I read each "wisdom" and then gave the number. In that way, the audience could record their question, identify the "wisdom" by number, and during the question-and-answer period, identify the "point of wisdom." It is interesting that no one asked questions about points 1, 5, 6, 8, 9, 10, and 11. On the other hand, I could have spent more than an hour answering challenges on points 2, 3, 4, 7, and 12.

Few of the 12 major "wisdoms" I have presented are, to my knowledge, included in books on retailing.

If any reader disagrees with or can add to my views, I would very much like to receive his or her thoughts.

THOUGHTS WHILE READING

In the January 1993 *Stores* (the official magazine of the National Retail Federation), Andre de Botton was honored by the NRF as the 1993 International Retailer of the Year. He is the CEO of Mesbla, Brazil's largest retailer. On the subject of the next generation of family members in the business, the article said:

> **The strict rules de Botton has laid down are that if any of his children want to be in the business, their experience and competence will have to be judged worthy by a committee, none of whom are family members.**

RThought: Under these rules, one must be careful that members of the committee do not seek favor by approving an unqualified family member.

* * *

It's hard to tell whether a sale is real or phony. From the *Ottowa Citizen,* there is the story of a major department store chain being fined $135,000 when investigators found that only 1% of its tires were ever sold at "regular price." A sporting goods store was fined $25,000 for comparing sale prices with regular prices on skis and tennis racquet frames. There *was* a list price for the skis but *none* for the frames. **RThought:** The Canadian Consumer and Corporate Affairs Department levied 15,130 fines, totaling C$1.3 million in one year. A similarly aggressive U.S. FTC could probably eliminate 20% of the deficit!

* * *

The Conference Board plugged a book: *Closing the Quality Gap*. The lead testimonial by James D. Robinson III, the fired chairman and CEO of American Express Company, read: "Total Quality Management is a necessary condition for business success in the 1990s. **RThought:** Who would have known better? Robinson's board replaced him because of lack of performance.

* * *

Whatever happened to page numbers? Remember when, while reading a magazine, you found page 108 followed by 109? Today, there may be two double-truck ads with no page numbers or perhaps numbers like SFE-1, SFE-2, SFE-3, and SFE-4! **RThought:** How about a rule: not more than four consecutive sheets of paper without a page number — in the interest of "fairness"!

LACK OF SERVICE — WHY MANY RETAILERS WILL FAIL

Let me begin with what some major retailers are telling their shareholders.

Albertson's (1991 Annual Report):
SERVICE FIRST: We stress superior customer service in all that we do — always putting our customers first. WELL-TRAINED EMPLOYEES: All of our employees — from courtesy clerks to senior executives — deliver on our commitment to provide superior customer service.

Best Buy (1992 Annual Report):
Our stores are a satisfying place to work because our staff is never asked to do anything that is not in the customer's best interest.

Brown Group (1991 Annual Report):
The company's commitment to improving its brands, marketing programs, and customer service was reaffirmed in 1991.

Bruno's, Inc. (1992 Annual Report):
Our strategies were to focus on improved customer service....

Circuit City (1992 Annual Report):
Circuit City Associates are deeply committed to customer service. They have developed a standard-setting value offer and....

Charming Shoppes (1992 10-K):
The Company emphasizes customer service, including the presence of sales people in the stores, rather than self-service....

Delchamps (1990 Annual Report):
Our family of over 9,000 employees is dedicated to taking the very best care of our customers.

The Gap (1991 Annual Report):
Customer service continues to be one of our strongest competitive advantages. Knowledgeable, helpful sales associates are one of our signature attributes. We believe that when good service is coupled with clean, inviting stores and merchandise that consistently offers good style, good quality, and good value, customers keep coming back.

Giant Food (1991 Annual Report):
Quality, service, friendliness, and cleanliness are very important factors in why customers choose to shop at Giant in the large numbers they do.

THESE CONCURRENT FORCES ARE WORKING TO DESTROY SERVICE IN MOST STORES.

The first blow against service in retailing was taken several years ago by, of all institutions, the Financial Accounting Standards Board (FASB), which mandated that companies must reflect as a liability a very crude and coarse estimate of the cost of postretirement benefits. In 1992 General Motors recorded a one-time charge of approximately $21 billion (more than the total expenditures of 42 of our 50 state governments in 1991). Most of the charge relates to continued health insurance, the cost of which is rising at more than twice the rate of inflation. It means that when a new employee is hired, if a fringe benefit is postretirement health insurance, the employer must start to accrue an additional amount immediately on the chance that the new employee may stay the 20 to 30 years required for retirement.

The second blow has been a dramatic increase in the cost of health care.

The third blow, which is immediately recognized by shoppers, is the application of computer scheduling programs which match staffing to the flow of traffic by using people who work only eight to 12 hours a week. Those who work less than 20 hours per week are usually not provided fringe benefits, the most expensive of which is health care.

What is required for good service?

There is little service from a person who does not (a) know where to get her or his paycheck, (b) does not know where the restrooms are located, (c) needs help on how to handle a gift certificate, (d) in a food store, does not know the location of dried fruits, and (e) is not familiar with the one hundred or more pages in the employee manual.

The training department believes, as I have mentioned many times, that it is a waste of money to train short-hour people because "they never stay."

Whoever wrote the annual reports at the head of this article will continue to include such misleading statements.

RThought: Do you know of any employees who do not want health coverage? If you are not sure, run a survey. A few may have better coverage through their spouses — but only a few.

Retailers hire a lot of single mothers. One of the reasons they will work nights and weekends, with a smile, is because they are covered by health insurance — or many were until the confluence of the three forces enumerated.

I have been listening to tapes of the 1993 National Retail Federation convention. They stress building a personal trade and sending "Thank You" notes. One company has incorporated all information about each customer, including his or her last purchase, purchases made during the last year, purchases made since he or she became a customer (complete with sizes and colors) available on the point-of-sale screen. Will this information be properly used by someone who works only 12 hours a week, has no health coverage, and thus, spends 28 hours a week interviewing for a job with health coverage?

Where were the retail executives when Bill Clinton was elected on a promise to provide universal health coverage?

Sears said that it was laying off about 35,000 part timers. Bank of America pulled the "gaffe of the decade," when it announced that it was cutting 5,000 tellers back to hours *below* the level providing health insurance in order to "save money." Many people transferred their accounts. Claire Giannini Hoffman, daughter of A. P. Giannini, the founder of Bank of America, voiced her objection: "My father always thought of the people." She is right. He did.

Bank of America made its announcement following a year during which it had recorded an all-time record profit of $1.5 billion, probably the highest in banking history! The president has since pleaded that the announced move was "misunderstood."

But let me return to retailing.

Service in retailing can be provided only by:

A stable, well-trained work force.

Such a work force exists only when someone in the business believes what James Cash Penney always said, in explaining his success:

Our people make the difference.

And such people exist only in companies where:

Management cares about people.

And the best way for management to show it cares about people is to:

Provide adequate health care for all who work in the company.

One bad apple spoils the barrel of apples; one dissatisfied worker/associate spoils much of the efforts of management.

At the end of 1991 the right-hand side of Sears' balance sheet contained these liabilities:

	$ millions
Insurance reserves	$30,220
Long-term debt	19,170
Short-term borrowings	9,788
Deposits and advances	9,146
Accounts payable and other liabilities	9,082
Unearned revenues	6,322
Liabilities related to security transactions	8,519
Total	$92,147

Over $30 billion in liabilities will be eliminated by the dispositions listed above. But the shareholders' equity was only $14,188 million.

On the other hand, equity may be substantially reduced by (a) additional reserves for unpaid hurricane losses in Florida and (b) reporting postretirement benefits (not a cash item) as a liability.

RThought: It would have made me even happier to have read mention of major investments in systems and the development of distribuiton centers, in lieu of the relatively inefficient local warehouses supplying each store or group of stores.

Finally, I would hope that Sears will go through its inactive accounts (such as mine) and call each cardholder.

Forty-five years ago, I devised such a reactivation program. Then, bookkeeping machines were used to post credit transactions on ledger cards. Each summer approximately 10 people were set up in a temporary telephone bank and were given the inactive ledger cards which showed the last transaction. The phone crew would call each customer and ask a simple question: "We have noticed that you have not used your account since ______ (actual date was mentioned). Have we done something to displease you?"

They recorded every complaint and suggestion. This was followed by a note, a gift certificate, or some expression of appreciation for bringing the matter to the store's attention.

I tested this method against (a) a letter from the president, (b) a letter, plus a small gift certificate, and (c) a control group. The telephone call was the most expensive on a "per account" basis, but the resulting greater reactivation and higher dollar usage translated into the lowest cost per dollar of purchases made during the following year.

Good luck to you, Mr. Roebuck!

SETTING UP AN INDUSTRY AND RAISING THE COST OF LIVING

Recently, Visa and MasterCard, I assume non-collusively but simultaneously, came up with an offer to the supermarket industry (minimum volume to participate: $2 million) to process their card transactions for 1% of the sales volume, which is about 60% of what is paid by the largest department and discount stores, national chains, and other forms of retailing.

In the July 1992 *Nilson Report,* Issue 528 (P.O. Box 49936, Los Angeles, CA 90049; $695/yr.), there was a short item reporting that the volume done through supermarkets by MasterCard and Visa was up 123% from the first quarter of 1991 to the first quarter of 1992. In dollars it was up from $262 million to $585 million.

I asked a client of mine, who operates a single, medium-sized supermarket, what has happened since his company took on the bankcards a short time ago.

For many years the company has had its own charge account as a convenience to its customers. There is a small monthly charge but no finance charge; if any amount is unpaid after 60 days, the account is closed until it is brought current.

The installation of the system to handle bankcards includes Discover Card and permits the use of debit/ATM cards.

My client provided the following information:

Period	1/11-1/25		2/1-4/25		4/26-7/25		8/1-9/25	
	1992	1991	1992	1991	1992	1991	1992	1991
House charge	15.50%	16.43%	14.89%	15.78%	14.81%	16.17%	14.58%	15.94%
% change	(0.93)		(0.89)		(1.32)		(1.36)	
Discover	0.06		0.16		0.22		0.25	
MasterCard	1.05		1.56		1.94		2.15	
Visa	2.89		3.32		3.86		4.77	
Total	4.00		5.04		6.02		7.17	
Increase in % points*			1.04		0.98		1.15	
Debit/ATM	11.07		12.13		14.29		14.62	
Increase in % points*			1.06		2.16		0.33	

*Period to period

Note: Percentages are of total sales.

RThought: As one would expect, the volume done on the house charge account has dropped less (.92 percentage points over three periods) than the volume on the debit/ATM cards (2.61 percentage points over three periods) plus the increase in bankcards (3.17 percentage points).

RThought: This is a very short time interval — nine months. For this store, one can easily project bankcard sales at 15%. With the current trends in the supermarket field and the impact of the recession that just will not become a full recovery, my client has gained enough additional sales to offset the 1% charge. The decision to accept bankcards was based on the type of customers who patronize his store and the fact that both Safeway and Lucky have accepted bankcards and debit cards for some years.

RThought: I worry about the day when MasterCard and Visa decide to charge supermarkets the price being charged to comparable-size, nonfood retailers. Assume that the charge is increased from 1% to 2%.

Grocery stores sales in 1991 were $357 billion. Assume that the volume on bankcards reaches 15% at the time of the rate increase. Supermarkets would be handling $55 billion on cards. A 1% increase would bring to $550 million the revenue to the bankcard companies which *must be passed on to the consumer in the form of price increases.* When a mature food store honors bankcards, it cannot expect to increase volume enough to absorb the cost. If the store refuses to honor bankcards, the result could be the loss of a substantial part of the 15% sales paid through bankcards.

RThought: Should two bankcard companies have the power to impose this kind of increase in food prices? Won't most of the increase be obtained with no additional cost to the bankcard companies? Therefore, won't the increased charge pass almost directly to the pretax profit of these uncontrolled businesses which do not really compete?

RThought: I repeat the title of this article: "Setting Up an Industry and Raising the Cost of Living."

WHEN TAXES GET TOO HIGH

In Canada the tax on beer accounts for more than 50% of its retail price.

Historically, when taxes get too high, someone figures out a way to get around them.

In the days after repeal of our XVIII Amendment, many people brewed their own beer. As I recall, in California the amount that may be manufacturered without a license is limited to 200 bottles a year (I don't recall whether it is per family or per person). When I was younger, my best friend's grandparents brewed their own beer, which they would age under the sink in their kitchen. One knew when it was ready, perhaps past ready: a few corks would pop!

In Canada the brewing phenomenon is more high tech. There are shops with a generic name: U-brews. Brew Kettle, Ltd., is franchising U-brew outlets as fast as possible. Ontario and British Columbia are the only provinces allowing U-brews, and they have 200 and 50, respectively. It appears that U-brews now account for about 3% of Canadian beer production.

By spending a few hours in a U-brew, it is possible to brew 144 bottles for $80-$100, or about half the cost of tax-burdened beer.

RThought: Technology has often found an easy way to undercut heavily taxed goods. When cigarettes in the United States were taxed on the number of cigarettes in the package rather than by the tobacco weight, someone came up with "Head Play" cigarettes: five cigarettes in a box, each four times the length of a regular cigarette (circa 1935). The users would cut them with a sharp knife and transfer the cigarettes cigarette cases, which were much more popular then than today.

WORDS — ABOUT A DREAM

Sometimes, a poem in a strange place makes me stop and think. This one did.

To sit and dream, to sit and read,
To sit and learn about the world
Outside our world of here and now —
Our problem world —
To dream of vast horizons of the soul
Through dreams made whole,
Unfettered, free — help me!
All you who are dreamers, too,
Help me to make
Our world anew.
I reach out my dreams to you.

RThought: This poem by Langston Hughes (1902-1967) was included in a request from the NAACP for support of its Special Contribution Fund. I contributed.

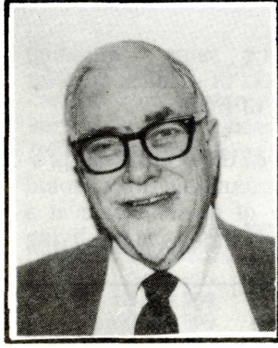
Retail Monthly/Year-To-Date Sales Comparison (Unadjusted $ millions)

SIC Code	Category	November 1992 1992	November 1992 1991	Percentage Change	Year to Date Eleven Months 1992	Year to Date Eleven Months 1991	Percentage Change
52	*Bldg Matl Group	$ 8,136	$ 7,599	+ 7.1%	$ 96,255	$ 88,808	+ 8.4%
57	*Furniture Group	8,388	7,852	+ 6.8	83,034	79,129	+ 4.9
571	Furniture Stores	4,443	4,255	+ 4.4	45,420	42,971	+ 5.7
572	Appl, TV, Radio Stores	3,036	2,748	+10.5	29,024	27,970	+ 3.8
5941	*Sporting Goods Stores	1,240	1,178	+ 5.3	14,088	12,514	+12.6
5942	*Book Stores	700	694	+ 0.9	7,836	6,894	+13.7
5944	*Jewelry Stores	1,350	1,275	+ 5.9	11,591	11,154	+ 3.9
531 Pt	Conventional Dept Stores	5,586	5,462	+ 2.3	44,461	43,683	+ 1.8
531 Pt	Natl Chain Dept Stores	4,184	3,975	+ 5.3	33,133	31,739	+ 4.4
	Subtotal	9,770	9,437	+ 3.5	77,494	75,422	+ 2.7
531 Pt	Discount Stores	9,811	8,961	+ 9.5	84,330	75,583	+11.6
531	*Department Stores	19,581	18,398	+ 6.4	161,924	151,005	+ 7.2
541	*Grocery Stores	29,675	30,039	− 1.2	330,549	326,043	+ 1.4
56	*Apparel Stores	9,655	8,903	+ 8.4	88,205	82,709	+ 6.6
561	Men's & Boys' Stores	796	806	− 1.2	7,302	7,222	+ 1.1
562,3,8	Women's Stores	3,326	3,125	+ 6.4	30,646	28,939	+ 5.9
565	Family Clothing Stores	3,401	2,919	+16.5	27,814	24,767	+12.3
566	Shoe Stores	1,409	1,468	− 4.0	15,730	15,619	+ 0.7
591	*Drug Stores	6,154	6,285	− 2.1	69,423	67,464	+ 2.9
596	*Nonstore Retail	4,895	4,411	+11.0	42,823	43,121	− 0.7
5961 Pt	Mail Order (Dept Stores)	572	503	+13.7	4,112	3,914	+ 5.1
5961 Pt	Mail Order (Other)	2,769	2,522	+ 9.8	22,398	23,029	− 2.3
	**Retailing Today* Total Store Retailing†	89,774	86,634	+ 3.6	905,728	868,841	+ 4.3
	**GAF TOTAL	48,373	45,264	+ 6.9	428,157	400,651	+ 6.9

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.



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ROUTE TO

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CORRECTION AND EXPLANATION

The November 1992 *RT* Feature Report, "Retailing: The Neglected Profession," included the following statement:

> **In recent months I have been engaged in a three-way correspondence with two academic friends (Roger Dickinson, professor and former dean of the School of Business at the University of Texas at Arlington, and Stanley Hollander, professor emeritus at Michigan State University) about the failure of schools to prepare students for a retailing career. Both have taught retailing as it once was taught.**

I have since learned that in the academic world "such an acknowledgment without a disclaimer can and often will be interpreted as an indication of contribution, support, or agreement with the statements in an article."

It was *not* my intention to claim their support for my views. I wanted only to acknowledge the willingness of my two friends to discuss this matter with me and to challenge my thinking. The quotation was intended to be a compliment.

These two gentlemen have taught me much about the academic world. For example, I now know why the retailing curriculum has been included in the Marketing Department, but I am unhappy with the rationale.

With my apology out of the way, let me continue with my views.

The retail academic world has long complained that a major handicap in attracting the brightest students is the low-starting salary offered by retailers. I did not sufficiently emphasize this point in my November comments. My impression is that retail offering pay is going up while the number and level of salary offers by investment bankers and management consulting firms are coming down. Unfortunately, if, one day, the salary offers become the same, many academics would still remember that once upon a time retailing offers were lower. It seems easier for academics to remember that fact than to observe that the trend is changing.

RThought: I would like to reiterate the sentiments I expressed in the November 1992 Feature Report: Everything in *RT* is based entirely upon my thoughts, except for statements clearly identified as quotations. When my readers disagree with me, I would nevertheless hope that I have stimulated their thinking, as mine is stimulated by what I read.

I would also hope that Stan and Rog will continue to criticize my thinking, while I, in turn, promise not to place their names in juxtaposition with my views.

IT DEPENDS UPON WHOSE OX IS BEING GORED

When the medical profession was being sued by an army of trial lawyers alleging malpractice and claiming damages in the millions of dollars, the accountants were silent. For the medical profession it meant an increase in the cost of professional liability insurance on the order of tenfold. The cost was passed on to their patients.

When supermarkets were being sued for millions due to "slip-and-fall" accidents on perfectly clean, level floors, the accountants were silent.

When car passengers became aware of a neck injury called "whiplash" and sued for millions, the accountants were silent.

When car owners became aware that suits against car manufacturers for claimed defects in design could produce millions of dollars in jury awards, the accountants were silent.

But when $90 million and $400 million judgments were rendered against accounting firms which failed to detect massive savings and loan frauds, frauds which are now costing the general public hundreds of billions of dollars, the accountants expressed a new and sudden interest in our long-established, tort liability system. [**Note:** The Administration has asked for another $48 billion to clean up the savings and loan disaster. Again, we are told this will be the *last* money needed.]

A special issue of the *Deloitte & Touche Review,* dated November 2, 1992, begins with the following headline and two paragraphs, taken from remarks by J. Michael Cook, chairman and chief executive officer of Deloitte & Touche:

> **Accounting Firms Speak Out on Liability Crisis**
>
> **The present liability system has produced a litigation epidemic that is spreading throughout the business community, including the accounting profession. It is threatening the strength of U.S. capital markets, the competitiveness of our economy, the financial reporting system, and the independent audit function.**
>
> **The six largest U.S. accounting firms, including Deloitte & Touche, have joined in issuing a Statement of Position proposing reform of the tort liability system. For the long-term health of the accounting profession, there is probably no issue of greater importance. We seek equitable treatment that will permit us, and the entire public accounting profession, to continue to play a vital role in capital formation and in the U.S. economy.**

RThought: Not a word was written about doctors, supermarkets, or car manufacturers. This is "pocketbook concern" cloaked in the flag of our free-enterprise system. No

continued page 2

WHICH STORES WANT TO BE WHERE?

The power centers, anchored by large discount and/or off-price chains, are attracting the smaller independents. The following retailers "want to be next to" the indicated retailers, according to the December 18, 1992, issue of *The Dealmaker* (P.O. Box 429, Belle Mead, NJ 08502; $197/yr., weekly; telephone 908-281-0067 or fax 908-281-0277. Just say, "Bob Kahn sent me."):

Which want to be...	next to which
A Pea In The Pod (apparel)	Talbots, Ann Taylor, Williams-Sonoma, Neiman-Marcus, Saks Fifth Avenue
Just Closeouts/It's A Dollar	Wal☆Mart, Kmart
Menard's Home Improvement	Wal☆Mart, T J Maxx, Kmart, Lord & Taylor (!)
Orchard Supply Hardware	Price Club, Costco, Pace, Kmart
Corey's Jewelry	Sears, Penney, Hudsons
Imposters Copy Jewels	Nordstrom, Ann Taylor
Record Giant	Wal☆Mart, Kmart
Fay's Drug Stores	T J Maxx, Kmart, Lord & Taylor
Dollar Tree	Kmart, Wal☆Mart
Cato Fashion	Kmart, Wal☆Mart
Benetton	Nordstrom, Bloomingdale's, Saks Fifth Avenue
Frank's Nursery and Crafts	Toys "R" Us, Circuit City, T J Maxx, Marshalls
Welcome Home	Liz Claiborne, Polo, Nike
Great A&P	Wal☆Mart, Kmart, T J Maxx

RThought: Now, think of all of the aggressive growth retailers who are avoided by other retailers: Target, Blockbuster Video, Smith Food & Drug Emporium, The Gap, Office Depot, and more.

IF YOU BELIEVE LAID-OFF FACTORY WORKERS SOON WILL BE RE-EMPLOYED, STUDY THESE FIGURES

We have been made very conscious of the large layoffs of factory workers. Sages and economists say these layoffs occurred because American manufacturers are not competitive in the world market. There are many explanations for why we are not competitive, ranging from administrative and ethical burdens placed on business by government, to the excessive cost of health and workers' compensation insurance, to "lazy" workers who are inadequately educated and trained.

As Governor Al Smith said in his 1928 Presidential race, "Let's look at the record."

The first question to ask is: Has the value of manufacturing output changed as a percentage of our Gross National Product (GNP)? The dollar figures below are in constant 1982 dollars in order to make comparison without the distortion of inflation.

	1980	1985	1986	1987	1988	1989
GNP ($ billion)	$3,187	$3,619	$3,722	$3,854	$4,017	$4,118
Value of manufacturing ($ billion)	674	779	805	850	917	929
Manufacturing as a percentage of GNP	21.1%	21.5%	21.6%	22.1%	22.8%	22.6%

Comment: The value of manufacturing is creeping up as a percentage of our GNP at slightly less than two-tenths of 1% of the GNP a year, or 1.5 percentage points over nine years.

continued

interest was evidenced when the same "litigation epidemic" forced increases in the cost of medical care far greater than the increase in the cost of living.

Before one can champion the cause of the accounting profession, one would hope that the accounting firms would exhibit concern for the availability of medical care at a reasonable cost for the 250-plus million people living within these United States.

What about employment?

	1980	1985	1986	1987	1988	1989
Total employed (million)	99,307	107,150	109,957	112,440	117,342	117,914
Employed in manufacturing	21,942	20,879	20,962	20,935	21,652	21,184
Percentage employed in manufacturing	22.1%	19.5%	19.1%	18.6%	18.5%	18.0%

Comment: The percentage of the work force employed by manufacturing had dropped from 22.1% in 1980 to 18.0% in 1989, while the output of manufacturing climbed from 21.1% of the GNP measured in constant 1982 dollars to 22.6%.

Finally, we can divide the value of manufacturing by the number of employees to determine the output per employee per year (again using constant 1982 dollars):

	1980	1985	1986	1987	1988	1989
Value of manufacturing ($ billion)	$ 674	$ 779	$ 805	$ 850	$ 917	$ 929
Employed in manufacturing (million)	21,942	20,879	20,962	20,935	21,652	21,184
Output per employee per year	$30,717	$37,310	$38,403	$40,602	$42,352	$43,854
Percentage year-to-year change	NA	+4.0%*	+2.9%	+5.7%	+4.3%	+3.5%

*CAGR (Compound Annual Growth Rate) from 1980 to 1985

Comment: The manufacturing industry is becoming relatively more efficient. A variety of changes produce this trend: use of computers to control and schedule work; more automated machines/assembly lines; greater concentration on doing it right the first time; experimenting with group manufacturing instead of assembly-line manufacturing; empowering lower levels of operators to make decisions; etc.

RThought: Unless there is a sudden reversal of this direction, we can expect manufacturing to provide a slowly increasing percentage of our GNP *while employing a declining percentage of the work force and a declining number of workers needed in manufacturing.* This may mean that many workers laid off by manufacturing plants may never go back to those jobs.

We went through the same process in agriculture. The percentage of the labor force employed in agriculture dropped as follows:

Year	Percentage of Labor Force
1900	39.0%
1930	21.0
1960	8.0
1990	2.5

SOME THOUGHTS ABOUT PHILANTHROPY

The February 9, 1993, issue of *The Chronicle of Philanthropy* carried several interesting articles. Among them was a random survey of 2,253 heads of households which produced the following information:

Household Income	Percentage Who Give	Average Total Gift of Those Who Give	Percentage of Income Donated by Those Who Give
$ 0-$ 6,999	47%	$ 69	2.9%
$ 7,000-$ 9,999	58	230	4.7
$ 10,000-$14,999	65	346	4.3
$ 15,000-$19,999	68	341	2.9
$ 20,000-$24,999	82	586	3.2
$ 25,000-$29,999	75	609	3.1
$ 30,000-$34,999	84	776	2.9
$ 35,000-$39,999	84	680	2.2
$ 40,000-$49,999	89	829	2.1
$ 50,000-$59,999	85	970	2.1
$ 60,000-$74,999	91	1,355	2.2
$ 75,000-$99,999	95	2,835	3.5
$100,000 and over	90	2,753	3.2
Total	78%	$ 806	2.9%

RThought: The amount given grows roughly in proportion to income, although there is a significant drop in the group with incomes above $100,000 in both the percentage who contribute and the percentage of their income which they contribute. These are generally the ones who complain the most about tax increases. It is unfortunate that those who have been **most** favored sometimes behave in ways **least** becoming. (This drop could be the result of a sampling error inasmuch as there is an average of only 173 respondents in each income group with, perhaps, many fewer in the "$100,000 and over" group.)

* * *

The record of 70 large (but not necessarily *the* largest) foundations was reported, along with the record of grants for 1990, 1991, and 1992. Total grants made in 1992 amounted to slightly less than $3.2 billion.

The six largest grantors in 1992 were:

Foundation	Source of Wealth	Grants ($ 000)
Ford Foundation	Automobiles	$ 261,998
Robert Wood Johnson Foundation	Pharmaceuticals	218,500
Pew Charitable Trusts	Oil	192,333
W. K. Kellogg Foundation	Breakfast foods	147,936
John D. & Catherine T. MacArthur Foundation	Insurance	145,559
Lilly Foundation	Pharmaceuticals	131,171
Total		$1,097,497

RThought: Grants of $3.2 billion from the 70 foundations is a greater sum than a large number of Federal programs and exceeds the 1990 revenues (latest figure) of the following states:

Maine	Nebraska
New Hampshire	Delaware
Vermont	Montana
Rhode Island	Idaho
North Dakota	Wyoming
South Dakota	

The National Data Book of Foundations, 15th Edition, lists 31,996 foundations which, in 1988-89, made grants totaling $7.9 billion. This did not include the hundreds of United Ways throughout the United States, the many national health organizations (Heart, Cancer, etc.), and the local and/or national independent organizations (Salvation Army, Goodwill, etc.). Nor was the support of churches, the largest single category of giving, included in these totals.

RThought: I finished this reading with two thoughts:

First, the United States would be a different and less desirable country without the charitable gifts of the American people.

Second, I was disheartened by the low level of contributions made by households with an income of $50,000 and over, a category which is increasingly common today among two-income families.

THOUGHTS WHILE READING

Financial World (January 5, 1993) forecasts that in 1993 Ford Motor Company will increase its earnings by 189.4%. Note the ".4%." It means that for every $10 million of profit shown for 1992 it is forecasting the 1993 profit to within $40,000! Other incomprehensible forecasts: Citicorp will increase its earnings by 122.*7%*, Bank South by 183.*9%*, Coca-Cola Enterprises by 233.*3%*, BF Goodrich by 435.*9%*, Lyondell Petrochemical by 302.*3%*, Oryx Energy by 221.*1%*, Amerada Hess by 330.*2%*, Sun by 234.*9%*, James River by 232.*4%*, Travelers Insurance by 3,183.*3%*, Nac Re Insurance by 229.*9%*, Deere by 1,623.*1%*, and Cellular Communications by 700.*0%*. **RThought:** Crazy!

* * *

POS News reported that debit-card transactions had increased from 3.0 million per month in 1987 to 23.3 million per month in 1992. Expressed another way, the compound growth rate is a bit more than 50% per year. *Customers are showing a liking for debit-card transactions.* However, many retailers are resisting honoring debit cards because the transaction cannot be distinguished from credit cards and the stores are being charged a fee. Retailers claim the transactions should be free, like a check. **RThought:** Once again the retailing industry is trying to prove the customer wrong. Remember when Sears, Federated, Allied (then a separate corporation), and Dayton Hudson resisted honoring bank credit cards, while small stores suddenly were able to offer better credit terms on bankcards than the major retailers were offering on their own credit cards? Bankcards had smaller monthly payments and, sometimes, a lower finance charge. It amazes me that some retail CEOs are paid millions of dollars to make this kind of decision. Another five years at 50% per year and the debit transactions will total about 180 million, or one per adult per month!

* * *

"Lucky Stores Cut Prices in Bid for Market Share" was the title of a recent article about the supermarket chain that brought "low everyday prices" to California about 20 years ago and even changed the name on many of its stores to Lucky Discount Centers. Many of its advertised items were identified as "special purchases." Initially, all other supermarkets stayed with high-low pricing. As a result, Lucky gained market share. According to the article, Lucky is dropping the prices on 2,500 items in Southern California. CEO Larry del Santo is on TV and in newspaper ads claiming that Lucky has "turned our supermarkets upside down" to cut costs and reinvest the savings in lower prices. (Does that statement make sense?) **RThought:** Having proclaimed a policy of "low *everyday* prices," perhaps it is now switching to "*everyday* low prices"!

AICPA PROPOSES TAX CHANGE

The American Institute of Certified Public Accountants (AICPA) has issued its Exposure Draft of Proposed Statement of Tax Policy 10: "Integration of the Corporate and Shareholder Tax System." It discusses three possible solutions to the present "double taxation" of corporate earnings which the statement claims has five negative impacts on our economy:

1. It reduces the incentive for equity investment because it increases the cost of capital.

2. It favors debt financing over equity financing.

3. It misallocates resources between the corporate and the noncorporate sectors.

4. It negatively affects capital accumulation and the savings rate.

5. It encourages earnings retention at the corporate level to fund operations. (**Note:** Is this bad? See "A Ready Source of Capital," page 3.)

RThought: I do not agree that all are negative impacts, particularly the fifth point.

Three possible solutions are offered.

1. **Flow-Through Method:** allocates all income to the shareholder (as is done in partnerships and S-corporations) whether or not distributed.

2. **Dividends-Paid Deduction Method:** allows corporations to deduct all or part of dividends paid before computing corporate income taxes.

3. **Shareholder-Credit Method:** grants a credit to shareholder for a portion of the corporate taxes paid by allocating or imputing to the dividends.

AICPA recommends the third method.

RThought: The first method would greatly reduce the value of all stocks and would particularly reduce the value of rapidly growing companies which retain all earnings to finance the growth. The stockholder would report income but would not receive the money with which to pay the tax. At the same time, it would increase the value of those stocks which pay out a high percentage of their earnings such as public utilities because, in cases where dividends are 80% or more of corporate income, the dividends would cover the tax on the allocated income.

The second method would help dividend-paying corporations by reducing the amount of tax paid, thus permitting them to retain a higher amount as after-tax earnings at any given dividend level.

The third method requires a modification of the tax rate on dividends at the investor level. It would seem to benefit the many large investors who concentrate their investments in stocks that pay out a relatively high proportion (50% or more) or earnings as dividends.

I would support the second method — Dividends-Paid Deduction — as being the easiest to comprehend, the most beneficial to a corporation, and the least radical change.

Accountants have a tendency to develop highly technical, highly disruptive proposals, as the Financial Accounting Standards Board did with its decision on post-employment, nonretirement benefits.

THOUGHTS WHILE READING

What I read in *The Buyer* (September 1992), South Africa's leading retail magazine:

Big is Beautiful

Curves are in. Full-bodied models are today's star attraction. The flat-chested, Twiggy-thin look has been replaced on the ramp by voluptuous curves. Take Italian supermodel, Anna Kraczyna, who has 40-inch hips and wears a size 16 dress. (She is reputed to lie in bed consuming chocolates to keep her 150-pound figure well rounded....) And it's worth noting that in Italy generously built models are described as "conformata" — those who conform.

In Britain an outsize model agency, Hammond Hughes, has been launched with the aim of changing the model image in the U.K. On its books are "womanly" girls between sizes 12 and 20 and bigger sizes can be booked by arrangement.

Co-director Julia Hammond is out to prove to the fashion trade and consumers (47% of British women over the age of 15 wear size 16 and larger) that big can be both sexy and confident.

Given the build of the majority of South African women, isn't it time that more local designers embrace the fuller figure?

RThought: One-third of the women in Germany wear size 18 or larger, and a little over one-third of the women in the U.S. wear a size 14 or larger*. Les Wexner is about the only major U.S. retailer who is really targeting this market. Perhaps the market would be better served if something other than "large size" were used to identify it. The editor of *The Buyer* properly calls herself "statuesque."

*U.S. dress manufacturers have created "vanity" sizing. A size 14 in the U.S. probably is marked with a higher number elsewhere in the world.

FIFO hours: In Northern California Lucky Stores was "first in" with a 24-hour operation and now is "first out." New hours are 6 A.M. to midnight. **RThought:** Perhaps Lucky will share with the trade the impact of this move on sales and any improvement in profit.

* * *

The "delicate" spokesperson. In August 1990 Safeway started, with great publicity, a home delivery service for a charge of $9.95 in addition to shelf prices. Its target was the two-income couple, with no children, who had little time to shop but did eat at home. On December 14, 1992, Safeway announced that the service would end December 24, even though the service attracted many seniors and handicapped customers. Safeway spokeswoman Debra Lambert was quoted as saying, "We hate to discontinue it, but it's the bottom line." **RThought:** Considering the fact that most people have sympathy for the elderly and handicapped, I believe a spokesperson could have said something less mercenary and crass. Perhaps you should route this item to your spokesperson as an example of what *not* to say. [**Late Note:** Safeway has reestablished home delivery.]

* * *

The headline on Louis Rukeyser's column: "Clinton's Economy Conference a Display of Political Theater." **RThought:** If anyone should know "theater," Rukeyser should. "Wall Street Week" is a combination of silly Rukeyser puns and an occasionally knowledgeable guest!

A READY SOURCE OF CAPITAL

Business constantly complains that banks will not lend money. The argument is made that if business cannot obtain loans they cannot (1) improve their ability to compete internationally, (2) provide jobs for the unemployed, or (3) increase earnings, thereby enabling governments to collect more income tax.

If capital is important, why do companies give it away in the form of dividends?

Recently, I listed a total of 38 retail companies which were rated by *Financial World* as A+ through B+. The table below shows these companies, the dividends paid as a percentage of earnings, and the simple average of those percentages for the companies rated:

Rating and Company		Dividend as a Percentage of Earnings
A+		
Autozone, Inc.		none
Blockbuster Entertainment		11.0%
Bombay Co.		none
Circuit City Stores		7.0
Consolidated Stores		none
The Gap, Inc.		20.0
Home Depot, Inc.		12.0
	Average	**7.1**
A		
Best Buy Co.		none
Handleman Co.		33.0
Jan Bell Marketing, Inc.		none
Lands' End		11.0
Lillian Vernon Corp.		19.0
Office Depot, Inc.		none
Tandycrafts		none
Wal☆Mart Stores, Inc.		13.0
Winn-Dixie Stores, Inc.		45.0
	Average	**13.4**
A−		
Albertson's, Inc.		35.0
Discount Auto Parts		none
Fabri-Centers of America		none
Family Dollar Stores		26.0
The Limited, Inc.		25.0
J. C. Penney Co., Inc.		25.0
Pier 1 Imports, Inc.		48.0
Value City Department Stores		none
Walgreen Co.		34.0
	Average	**21.4**
B+		
Edison Brothers Stores		42.0
Giant Food, Inc.		58.0
Heilig-Meyers Co.		22.0
Melville Co.		45.0
Merry-Go-Round Enterprises		13.0
National Media Corp.		none
Rite Aid Corp.		37.0
Ruddick Corp.		30.0
Sherwin-Williams		27.0
ShopKo Stores, Inc.		28.0
Smart & Final, Inc.		21.0
Tandy Corp.		28.0
	Average	**29.3**

It is interesting that as the rating drops the percentage of profit paid out in dividends increases.

Why should a bank lend money to a company that earns money and then gives the money away?

Note: I have served for years on the board of a small, privately held manufacturing company. The 96% owner and I regularly disagree: he argues that owners are entitled to a return on their investment; I argue that we should reinvest **all of the profit.** Many stores will provide a better return on the retained dollars than investors can get by paying income taxes and having only 65% left to invest. The 65% must then be invested at a 50% higher return than the company would have had to earn to produce the same dollar increase in value.

RThought: Publicly held companies can give shareholders a return, without wasting company cash, by paying a stock dividend and identifying each certificate issued as a "Stock Dividend." For a limited time after issuance (12 months, for example), any shareholder would be allowed to sell his or her certificate back to the company. Each Monday the company would sell all shares received during the prior week and would then pay that amount for the shares turned in. The company would absorb all transaction costs. Those who would want cash dividends would be able to obtain cash; *but the cash would come from the market, not from the company's working funds.*

Note: This is the fifth time I have put forward this idea. To my knowledge, no company has implemented it. If you believe my theory is unworkable, please let me know so that I can convey your thoughts to my readers.

[**Note:** I first wrote about using reasonable, accurate long-range weather forecasts in 1977. By 1992 some major retailers had begun to use this information. The subject was on the 1993 National Retail Federation convention program — at last! Maybe I have had unreasonable expectations about how fast retailers will adopt new ideas.]

ON 'HONESTY' AND 'ETHICS,' WHERE WOULD YOU PLACE RETAILERS?

The Gallup Poll asked: How would you rate the honesty and ethical standards of people in the following professions: very high, high, average, low, or very low?

From *The Gallup Poll Monthly* (Box 628, Princeton, NJ 08542; $95/yr.), July 1992, here is the combined total of "very high" and "high" and the point change since the same question was asked 11 years ago in 1981:

Profession	Percentage Rating High and Very High 1992	Change in Percentage Points 1981-1992
Druggists/pharmacists	66	+ 7
College teachers	50	+ 5
Funeral directors	35	+ 5
Medical doctors	52	+ 2
Local office holders	15	+ 1
Advertising practitioners	10	+ 1
Engineers	48	± 0
Building contractors	19	± 0
Real estate agents	14	± 0
Labor union leaders	14	± 0
Business executives	18	− 1
State officeholders	11	− 1
Car salesmen	5	− 1
Dentists	50	− 2
Policemen	42	− 2
Insurance salesmen	9	− 2
Congressmen	11	− 4
TV reporters/commentators	31	− 5
Journalists	27	− 5
Newspaper reporters	25	− 5
Lawyers	18	− 7
U.S. Senators	13	− 7
Stockbrokers	13	− 8
Clergy	54	− 9
Bankers	27	−12

During the 12 years, six professions increased their image, four remained unchanged, and 15 declined.

Only five professions received a rating of 50 or higher: druggists/pharmacists (66), clergy (54), medical doctors (52), college teachers (50), and dentists (50).

Only two professions were in the 40s: engineers (48) and policemen (42).

As a general rule:

- Women tended to rate professions slightly higher than men.
- Ages 18 to 26 tended to rate professions higher than older groups.
- People in the South tended to rate professions higher than people in the North, East, or West.
- Except for the rating of policemen, nonwhites rated most professions higher than did whites.
- Analysis by political affiliation showed no pattern.

RThought: What percentage would rate retailers "very high" or "high"? Do you believe the rating would be higher, lower, or the same in 1992 as it was in 1981?

WORDS — THAT COME TO MIND

. . . when rooting for President Bill Clinton and hoping that he will lead the country on to better times. Rudyard Kipling said it so nicely.

IF —

If you can keep your head when all about you
Are losing theirs and blaming it on you,
If you can trust yourself when all men doubt you,
But make allowance for their doubting too;
If you can wait and not be tired by waiting,
Or being lied about, don't deal in lies,
Or being hated, don't give way to hating,
And yet don't look too good, nor talk too wise;

If you can dream — and not make dreams your master;
If you can think — and not make thoughts your aim;
If you can meet with Triumph and Disaster
And treat those two impostors just the same;
If you can bear to hear the truth you've spoken
Twisted by knaves to make a trap for fools,
Or watch the things you gave your life to, broken,
And stoop and build 'em up with worn-out tools;

If you can make one heap of all your winnings
And risk it on one turn of pitch-and-toss,
And lose, and start again at your beginnings
And never breathe a word about your loss;
If you can force your heart and nerve and sinew
To serve your turn long after they are gone,
And so hold on when there is nothing in you
Except the Will which says to them: "Hold on!"

If you can talk with crowds and keep your virtue,
Or walk with Kings — nor lose the common touch,
If neither foes nor loving friends can hurt you,
If all men count with you, but none too much;
If you can fill the unforgiving minute
With sixty seconds' worth of distance run,
Yours is the Earth and everything that's in it,
And — which is more — you'll be a Man, my son!

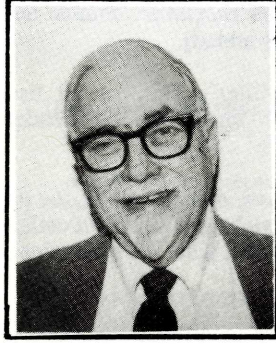
Retail Monthly/Year-To-Date Sales Comparison (Unadjusted $ millions)

SIC Code	Category	December 1992: 1992	December 1992: 1991	Percentage Change	Year to Date Twelve Months: 1992	Year to Date Twelve Months: 1991	Percentage Change
52	*Bldg Matl Group	$ 8,237	$ 7,268	+13.3%	$ 104,476	$ 96,076	+ 8.7%
57	*Furniture Group	11,190	9,798	+14.2	94,270	88,927	+ 6.0
571	Furniture Stores	5,033	4,510	+11.6	50,511	47,481	+ 6.4
572	Appl, TV, Radio Stores	4,400	3,878	+13.5	33,418	31,848	+ 4.9
5941	*Sporting Goods Stores	2,228	1,869	+19.2	16,334	14,383	+13.6
5942	*Book Stores	1,252	1,097	+14.1	9,085	7,991	+13.7
5944	*Jewelry Stores	3,362	2,947	+14.1	14,953	14,101	+ 6.0
531 Pt	Conventional Dept Stores	9,003	8,491	+ 6.0	53,464	52,174	+ 2.5
531 Pt	Natl Chain Dept Stores	6,032	5,519	+ 9.3	39,165	37,258	+ 5.1
	Subtotal	15,035	14,010	+ 7.3	92,629	89,432	+ 3.6
531 Pt	Discount Stores	14,382	12,865	+11.8	98,714	88,448	+11.6
531	*Department Stores	29,417	26,875	+ 9.5	191,343	177,880	+ 7.6
541	*Grocery Stores	32,560	31,033	+ 4.9	363,257	357,076	+ 1.7
56	*Apparel Stores	14,657	12,599	+16.3	102,811	95,308	+ 7.9
561	Men's & Boys' Stores	1,354	1,324	+ 2.3	8,651	8,546	+ 1.2
562,3,8	Women's Stores	5,009	4,258	+17.8	35,649	33,192	+ 7.4
565	Family Clothing Stores	5,324	4,323	+23.2	33,087	29,090	+13.7
566	Shoe Stores	1,914	1,887	+ 1.4	17,648	17,506	+ 0.8
591	*Drug Stores	8,104	8,204	− 1.2	77,525	75,668	+ 2.5
596	*Nonstore Retail	5,380	4,600	+17.0	48,170	47,721	+ 0.9
5961 Pt	Mail Order (Dept Stores)	628	482	+30.3	4,739	4,396	+ 7.8
5961 Pt	Mail Order (Other)	3,179	2,719	+16.9	25,532	25,748	− 0.8
	**Retailing Today* Total Store Retailing†	116,387	106,290	+ 9.5	1,022,224	975,131	+ 4.8
	**GAF TOTAL	74,114	66,667	+11.2	502,206	467,318	+ 7.5

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.



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CHRISTMAS PLANNING ADVICE

RT readers were provided a chart entitled "Comparative Years for Christmas Planning through 1999." The Christmas 1992 report of weekly sales chronicled in the press indicated that the chart is indeed needed.

Planning for the fall season will begin soon. Christmas will occur on Saturday in 1993 rather than on Friday as it did in 1992.

The Friday-to-Saturday pattern occurred most recently in:

1982
1971
1965

When planning the Thanksgiving Day-to-Christmas daily sales pattern for 1993, we should look at the pattern of sales during the years listed. Be sure to check the weather pattern in your areas for each of those years in order to adjust for any irregularities due to weather conditions.

RThought: The year 1965 may not be useful in communities where the night/Sunday opening schedule was not as extensive as it had become by 1971 and especially by 1982. Compute each day's sales as a percentage of the total sales between the two holidays. I believe you will find similarities between 1982 and 1971. That pattern will help you plan for 1993.

DILLARD ADVERTISING IS BACK TO NORMAL

In the January *RT,* I erred when discussing Dillard's "Everyday Fair Pricing" (EFP) based on observations I made in Dallas in November. A reader pointed out that there was no difference between Dillard's ads and Foley's ads during January. Therefore, I subscribed to **The Dallas Morning News** for two months — and had to agree. A correction was printed in the March *RT.*

By March 18, Dillard's seemed near the end of its "Fall and Winter Apparel Clearance" when it offered 66% off! Most post-March 18 ads had been EFP ads.

RThought: This may not have been an abandonment of the EFP but an excess of fall and winter goods. I hope there will *not* be a *75% off* ad. I prefer to see Dillard's continue its EFP program.

HOW DID ALPHA BETA GET ITS NAME?

I often wondered about the origin of this company's name. And although I was saddened when I read the obituary for Claude W. Edwards, who died at the age of 88, it cleared up the mystery.

Edwards worked for Alpha Beta and predecessors for 51 years, from 1922 to 1973. The original, then called Gerrard's Market, was started in 1900. After Gerrard's acquired a small meat chain, Triangle Cash, it tried to simplify the selection of groceries and other items by arranging all of the products alphabetically, as the *Los Angeles Times* said, "with almonds next to asparagus and zippers beside the zucchini." The name, of course, comes from the first two letters of the Greek alphabet — Alpha Beta — as does the word *alphabet.*

RThought: It should have been as simple as Alpha Beta Gamma to figure that one out!

In the 1950s Edwards pioneered many ideas which were better than the "Alpha Beta" idea: prepackaged meat and prepackaged produce were among those he shared with many supermarkets through his active participation in SMI (Supermarket Institute), a predecessor of FMI (Food Marketing Institute).

THE PRICE OF EMOTIONAL DISTRESS AND DISCRIMINATION IS $1,160,000

Janice Goodman worked for five years doing microfilming for the Boeing Company in Seattle. Goodman had mild arthritis when she started in 1984. By 1987 she had a splint on her right hand and by 1988 a splint on each hand. During the ensuing litigation, co-workers testified that the supervisor kept her on the microfilm machine longer than any other employee. Witnesses said the supervisor sneered at her, called her stupid, and made fun of her braces. Boeing's position was that it had an established procedure for job transfer requests but Goodman did not follow it. Boeing claimed that it had been Goodman's responsibility to return to in-house doctors after having initially reported the problem.

RThought: Boeing's position was that Goodman ought to have worked through the system; since she did not, her problems were her own fault. Thus, Boeing had no liability.

It is apparent that the jury did not buy Boeing's argument in awarding $1,160,000 to Goodman. Would you have bought it? Didn't her supervisor's supervisor know what was happening? Since quitting in 1989, Goodman has undergone five surgeries on her hands. **Could such an atrocity occur in your company? Would a jury find differently in your town than did the one in Seattle?**

RThought: Consider the practices of the company that made the planes you fly in — Boeing 727s, 737s, 747s, 757s, or 767s (707s are no longer being flown by domestic airlines). Would Boeing allow mechanics to work on these planes wearing splints on both hands?

NOT ALL UNEMPLOYMENT PERCENTAGES ARE FIGURED THE SAME WAY

When we read articles showing unemployment rates in different countries, we are inclined to assume that each country uses the same definition. Not true.

Here are some alternative ways of reporting unemployment:

1. Count only long-term (usually over 13 weeks) unemployed. The person laid off two weeks ago doesn't count.

2. Count as unemployed only persons who had jobs and were laid off. This excludes newcomers to the labor market, returnees, voluntary quits, etc.

3. Report only persons who are 25 years old or older as a percentage of the labor force. This excludes the 18- to 24-year olds who change jobs frequently, often are not available full time, or may be classified as inexperienced workers.

4. Count as unemployed only persons who are seeking full-time work as a percentage of the full-time workers in the labor force.

5. Count all persons who are seeking jobs, including those who are new to the labor market, as a percentage of the total work force.

In the *Monthly Labor Review* for March 1992 (available from the Government Printing Office, Washington, D.C. 20402; $25/yr.), using the five variations above, plus two more complex measures, the unemployment rate for the United States in 1989 could have been any one of the following rates: 1.2%, 2.4%, 4.0%, 4.9%, 5.3%, 7.2%, or 7.9%!

RThought: Take your choice. Rudyard Kipling wrote: "There are nine and sixty ways of writing tribal lays [laws], and every single one of them is right."

HOW MANY TREES COULD WE SAVE?

As I opened the lid of a package of Kellogg's Mueslix, I noticed a message: "Do you know that if Americans recycled all their daily newspapers we could save 500,000 trees a week, or 26,000,000 every year."

Since the day was a Sunday, I decided to look through my papers (*The New York Times, San Francisco Chronicle, Oakland Tribune,* and *Contra Costa Times*) to see if any used recycled paper. The answer? None indicate they used recycled paper. Great show.

Then I looked at all of the inserts to see if any retailers were helping to save trees, either by using recycled paper or by urging readers to recycle their inserts. The story is still a sorry one.

Kmart, J. C. Penney Company, Sears, Mervyn's, and Montgomery Ward all used coated paper which cannot be recycled. For shame.

Macy's showed the symbol for recycling and stated, "Please recycle."

The Good Guys (home electronics) urged, "Every Good Guys' advertising supplement is *recyclable* with your newspapers. Please recycle to help our environment" [emphasis added].

Target stated, "Every Target supplement is *recyclable.* Help protect our environment" [emphasis added].

PayLess Drug Stores (a subsidiary of Kmart) cajoled, "This newspaper advertising supplement is *recylable.* Please help protect our environment" [emphasis added].

Home Express, Sportmart, and Miller's Outpost all used newsprint for their inserts but failed to encourage their readers to recycle them.

RThought: This "study" was done on April 4, 1993, the day after President Clinton had finished a meeting in Portland (Oregon) seeking to find a way to protect what little remains of our ancient forests.

It is time that retailers assumed some responsibility both for wasting a precious asset (trees) and for overfilling our landfills.

Finding a better response to our waste of trees depends upon the cooperation of several groups.

First, there must be a demand for recycled newsprint. That demand must come from the newspaper publishers and the retailers who print their own inserts. Right now, the demand has not appeared and much of the newsprint, which people *believe* is being recycled, is ending up in landfills. If we, the retailers, *demand recycled* newsprint, the newspapers and the printers will make *their demand* on the paper companies.

Second, we retailers must give up coated paper for our inserts. Today there are large retailers who have converted to recycled paper and found the product quite satisfactory.

Third, with the *demand* created, both newspapers and retail advertisers will have to constantly remind their joint readers that the quality of the world for our future generations depends upon each and every one of us *recycling* all of our paper.

Everything is in place **except the leadership by retailers and newspaper publishers.**

DON'T BET THAT CONSUMER DEBT IS DECREASING

Much has been written about the reduction of consumer installment debt. Many "analysts" have based forecasts of "better times for retailers" upon this trend.

Unfortunately, if consumer debt had been properly measured, it would more likely have shown an increase.

Consumer Trends, April 5, 1993 (International Credit Association, P.O. Box 419057, St. Louis, MO 63141-1757; $100/yr.), reported on a study made by Francesca Eugeni, economist at the Federal Reserve Bank of Chicago, which combines consumer installment credit (CIC) with home equity lines (H1) and closed-end second mortgages (H2).

Eugeni produced the following figures expressed as a percentage of disposable personal income (DPI). The study was done at the end of the third quarter 1992, with comparisons made with the third quarters of 1991, 1990, and 1989.

Period	CIC/DPI	(CIC+H1)/DPI	(CIC+H1+H2)/DPI
3Q, 1989	18.9%	21.9%	27.9%
3Q, 1990	18.4	21.7	28.0
3Q, 1991	17.5	21.2	28.0
3Q, 1992	16.6	20.4	27.2

The CIC/DPI column is that which is being taken as evidence that consumers have increased their "open-to-buy" because it shows a steady downward trend in installment debt as a percentage of DPI.

The right-hand column, including H1 and H2, is a more ac-

RETAIL HISTORY REPEATS

Those who cannot remember the past are condemned to repeat it.

George Santayana, *The Life of Reason*

. . . but I shall be content if it [my history] is judged useful, by those inquirers who desire an exact knowledge of the past as an aid to the interpretation of the future.

Thucydides, *Peloponnesian War*, bk.1, sec. 22

Who so neglects learning in his youth, loses the past and is dead for the future.

Euripides, *Phrixus*

Euripides lived from about 485 B.C. until 406 B.C., Thucydides lived from about 460 B.C. to 400 B.C., and George Santayana lived from 1863 to 1952.

These three great writers were trying to tell us that we *must* know our history if we are to understand the present and be able to deal with the future.

A front-page article in the *National Home Center News* (425 Park Avenue, New York, NY 10022), March 15, 1993, had this subhead: **"Apocalypse Now! NY Businesses Form Anti-Warehouse Groups."**

A Bronx group representing local citizens and businesses such as "small hardware stores, lumber yards, and plumbing and electrical supply houses, assert that Home Depot and other power retailers may be getting 'unfair' tax and zoning breaks by 'seducing' municipal leaders with promises of net increases in jobs and tax revenues that small dealers say are illusory."

The groups make the following points:

1. They are not doing this because they are afraid to compete.

2. Power retailers will "unravel irreparably" the neighborhoods which "have been served primarily by small, independently owned shops."

Many of these businesses employ union help, and the unions are joining the effort.

A law firm which specializes in environmental issues and blocking new roads has joined the effort.

Members of this and similar groups seem not to have learned from the warnings given 2,400 years ago by Thucydides and Euripides and repeated more recently by Santayana.

So, let's look at a bit of history.

In the early 1800s blacksmiths (part of their business was making nails) organized to fight businesses that sold factory-made nails, one of the first products made by the factories during the embryonic period of our Industrial Revolution.

The same conflict developed between early sellers of factory-made suits and tailors and between cobblers and the sellers of factory-made shoes.

Gradually, specialty stores replaced skilled craftsmen. But the peace was not to last. In the 1880s we saw specialty stores expanding into what became known as "department stores." In 1898 the Specialty Store Association of America petitioned Congress to outlaw department stores, claiming:

1. Department stores could cut prices in one department in order to drive out the specialty stores with which the department competed, while supporting themselves by the profit generated by the other departments.

2. Department stores required such massive amounts of capital that they would deny American youth the opportunity to go into business for themselves.

Congress did not outlaw department stores. The rapid expansion period for department stores ran from the 1880s to the 1920s. Few true department stores have been started since the 1920s, while the number of true department stores has steadily decreased. Some have become departmentalized specialty stores. Gone are many furniture, appliance, piano, floor coverings, housewares, and other departments.

The concept of chain stores is older than most people realize. John P. Nichols, in his book, *The Chain Store Tells Its Story,* reported that chains of stores operated in China 200 years before Christ, that a chain of drug stores was founded in Japan in 1643, and that in 1670 the Hudson's Bay Company started a chain of trading posts across Canada. What became The Great Atlantic & Pacific Tea Company, more commonly known as A&P, was founded in 1859 and operated 25 stores by 1865. Woolworth's first store was in 1879, Grand Union's in 1872, Kroger's in 1882, Acme Stores' and Bohack's in 1887, Gristede's in 1891, Ralphs' in 1873, McCrory's in 1881, Read Drug's in 1883, Skillern's in 1885, and Belk Brothers' in 1888.

By the 1920s opposition to chains had begun to develop. At the 1922 convention of the National Association of Retail Grocers, there was talk of limiting the number of chain stores in any community. In 1923 the grocers in Missouri secured the introduction of a bill which called for a tax starting at $50 on the third store and doubling with every additional store ($100, $200, $400, $800, etc.). It did not pass.

Other states did pass "anti-chain store" laws which were promptly challenged in court. Indiana's law placed an annual tax of $3 on a single store, $10 each on the next five, $15 each on the next five, $20 each on the next five, and $25 on all stores over 20. On March 5, 1931, the U.S. Supreme Court upheld the tax by a 5-4 decision. Between 1923 and 1957, 1,297 anti-chain bills were introduced in state legislatures, and 63 were passed. By 1957 their status was as follows:

Invalidated	17
Superseded	19
Repealed	6
Rejected by referendum	2
Retained by referendum	1
Increased tax enacted	1
In effect	12
Expired by limitation	3
Graduated rates replaced by flat rate	1
Increased tax rate	1

By the 1930s the issue was before the U.S. Congress. The following statement attributed to Senator Royal Copeland of New York is representative of the views expressed by many national legislators:

When a chain enters a city block, ten other stores close up. In smaller cities and towns, the chain store contributes nothing to the community. Chain stores are parasites. I think they undermine the foundations of the country.

It is now six decades later and we have more small stores than ever. Senator Copeland and others obviously were wrong. Despite the chains, small stores have survived and flourished.

Some even became big stores (The Gap, The Limited, Wal☆Mart, Family Dollar, etc.).

I won't go into detail because many of my readers remember the fight against discount stores through various so-called "Fair Trade" laws. The most punitive of these was the "Non-signer Law," whereby a manufacturer could sign a price-maintenance agreement with the most insignificant retailer in a state and yet the agreement bound all other retailers in that state to the minimum prices set forth.

RThought: Consider the economy and the cost of living we would have today if protesters had prevailed against the department stores, chains, and discounters. Even worse, consider what would have happened to the cost of living had blacksmiths blocked the development of nail factories.

NOT EVERYONE WILL OWN A HOME

The Census Bureau reported that 64% of the householders owned their own homes in 1989, down from 66% in 1982. A look at the history of home ownership is enlightening.

Year	Percentage of Homeowners
1920	45.6%
1930	47.8
1940	43.6
1950	55.0
1960	61.9
1970	62.9
1980	64.4

In the 1920s, the majority of housing was rental. In the 1930s, as part of the New Deal, the Federal Home Administration (FHA) was created to stimulate home ownership and home construction. Prior to FHA, bank financing usually required 40% down; and mortgages were for ten years. FHA offered much lower down payments and 30-year mortgages. It had little effect prior to World War II; after WWII, the big push came from the G.I. Bill. Veterans could get $4,000 of a mortgage guaranteed. At the beginning, 40% down was still required; but with the $4,000 guaranteed under the G.I. Bill, a veteran could buy a nice home for $10,000.

Between WWII and the early 1980s, a dramatic change took place.

A breakdown of the change occurring between 1982 and 1989, by the age of the head of the household, is as follows:

Age of Household Head	Ownership Rate 1982	1989
34 and younger	41%	39%
35-39	68	63
40-44	73	70
45-49	76	74
50-54	79	77
55-59	80	79
60-64	80	80
65 and older	74	76

The increase in the cost of houses — faster than the increase in income — has made it difficult for many families to acquire a home. Today, a higher percentage of buyers are families with two incomes. A high percentage of homeowners above the age of 60 bought their first home in the period immediately following WWII.

Part of the decline in home ownership is due to the changing composition of households. The change from 1970 to 1988 is shown below:

Household Characteristic	1970	1988
Head of household:		
Male	78.9%	68.9%
Female	21.1	31.1
White	89.3	86.2
Black	9.8	11.2
Others	.9	2.6
Size of household:		
One person; male	5.5	9.7
One person; female	11.5	14.4
Two persons	28.9	32.2
Seven persons or more	5.0	1.4

The basic trend as seen above will probably continue several decades into the future.

SHORT SHORTS

Whistling in the dark. Dr. David Foot of the University of Toronto says that the popularity of warehouse clubs will decline once the current recession is over unless the clubs place a greater emphasis on service. He observed that "quality products and service offered by people are still important to [customers]." A non-retailer who is apparently oblivious to cost factors, Foot said that the best move for the warehouse clubs would be to offer a service whereby customers telephone in the morning and include their credit card number. They could then collect their orders later in the day from a pick-up stop without leaving their cars. "This way they save having to go into those horrible supermarkets." He expounded on these views at a seminar for magazine publishers, editors, and writers. **RThought:** I am sure that Price Co., Pace, Costco, and Sam's each hope the other three major warehouse clubs will follow Foot's advice. Perhaps Foot has been offered the job, by another type of retail outlet, of misleading the competitor. Fortunately, I don't see many taking his suggestion.

It was 1989 when David Glass, CEO of Wal☆Mart, first said, "By the end of the century, half the retail business will be gone." Many have repeated the statement. When repeated in 1993, there are fewer years until 2000 than when the statement was first made in 1989. But many speakers who followed were not particularly interested in accuracy. In early 1992 a survey was done to learn how many retailers were "committed to scanning bar codes." Small, medium, and large companies were not defined nor was the size of the sample stated. However, an accompanying chart indicated that among small-sized companies about 50% were committed in 1991 against 75% in 1993. Medium-sized companies increased from about 88% to 90%, and large-sized companies increased from about 95% to 98%. **RThought:** Subtract those figures from 100% and you will have a good idea of the percentage of firms which will not be around in the year 2000. Those who did not use bar codes will claim they were saving money by not installing the expensive systems. (Sears has been late in committing; Macy's became much more interested in scanning once it was in Chapter 11.)

curate measure. It shows a relatively small change over the four-year span.

If the increased use of consumer automobile *leasing* is treated as installment credit and then incorporated into the right-hand column, it would probably show a steady increase in consumer debt and, thus, a reduced "open-to-buy" position.

I questioned Dr. Robert Johnson at the Credit Research Center at Purdue University and one of the editors of *Consumer Trends* as to why a better measure had not been developed to correctly determine the level of consumer "debt." He explained that as an "economy" under the Reagan-Bush administrations the Federal Reserve was required to drop an index every time it introduced a new one. The CIC is an old index; and the Federal Reserve is reluctant to drop an old, established index, even if no longer valid, to develop a new, better index.

RThought: This takes me back to the story of the two guys who were driving cross country as fast as they could. One would sleep while the other drove. At one point, when the sleeping guy awakened and saw a highway sign, he asked the driver, "Aren't we on the wrong road?" The driver replied, "Yes. I made a wrong turn about an hour ago, but I was making such good time I didn't want to turn back."

I always knew the initials of the driver were "F.R.," but I have just learned that they stand for the "Federal Reserve"!

LET'S NOT DEGRADE OURSELVES JUST TO BE 'ONE OF THE BOYS'

Too often I find individuals who use profane, or even vulgar, language and tell off-colored jokes in an attempt to be "one of the boys." Such behavior is absolutely unnecessary. Many (male and female) will continue to conduct themselves this way because no one has ever objected.

I have taken it upon myself to object.

Neither of my children use profanity, at least not in front of me or my wife. When they were very young, I explained to them that if they could not get their message across by using plain, ordinary English words they had already lost the argument. Resorting to profanity would not help.

I became conscious of this problem late in 1945 when I returned from overseas. I had spent about a year on Leyte and in Japan in military surroundings where foul language had become our standard way of speaking to each other. Certain foul words had become almost a hyphenated prefix to many common words. Upon my return, Dad had a party for me. My mother, my father's second wife, both of his children by his second wife, and my brother also were present. When asking someone to pass the butter, I found myself completely embarrassed by what I was saying. Since then, I don't believe I have used profanity, and I have gotten along just fine.

Once I attended a retreat/conference at which there were present some of the most outstanding entrepreneurs of our post-World War II business world. Included were two women, one the general manager of a factory employing 5,000 people. Both tried to be "one of the boys." On the first of the three days, I spoke to both and explained that I thought they degraded themselves by using such language. Neither used profanity during the remaining days. I believe they felt better knowing that they did not have to use foul language to belong.

My roommate at the retreat was a retailer who is recognized in almost every book on unique retailers. When we parted, he said to me, "Bob, I know what you said to X and Y, and I have respect for your feeling about profanity. I also found that I got along very well without it. Thank you!"

There are individuals, women included, with whom I work in our local community who no longer use vulgarity, at least not in front of me, because I have asked them not to do so. I hope they have refrained at all times; profanity and vulgarity belittle the user.

When I went to work with a client in a masculine business and with an all-male group of executives, I got them to agree to pay 25 cents each time they used profanity. The money was to be spent on something for the women who worked in the executive offices. We had barely collected enough to take the women to lunch when objectionable language was no longer used!

RThought: This is the long way of saying that there is no reason for any of us to try to be "one of the boys." There is no need for profanity and vulgarity in business. Just one executive can eliminate both from a business. Try it. You'll like it!

A WORLDWIDE DISEASE

> **Consumers have become very value conscious, but their behavior has as much to do with retailer sales activity as with the impact of the recession. There is little incentive for consumers to buy early in the season at full markup when they know that the merchandise will be discounted within a few weeks. Discount retailing has come of age in 1992.**
>
> **I have not seen another year when you have discount pricing so dominant across all forms of retailing, including department stores, discount department stores, and specialty retailers.**

Which retailer wrote that?

My friend, Geoff Coles, managing director of John Martins, a five-unit department store headquartered in Adelaide, *South Australia.*

Where did this quote appear?

In *The Merchant,* the official publication of The Retail and Wholesale Merchants Association of **New Zealand,** among quotes from *Inside Retailing,* **Australia's** leading newsletter for general merchandise and apparel retailers, and from *Australian Retail Business,* a publication of the Retail Traders Association of Australia.

RThought: Retailing around the world increasingly marches to the same drummer. This fact is confirmed by the ability of Toys "R" Us to take its format into a dozen countries with great success. It is further confirmed by the success of the Sam's format in Mexico, under the Club Aurrera name, the success of The Gap on high streets in England, and in the way The Body Shop, Benetton, and Laura Ashley have been able to cross the Atlantic and succeed within the United States.

WHAT HAPPENED TO DOWNTOWN PEDESTRIAN SHOPPING AREAS?

For almost 25 years, people in our little city of Lafayette (population 23,500) have been talking about developing a downtown "pedestrian shopping area." With the same persistence, I have been trying to explain why the days of the downtown "pedestrian shopping area" are gone forever.

The main street of our downtown area used to be a state highway. A number of years ago a bypass was built. Today, our main street carries more traffic than it did when it was a state highway! Most shoppers are reluctant to cross it unless they have a fair-sized automobile wrapped around them for safety.

Some of our middle-aged, unpaid city councilmembers have happy memories of the days when there were downtown "pedestrian shopping areas." They firmly believe that with a little pressure (and some magic of an undefined sort) Lafayette can be unlike every other community located within the near-in suburbs of a metropolitan area of 6.5 million people.

In desperation, I finally put together a six-page memorandum explaining what produced downtown "pedestrian shopping areas" and why they bloomed in the 1920s and survived until shortly after World War II. Then I explained the events which have dictated the demise of those wonderful days.

If you want to know why downtown "pedestrian shopping areas" are gone forever, send a stamped, self-addressed #10 envelope to: Pedestrian Shopping Areas, P.O. Box 249, Lafayette, CA 94549.

WORDS — FROM JOHN HEYWOOD (*c.* 1497-*c.* 1580)

John Heywood was an English dramatist and musician in the Court of Henry VIII. He has authored more of our popular sayings than has any other writer.

Several years ago, I published 20 of his sayings. Here are another 23.

A man may well bring a horse to water, but cannot make him drink.

Rome was not built in a day.

Ye have many strings to your bow.

Children learn to creep ere they can learn to go.

Better half a loaf than no bread.

Nought ventured, nought have.

One good turn asketh another.

A dog hath a day.

But indeed, a friend is never known till a man have need.

New broom sweepeth clean.

There is no fool like an old fool.

A penny for your thoughts.

You cannot see the woods for the trees.

Tit for tat.

Many hands make light work.

Set the cart before the horse.

The more the merrier.

The moon is made of green cheese.

I know on which side my bread is buttered.

All ill wind that bloweth no man good.

For when I give you an inch, you take an ell [an old English measure of cloth of about 45 inches].

Would you both eat your cake and have it, too?

This hitteth the nail on the head.

RThought: "There is nothing new under the sun" (Ecclesiastes 1:9).

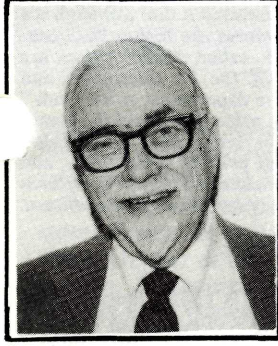
Retail Monthly/Year-To-Date
Sales Comparison
(Unadjusted $ millions)

SIC Code	Category	January 1993: 1993	January 1993: 1992	Percentage Change	Year to Date Months: 1993	Year to Date Months: 1992	Percentage Change
52	*Bldg Matl Group	$ 6,818	$ 6,499	+ 4.9%			
57	*Furniture Group	8,613	7,890	+ 9.2			
571	Furniture Stores	4,316	4,005	+ 7.8			
572	Appl, TV, Radio Stores	3,392	3,131	+ 8.3			
5941	*Sporting Goods Stores	1,280	1,135	+12.8			
5942	*Book Stores	1,000	844	+18.5			
5944	*Jewelry Stores	805	812	− 0.9			
531 Pt	Conventional Dept Stores	2,795	2,757	+ 6.4			
531 Pt	Natl Chain Dept Stores	2,477	2,270	+ 9.1			
	Subtotal	5,272	5,027	+ 4.9			
531 Pt	Discount Stores	6,987	6,190	+12.9			
531	*Department Stores	12,259	11,217	+ 9.3			
541	*Grocery Stores	29,578	29,110	+ 1.6			
56	*Apparel Stores	6,694	6,112	+ 9.5			
561	Men's & Boys' Stores	637	622	+ 2.4			
562,3,8	Women's Stores	2,549	2,362	+ 7.9			
565	Family Clothing Stores	1,911	1,682	+13.6			
566	Shoe Stores	1,105	1,140	− 3.1			
591	*Drug Stores	6,066	6,293	− 4.6			
596	*Nonstore Retail	3,776	3,898	− 3.1			
5961 Pt	Mail Order	2,271	2,278	− 0.3			
	**Retailing Today* Total Store Retailing†	76,889	73,810	+ 4.2			
	**GAF TOTAL	36,780	33,891	+ 8.5			

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.



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THIS ISN'T ABOUT RETAILING

The May 1993 issue of the *100th/442nd Newsletter* brought back a lot of memories, memories of 50 years ago and the shameful conduct of the United States government and a great many of its citizens.

For those too young to remember, some 25,000 Japanese Americans served in our military forces during World War II. The 100th Battalion and the 442nd Regimental Combat Team, usually referred to as the 100th/442nd, were comprised of Japanese volunteers, many having enlisted from U.S. concentration camps in which, for the only time in our history, the U.S. government incarcerated American citizens. The number of detained Japanese was not small, about 115,000, of whom 75% were American citizens.

Recently, 3,000 veterans from the 100th/442nd met in Hawaii to celebrate the 50th anniversary of its founding. The 100th/442nd was the most decorated of the U.S. military units in WWII, and it took the most casualties.

At the same time as the 100th/442nd celebration, Temple Emanu-el in San Francisco was holding a joint celebration with the 522nd Field Artillery Battalion (part of the 442nd Regimental Combat Team), which, in April 1945, liberated Jews from Dachau, one of the most dread German concentration camps. The story of the 522nd's participation was suppressed at the time because the U.S. Army feared there would be unfavorable publicity about troops from an American concentration camp liberating Jews from a German concentration camp.

U.S. Senator Dan Inouye, currently the only member of the 100th/442nd in Congress, participated in the Temple Emanu-el ceremony.

I went to high school in San Francisco with many Japanese Americans who, seven years after our graduation, were required on short notice to report to Tanforan race track to be shipped to desolate camps for the balance of the war.

The May issue of *100th/442nd Newsletter* also contained the text of the speech given by Ben Kuroki at the opening of the WWII exhibit at the Nebraska State Historical Society in 1991. At the outbreak of the war Kuroki lived in Nebraska and volunteered for pilot training. He flew 30 B-24 missions as part of the first U.S. bomber group to fight in Europe. This included the Ploesti raid on the oil refineries in Romania, where 178 B-24s, in two waves, bombed at low level. Many planes in the second wave were destroyed by the explosions set off by the first wave. "Someone had erred, someone had blundered." (Rudyard Kipling, in writing of another disaster, "The Last of the Light Brigade.") In Kuroki's squadron, nine planes went out; only two returned.

Upon Kuroki's return to the U.S., he was subjected to continued abuse. On one occasion, despite Kuroki's uniform and the presence of many ribbons on his chest, a fellow American refused to share a taxi, saying, "I won't ride with no lousy Jap." Yet, Kuroki volunteered for another overseas tour — to fly B-29s against Japan.

Kuroki tells about the teaching of his parents, a teaching of which many other Japanese have spoken: "Never do anything to bring shame upon one's self or family." Few, if any, Japanese failed that test during WWII. Many Americans, however, did.

Kuroki reminded us that the then California Governor (and later Chief Justice of the U.S. Supreme Court) Earl Warren was the individual who urged the other governors to put all Japanese residents of their states into concentration camps. (Technically, the decision in California was made by the commanding general, Fourth Army.)

In addition, of the Japanese Americans who volunteered for combat from within the camps or from without, such as Kuroki, 6,000 served in Military Intelligence. Of these men General MacArthur said, "Never in military history did an army know so much about its enemy prior to actual engagement." MacArthur credited the Japanese Military Intelligence people with saving thousands of lives and shortening the war by two years.

RThought: The greater the passage of time from a dishonorable act, the less coverage is given in our textbooks and the less accurate is the story told. Today, we would go to war against any country which treated 75,000 American citizens the way our own government treated the Japanese Americans during WWII. We are fortunate that so many Japanese Americans proved to be better citizens than were most of us at that time. Let us remember, lest we, in some fashion, repeat the past.

IS SAKS FIFTH AVENUE GOING THE WAY OF GIMBELS?

Our local paper, on December 6, 1981, ran an item headlined "One Gimbels Can't Take a Joke." It was filed from Boothbay Harbor, Maine, via AP and reported that Gimbel Brothers, Inc., of New York (then, as with Saks Fifth Avenue, owned by BATUS), had filed suit against Jack Gimbel of Boothbay who had the gall to operate his business under his own name! Jack operated, and is still operating, a seasonal country store in Boothbay, featuring, among other things, homemade saltwater taffy; but his year-round business is selling thimbles via a catalog. (For a catalog, write to Gimbel & Sons Country Store, Box 57, Boothbay Harbor, ME 05438. Say, "Bob Kahn sent me.") Long before Gimbel Brothers *continued*

became enamored with its name, the sign on Jack's store accurately stated "Gimbel & Sons Country Store."

It cost Jack about $25,000 to fight Gimbels (and what the department store spent merely added to its usual and customary losses) before agreeing with Gimbels to print on his catalogs: "Not Associated with Gimbels Department Stores." (I suggested too late that Jack agree to use the wording: "Gimbels Department Store is not associated with us"!)

Gimbel & Sons Country Store is still going strong with its thimbles and saltwater taffy, while Gimbels Department Stores in New York, Philadelphia, Pittsburgh, etc., are long gone.

Besides reporting in *RT* the viciousness of BATUS, I wrote at that time to Arnold H. Aronson, chairman and CEO of the BATUS Retail Group, expressing my unhappiness with what his company had accomplished. One paragraph from that letter read:

> **In 1983 I met Donald B. Gimbel, who was then a vice president of Kidder Peabody, and found that he was a member of the Gimbel family that founded the department stores. He had visited the Gimbel & Sons Country Store and had no objection at all to the manner in which the mutual family name was used.**

When Gimbels folded, I felt that it was partially due to a small-minded, mean attitude.

What does all of this have to do with Saks Fifth Avenue, once owned by Gimbels and later a sister retailer under the BATUS flag?

On May 3, 1993, our local paper, the *Contra Costa Times,* carried the following item, which I quote in full:

> **SAKS OR SACKS? A JUDGE ASKED TO DECIDE**
>
> **San Diego — Saks or Sacks? Judges have all the fun.**
>
> **Ritzy retailer Saks Fifth Avenue is suing Beatrice Hill, who calls her consignment shop Sacks Thrift Avenue.**
>
> **Saks accuses Sacks of trademark infringement and *unfair competition* [emphasis added].**
>
> **Hill is the one employee of Sacks, a 900-square-foot San Diego store she purchased in 1986.**

RThought: If the result of the Gimbels suit against Gimbel & Sons Country Store is a harbinger of the future, Saks Fifth Avenue may soon join its sister retailer, Gimbels, which has been gone so long now that many young retailers cannot place the name.

Or, is Saks planning to go into the "Sacks" business? After all, Nordstrom is going into the closeout business.

AN ANALYSIS OF DEPARTMENT STORE REFERENCE PRICING IN METROPOLITAN WASHINGTON, D.C.

In September 1992 the Federal Trade Commission (FTC) published a report bearing the same title as this article. A "reference" price is the comparison price in an ad to indicate the savings.

The abstract of the study reads as follows:

> **This report presents empirical evidence on the likely consumer injury associated with department store reference pricing, a common pricing strategy in which "sale" prices are contrasted prominently with "regular" prices in newspaper advertising. Based on data collected for the Washington, D.C. area, the study concludes that although the "regular" prices claimed by department stores are higher than consumers would likely find elsewhere the so-called "sale" prices are generally quite competitive. For seven of the 20 electronics and houseware items sampled in the study, the department store "sale" price was as low or lower than the lowest price that could be found. There were only two instances in which the department store "sale" price was more than 10% above the average price of competitors, and when averaged over all [20] items, department store *"sale"* [emphasis added] prices were about 4% below the average price of competitors.**

So much for claimed savings of up to 40%!

The stores used in the study were Hecht's (May Department Store Company), Macy's, Bloomingdale's (Federated Department Stores), and Woodward & Lothrop.

Sample ads were taken from the *Washington Post* for the week of April 9 through April 15, 1990. About half of the 224 such (saving) claims contrasted a "sale" price with the seller's previous "regular" or "original" price. Seventeen percent announced a certain percentage or dollar value off some unspecified reference. Twelve percent made comparison to a manufacturer's "suggested retail" price, a "department store" price, or a "retail" price. Ten percent merely claimed to be "on sale."

The 20 items studied were:

Electronic Items	Houseware Items
6 television sets	5 vacuum cleaners
2 video recorders	1 food processor
2 camcorders	1 coffeemaker
1 walkaround stereo	2 cookware items

On each of the 20 items, prices were obtained from two to 10 other stores. In only three of the 20 items was a "reference" (comparative) price *less* than the *highest* price of the competitors! Put another way, in 17 of the 20 items, the "reference" price was equal to or above the highest price of the competitors. The highest "reference" price was 50% above the highest price at which the item was on sale at competitors.

When the department store "sale" price was compared with that of the lowest price of competitors, only four items were below (by 1% to 4%) the lowest price of a competitor. When the "sale" price was compared to the average prices of competitors, eight were equal to or above the average "regular" price. For example, the "sale" price advertised by one department store for the Cuisinart Custom II Food Processor was $219, which was $30 more than the lowest sampled price and $14 higher than the average of competitors' prices.

The 11 electronic items averaged 2.9% *above* the non-advertised price at two to 12 competitors. The advertised "sale" price of the nine houseware items averaged 4.9% *above* the non-advertised prices at three to 10 competitors.

The report's conclusion begins with this summary:

> **The picture that emerges from our comparative shopping survey is that of an actively competitive retail market in which department stores generally offer consumer-attractive *"sale"* [emphasis added] prices. *At the same time, our results support the common allegation that the "regular" prices claimed by department stores are higher than consumers are likely to find elsewhere* [emphasis added].**

RThought: I have one suggestion:

I would suggest that you write to the FTC, Pennsylvania Avenue and Sixth Street, N.W., Washington, D.C. 20580, and ask for a copy of the report entitled "An Analysis of Department Store Reference Pricing in Metropolitan Washington, D.C." There is no charge. If it reflects what you do, it may be that the FTC will one day publish such a report with your name on it — and impose a penalty.

SALES PER GROSS SQUARE FOOT: THE ULTIMATE PRODUCTIVITY MEASURE

Sales per gross square foot of store space is the ultimate measure of productivity. Assuming that one store has twice the sales per gross (not sales) square foot, most occupancy costs will be half of the percentage of sales in the less productive store. Personnel costs can be a lower percentage of sales yet show a higher dollar of payroll per square foot and thus better service. Assuming the same dollar per square foot investment in inventory, it means a higher turnover. Or, if we assume the same turnover, the higher sales per square foot means more merchandise from which to choose.

The figures below are taken from *Chain Store Age Executive Edition,* October 1992, but are completely rearranged, with the elimination of those figures reported as sales per square foot of *selling* area.

Company	Dollar Sales per Gross Square Foot
SUPERMARKETS	
Supermarkets General	$600*
Vons	495
Kroger	398*
Safeway	373
Albertson's	368
Food Lion	307
A&P	296
Winn-Dixie	269
American Stores	NA
Publix	NA

*Supermarket operations only.

Company	Dollar Sales per Gross Square Foot
DISCOUNT STORES	
Wal☆Mart	$266*
Target	205
Venture	187
Shopko	177
Caldor	157
Hills	121
Rose's	111
Ames	103
Bradlee's	NA
Kmart	NA

*Excludes warehouse stores.

Company	Dollar Sales per Gross Square Foot
DEPARTMENT STORES	
Nordstrom	$388*
Dayton Hudson	218**
Macy's	206**
Mercantile	186
May	153**
Federated	153
Dillard	138
Carter Hawley Hale	127
J. C. Penney	125**

*Technically, not a department store but a departmentalized specialty store.
**Department stores only.

Company	Dollar Sales per Gross Square Foot
WAREHOUSE CLUBS	
Price	$902*
Costco	713*
BJ's	483*
Sam's	481**
Pace	426*
Wholesale Depot	320*
Warehouse Club	241*

*Calculated from average club size.
**Estimated by Alex. Brown & Sons.

Company	Dollar Sales per Gross Square Foot
APPAREL STORES	
The Gap	$481
The Limited	329
U.S. Shoes*	248
Melville*	219
TJX	215
Ross	214**
Charming Shoppes	124
Burlington Coat Factory	100
Merry-Go-Round	NA
Petrie	NA

*All apparel subsidiaries.
**Leased departments excluded.

Company	Dollar Sales per Gross Square Foot
HOME IMPROVEMENT	
Lowe's	$406*
Home Depot	345
Wolohan Lumber	219*
HomeBase	194
Builders Square	178
Grossman's	175
Hechinger	155

*Excludes area of outside lumberyards.

Company	Dollar Sales per Gross Square Foot
DRUG STORES	
Arbor	$449
Walgreen	425
Genovese's	388
Longs	355
Jack Eckerd	224*
Fay's	221
Drug Emporium	139
Rite Aid	NA
Perry's	NA

*Excludes Vision Group.

Company	Dollar Sales per Gross Square Foot
CONVENIENCE STORES	
Casey's	$584
Southland	456
Dairy Mart	348
Uni-Marts	299
FFP Partners	NA
Sunshine Jr.	NA

RThought: The secrets are out!

Supermarkets General, with $600 per square foot, reduces the high cost of real estate in the New York metropolitan market to the same percentage of sales that other chains have in lower-cost, smaller markets. Part of the larger sales per gross square foot is due, of course, to the much denser population around the stores.

Part of the Nordstrom high figure is due to the fact that it is **NOT** a department store and does not have acres of low-producing space such as furniture, carpets and rugs, china and glassware, and lamps and mirrors.

Price Company has a lower expense rate than its competition because it has spread many fixed costs over a greater sales per square foot. But Costco is also doing better than the competition. From 1984 to 1992, Costco's operating expenses have declined from 15.0% to 8.3%, while Price Company's expenses have risen from 7.47% in 1990 to 8.60% in 1992.

Among the drug stores, Arbor is a relatively small chain. Walgreen has higher sales per square foot due to the much higher volume in prescriptions per store. However, the surprise among the drug chains is Drug Emporium. Although a self-service, checkout operation, it would appear that downsizing would improve its profitability.

Among apparel chains, The Gap and The Limited have productivity of a completely different level than the other apparel chains have. This probably reflects the higher percentage of their stores that are in enclosed malls or on very high-traffic streets (with real estate costs reflecting the higher traffic).

Among home improvement stores, Lowe's and Wolohan Lumber's figures are not directly comparable to that of Home Depot because of the larger volume of lumber sales done from an outside yard (Home Depot's lumber is inside, although anyone who has visited a Home Depot has seen a great deal of merchandise around the perimeter of the building).

Disregarding Lowe's and Wolohan Lumber, Home Depot has obtained sales per gross square foot at a completely different level from HomeBase, Builders Square, Grossman's (which has some outside lumberyards), and Hechinger.

RThought: The future belongs to the stores with the highest sales per gross square foot of store space.

PENETRATION OF CITIES AND MSAs IN THE U.S. BY DISCOUNT STORES

The 1993 Directory of Discount Stores, published by Lebhar-Friedman, lists individual stores by Metropolitan Statistical Areas (MSAs) as well as by cities. I hope you will find of interest, as I did, the degree of competition between the three major discount chains. The tabulation is as follows:

Chains Represented	Number of MSAs
Kmart, Target, and Wal☆Mart	78
Kmart and Target	45
Kmart and Wal☆Mart	103
Target and Wal☆Mart	1
Kmart alone	51
No major chain	1
Total	279

Analyzed another way, the major chains are present in the following number of MSAs:

Chain	Number of MSAs
Kmart	278
Wal☆Mart	182
Target	124

Kmart has done a thorough job of covering the United States, being represented in 278 out of the total of 279 MSAs.

In studying these figures, keep in mind that one of the chains may have only one store in an MSA, while the other two majors might have three, four, five, or more stores. One hundred and eighty-five MSAs have a population below 500,000; and in such MSAs, a single store may constitute a strong representation.

There is another way to measure the coverage of the United States by the three major discount chains. There are 208 *cities* (often the core of an MSA) with a population of 100,000 or more (not including suburbs or adjacent cities). They are broken down as follows:

Cities with all three major chains	45
Cities with both a Kmart and a Target	48
Cities with both a Kmart and a Wal☆Mart	29
Cities with only a Kmart	43
Cities with only a Target	4
Cities with a combination of Target and Wal☆Mart	3
Cities with none of the three major chains	36

In the latter tabulation, Kmart is in 165 of the 208 cities, Target is in 100, and Wal☆Mart is in 77.

RThought: These figures show that Kmart is well ahead of the other two chains in placing stores in the larger cities and MSAs. Many of the Kmarts are older stores which are now being remodeled or replaced. Target has concentrated its stores in fewer MSAs. Wal☆Mart has far more stores in larger cities and MSAs than most analysts understand. Analysts continue to dismiss Wal☆Mart as "only in small towns."

RThought: It is interesting to note that there are 36 cities (one-third in California) with over 100,000 population that have none of the three major chains. They are:

Anchorage, AL	Fort Lauderdale, FL
Berkeley, CA	Boston, MA
East Los Angeles, CA	Lowell, MA
El Monte, CA	Worcester, MA
Glendale, CA	Paradise, NV
Inglewood, CA	Elizabeth, NJ
Oakland, CA	Newark, NJ
Oceanside, CA	Patterson, NJ
Pasadena, CA	Bronx, NY
Pomona, CA	Brooklyn, NY
San Francisco, CA	Buffalo, NY
Santa Clarita, CA	Manhattan, NY
Sunnyvale, CA	Queens, NY
Bridgeport, CT	Staten Island, NY
Hartford, CT	Yonkers, NY
New Haven, CT	Providence, RI
Stamford, CT	Arlington, VA
Washington, D.C.	Honolulu, HI

There are some large cities in this group. Before long one or more of the three major chains will find an economical way to build stores in some of these cities, thus bringing their lower prices to many who are not now enjoying them.

[**Late Note:** Kmart has announced plans for stores in Anchorage and Honolulu, thus completing their presence in all 50 states and the list to 34 cities.]

SHORT SHORTS

The more education people have, the less likely they are to smoke. The table below shows the relationship between education and smoking:

Years of Education	Percentage of People Who Smoke
Less than 12 years	36.7%
12 years	29.3
13-15 years	23.5
16 or more years	14.1

Since 1974 the number of smokers with 16 or more years of education has dropped from 27.5% of the total group to 14.1%, while those smokers with less than 12 years of education have dropped from 43.8% to 36.7%. **RThought:** The current cry is for better education, particularly for post-high school. Don't be surprised if tobacco companies unite to oppose education. [Source: Public Health Service Annual Report, "Health, United States, 1991."]

Advertising: I read of more and more retailers who cut advertising to improve profits. Such convoluted thinking! If such a premise were valid, retailers should cease advertising. Do retailers not read the market research indicating that people buy from stores because they saw, read, or heard an advertising message?

I have two comments:

First, this situation has arisen largely because the FTC has not enforced its guidelines on the use of comparative prices first ›lished in 1958 and liberalized in 1964. For practical pur- ,es, there was no enforcement by the FTC during the 1970s and 1980s. However, many states established their own standards; and in many cases, state attorneys general and/or local district attorneys have taken action.

Second, dishonest advertising as was reported in the analysis is bound to backfire against the stores which use such a practice. I believe most retailers are aware that many of their own customers do not believe their claimed savings. Stores offering "everyday low prices" or "everyday fair prices" will continue to benefit until such time as a majority of retailers adopt one of the "everyday" standards.

I GET MIXED UP ON FORECASTS

Recently, I read an article entitled "Retail Outlook 1993," consisting of two facing pages.

On the left-hand page was the following paragraph:

> **A feature that is common to all these retailers is cost reduction and productivity gains. The most drastic case in point is the wipeout of 50,000 jobs at Sears, which is pushing SG&A down to 23% from 29%.**

On the right-hand page were the following two paragraphs:

> **UNEMPLOYMENT. Retailers should count on it to stay high much of this year thanks to corporate downsizing. The New York-based Conference Board reports that "layoff announcements continue to drown out what little hiring news there is."**
>
> **The long list of massive job and salary cuts ahead in 1993 includes IBM, at least 25,000; GM, 15,000 (and many more later); Sears, 50,000 on top of an earlier 48,000; 10,000 layoffs monthly at military contractors, according to the Labor Department; United Airlines, 2,500, plus pay cuts for many others, and pilot layoffs plus a 5% pay cut for 60,000 employees (average an estimated $50 per week) at Delta Airlines. These lost jobs are mostly the victims of corporate downsizing and can never be reclaimed. Replacement jobs take long to find and usually pay less.**

RThought: I get mixed up. Cost reduction and productivity gains are good for retailers because they reduce SG&A (and, perhaps, improve profits) while the same moves, when done by other businesses, are bad for the economy.

This is the time to remember Pogo's first law: "We have met the enemy and they is us!" (Walt Kelly's 1970 "Pogo" cartoon; used as a slogan on Earth Day in 1971.)

IT ALL DEPENDS UPON WHERE YOU STAND

In the April 1993 *RT,* I addressed the question of whose ox was being gored when I discussed the call by J. Michael Cook, chairman and CEO of Deloitte & Touche, for a massive revision of our tort liability system now that judgments are going against accounting firms, when no such calls were made when suits went against doctors, automobile manufacturers, and others over the past 10 to 20 years. Cook was unhappy with his world: there was no bright future.

I thought of Cook's reaction when I read the editorial by David Shetliffe, executive director of the Retail Traders Association f South Australia, in the April 1993 *Check Out* newsletter.

Here are Shetliffe's two closing paragraphs:

> **Finally, I must share with you an experience I had during judging for a retail award recently. The judging panel was asking all the contestants what they would want to do to "fix" the problems of South Australia. When we put this to a newly arrived Vietnamese person, she looked puzzled by the question. "This is the most wonderful place to live and create opportunities for ourselves" was her response.**
>
> **Whilst times are tough and there are major challenges ahead for retailers and the community, perhaps we all need to keep things in perspective and talk of the good things about South Australia again. Perhaps pride is an important part of the key to confidence.**

RThought: An old saying ran through my mind. Patty, my wife, helped me put it together: "I felt sorry for myself because I had no shoes, until I met a man who had no feet."

I apologize for not being able to determine the source of this saying. I have checked Bartlett's Familiar Quotes, 14th and 16th editions; Oxford Dictionary of Quotations, second and third editions; New York Library of 20th Century American Quotations; and *The Quotable Woman,* revised edition.

RThought: Perhaps we could find a way for Cook and Shetliffe's Vietnamese woman to get together!

CAN YOU BELIEVE THE STATEMENTS OF KEYES FIBRE CO.?

This long-established, $200 million company, a subsidiary of a Netherlands-based company, is well known. It advertised its "Chinet Disposable Tableware" as biodegradable, recyclable, and compostable, which sounds like the perfect product for supermarkets catering to customers interested in protecting the environment (and not washing dishes).

Yet, the 10 attorneys general of Minnesota, New York, California, Florida, Massachusetts, Missouri, Tennessee, Texas, Washington, and Wisconsin entered into a settlement that requires Keyes to (1) discontinue all three claims and (2) pay $100,000, split between the 10 states, to cover the cost of the investigation.

The attorneys general found the claims misleading because the tableware does not degrade, provides no other environmental benefit when buried in a landfill, and cannot be recycled through any curbside program. And finally, reference to composting is inappropriate because such facilities are available to less than one-half of 1% of the U.S. population.

Keyes has agreed to (1) not make any degradability claims for its tableware or other paper products that are customarily disposed of in landfills, (2) not make any claims that any of its products that hold food are recyclable, and (3) not make any compostable claims unless facilities exist for composting (and even then, it must have a disclosure on each package which states that composting facilities are generally unavailable in the U.S.).

RThought: My father taught me that one of the rules of retailing was to trust everyone and challenge everything. That goes for vendors as well as employees and customers.

RETAILERS RECOGNIZED BY EDI, spread the word!

Every year, the organization with the unique name of EDI, spread the word! recognizes leaders in the development of electronic data interchange. The 1993 awards were presented in April in San Antonio, Texas.

Retailers have been prominent in past award presentations and the same was true again this year.

The Sears Merchandise Group and Sears EDI Team were inducted into the EDI Hall of Fame (two of three members elected). Shopko and Wal☆Mart are past recipients (two of five earlier members).

World EDI Leadership Awards were made in three categories. Mervyn's was recognized for the "Greatest Number of Suppliers as Electronic Trading Partners."

Among Industry Awards, Mervyn's was again recognized for the department store industry, Lowe's Companies for the hardware industry, and HomeBase for the retail industry other than grocery and department stores.

Retail firms recognized for reaching their 100th EDI partner were:

Ames Department Store	Mervyn's
Fingerhut Companies	Rite Aid Corporation
Fred Meyer, Inc.	Sears Merchandise Group
Hills Department Stores	Wakefern Food Corporation
Home Depot	

RThought: Even retailers in or just out of Chapter 11 are making progress with EDI.

SHORT SHORTS

How does Ross Stores have a sale, when its regular advertising claims "Save 40% to 60% off regular department store prices"? Answer: It advertises "Save 50% to 70% off regular department store prices!" **RThought:** This brings to mind a famous story about the late Max Baer, one-time world champion heavyweight boxer. When Max won his first fight in San Francisco, a lot of people waited outside his dressing room to congratulate him. As they chatted, one would remark, "I own 10% of Max," and another would brag, "I own 25% of Max." It was soon obvious that the total was more than 100%. When Max was dressed, they confronted him and demanded, "How much of yourself did you sell?" Max replied, "I sold 250%; I still have 750% left." In a chorus they said, "Max, there's only 100%." Max was undaunted. He retorted, "Don't kid me. I follow baseball, and I know people can bat a thousand percent!" Max must be alive and well today — at Ross Stores!

WORDS — FROM HENRY DAVID THOREAU (1817-1862)

Thoreau was only 45 when he died; but while he lived, he set down many thoughts which can help us today. As we leave the baby-boomer, "me-first" generation of the 1980s, with the BMW as its symbol, we might recall that in Thoreau's book, *Economy* (1854), he wrote:

> **Most of the luxuries, and many of the so-called comforts, of life are not only not indispensable, but positive hinderances to the elevation of mankind.**

RThought: Perhaps this is a counterproductive thought for a retailer to express. Yet, all of us have witnessed families torn apart and individuals reduced to misery because they realized too late that luxuries they thought to be indispensable were not. The acquisition of these external indicia of success and accomplishment has often failed to bring the happiness expected.

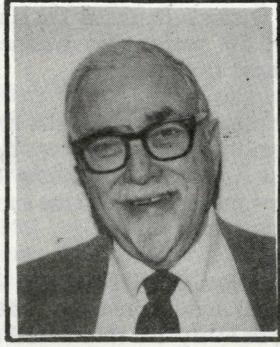
Retail Monthly/Year-To-Date Sales Comparison (Unadjusted $ millions)

SIC Code	Category	February 1993 1993	February 1993 1992	Percentage Change	Year to Date Two Months 1993	Year to Date Two Months 1992	Percentage Change
52	*Bldg Matl Group	$ 6,850	$ 6,689	+ 2.4%	$ 13,691	$ 13,188	+ 3.8%
57	*Furniture Group	8,036	7,790	+ 3.2	16,647	15,680	+ 6.2
571	Furniture Stores	4,102	4,084	+ 0.4	8,432	8,089	+ 4.2
572	Appl, TV, Radio Stores	3,091	2,962	+ 4.4	6,474	6,093	+ 6.3
5941	*Sporting Goods Stores	1,210	1,285	− 5.8	2,472	2,420	+ 2.1
5942	*Book Stores	592	575	+ 3.0	1,620	1,419	+14.2
5944	*Jewelry Stores	1,035	1,042	− 0.7	1,852	1,854	− 0.1
531 Pt	Conventional Dept Stores	3,180	3,313	− 4.0	5,971	6,070	− 1.6
531 Pt	Natl Chain Dept Stores	2,286	2,320	− 1.5	4,753	4,590	+ 3.6
	Subtotal	5,466	5,633	− 3.0	10,724	10,660	+ 0.6
531 Pt	Discount Stores	6,972	6,657	+ 4.7	13,960	12,847	+ 8.7
531	*Department Stores	12,438	12,290	+ 1.2	24,684	23,507	+ 5.0
541	*Grocery Stores	27,599	27,962	− 1.3	57,188	57,072	+ 0.2
56	*Apparel Stores	6,582	6,494	+ 1.4	13,269	12,606	+ 5.7
561	Men's & Boys' Stores	554	584	− 5.1	1,180	1,206	− 2.2
562,3,8	Women's Stores	2,461	2,362	+ 4.2	5,022	4,603	+ 9.1
565	Family Clothing Stores	2,004	1,901	+ 5.4	3,935	3,583	+ 9.8
566	Shoe Stores	1,065	1,194	−10.8	2,149	2,334	− 7.9
591	*Drug Stores	6,116	6,220	− 1.7	12,268	12,513	− 2.0
596	*Nonstore Retail	3,529	3,482	+ 1.3	7,176	7,380	− 2.8
5961 Pt	Mail Order	1,929	1,934	− 0.3	4,150	4,212	− 1.5
	**Retailing Today* Total Store Retailing†	73,987	73,829	+ 0.2	137,598	135,033	+ 1.9
	**GAF TOTAL	36,077	35,317	+ 2.2	72,822	69,208	+ 5.2

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and service stations.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.



RETAILING TODAY

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REPORTERS DON'T ALWAYS UNDERSTAND THEIR SUBJECTS

When the merger of The Price Company (Price) and Costco Wholesale Corporation (Costco) was announced, newspaper articles reported some strange points, only a few of which were accurate.

One point made was that the combined, generally accepted estimates of sales for both Price and Costco for their fiscal years starting *September 1993* would total $16 billion and that this would exceed the estimated $15 billion for Sam's Club, a subsidiary of Wal☆Mart, for its year which began *February 1993*, six months earlier. No adjustment was made for stores that Price/Costco may close due to the merger or for the sales Sam's will gain from its recently acquired 14 Pace Membership Club stores. A more accurate observation would have been that Price/Costco and Sam's may end up "at about the same size."

A second opinion was that Price/Costco would have an immediate, negative impact on Sam's — and thus on Wal☆Mart's growth and earnings. On the day the merger was announced, Wal☆Mart was the most active stock on the New York Stock Exchange (over seven million shares were traded), and Wal☆Mart's price dropped 75 cents. Clearly, no one had studied the warehouse club industry, particularly those who provided reporters with information and views.

Prior to the Price/Costco merger, there were five warehouse club companies doing over $1 billion in sales:

BJ's Wholesale Club (a subsidiary of Waban, Inc.)
Costco Wholesale Corporation
Pace Membership Club (a subsidiary of Kmart Corporation)
The Price Company
Sam's Club

BJ's volume is substantially smaller than that of the four national chains ($1.8 billion for its year ending January 1993) and is concentrated in the Northeast, where it is just beginning to face competition.

Pace has been operating at a loss. The Price/Costco articles did recognize the recent sale of 14 Pace warehouses to Sam's, a competitor, as an indication of that weakness, and noted that Pace is withdrawing from five competitive markets. The acquisitions result in Sam's dominance in those markets.

ANALYSIS: Reducing the number of significant players from four and a half to three and a half (counting BJ's and the "half"), while creating two players of approximately the same size, *will not increase competition. Rather, competition will decrease.*

Let me illustrate with a "before merger" and an "after merger" hypothetical case.

Assume we have a metropolitan area with a population of three million. Prior to the merger, Price would move in with its typical two stores, and Sam's would follow with four stores. Both Costco and Pace might rush to open stores, trying to gain market share before Price and Sam's were fully established. Costco and Pace would each plan three or four stores. (BJ's does not consider these stores because the market is not in the Northeast.) The result: 13 stores, if we assume that Pace and Costco open a total of seven stores.

Assume the same metropolitan area "after merger," the new Price/Costco would likely add two stores and Pace might avoid the market. Thus, there would be a strong probability of only eight stores rather than 13. Certainly, the average store volume would be greater with only eight stores than with 13 in the market, and all would be more profitable.

With only three major players, plus BJ's, and with the two

PROOF THAT GOVERNMENT DOES NOT ALWAYS TAKE MORE AND MORE

Enclosed with a quarterly report from the California State Compensation Insurance Fund was a card bearing the following information:

CIGA SURCHARGE

Created by the California Legislature, the California Insurance Guarantee Association (CIGA) settles unpaid claims of injured individuals when an insurance carrier is unable to make payments because of insolvency. No CIGA assessments have been collected as of 1991 and 1992 due to sufficient monies in reserve.

RThought: Clip this item. Use it to quiet some of those who make irresponsible comments about "tax and tax, spend and spend" or "the government will always take more and more — and spend it foolishly." CIGA is serving the insurance purpose for which it was created and doing it much better than the national Pension Benefit Guarantee Fund (PBGF). CIGA has operated in California for 10 years under Republican administrations and Democratic legislatures; the PBGF has operated during 12 years of Republican administrations and Democratic legislatures in Washington, D.C.

CIGA proves that a government agency can insure benefits under Workers' Compensation insurance. PBGF cannot seem to get the hang of insuring company pension funds. Major corporations have many billions of underfunded pension obligations. These represent potential claims against the PBGF, which has relatively small reserves. A major recession could find pension funds as underinsured as savings and loan association deposits.

[**Late Note:** LTV Corporation, now a steel company but formerly a conglomerate, has emerged from Chapter 11 by persuading the PBGF to assume liability for $3 billion in unfunded pension liabilities.]

largest players planning to enter the Northeast, it would seem logical that at some point one of the major players will acquire BJ's. If two of the three players are doing roughly $15 billion and are adequately capitalized, BJ's would have problems competing and might welcome a takeover.

Kmart has a past history of acquisitions (Waldenbook; Sports Authority; Pay Less Drug; OfficeMax, when its Office Square was not successful; Borders, when its Waldenbook did not do well with Super Book Stores; Makro; and Pace itself). Thus, Kmart could be considered the most likely acquirer; however, Kmart has taken on heavy debt and is now considering the idea of taking public one or more of its subsidiaries in order to reduce debt and improve its credit rating.

But Sam's has acquired four groups of warehouse clubs.

Most likely, the acquirer of BJ's will be either Price/Costco or Sam's.

I can best express my view of the future in numbers. I believe that there is an 80% chance that within two years BJ's will be acquired by one of the three major warehouse clubs. I would exclude Kmart because of its heavy debt; that leaves Price/Costco or Sam's. Price/Costco may be the most logical choice because (a) Sam's is already opening stores in the Northeast; (b) Costco is already opening stores in Canada, working from the west to the east; and (c) Price has stores in Eastern Canada. The Eastern Canadian stores would dovetail nicely with stores in the Northeastern United States.

Assuming my analysis is correct, we will then be down to not more than three players — probably, two.

I believe that Pace will disappear as a national chain through a process of (a) selling off groups of stores, (b) converting the use of existing buildings, or (c) merging the entire company into either Price/Costco or Sam's. (This latter move probably would be met by objections from the Federal Trade Commission. However, Kmart may be able to show that unless Pace merged, it would fail as a business.)

RThought: By the end of this decade, there will be two major, national warehouse clubs. Neither will try to force the other out of business. Going back to our hypothetical metropolitan area with a population of three million, each major chain will probably stay with four stores, for a total of eight stores in the area.

Assuming the assortment of SKUs has increased to 4,000, there likely will be direct competition on fewer than 2,000 SKUs. Assuming both continue to operate without newspaper ads quoting individual prices, non-price competition will prevail, emphasizing: quality of people on the selling floor, decor of the stores, greater selection, longer hours, delivery to business customers, internally generated coupons and rebates, and even charge accounts! Both survivors will be content enjoying excess profits flowing from an oligopoly: a market in which a few firms affect — but cannot control — the market (as was the case with the U.S. auto market in the post-World War II years when General Motors, Ford, and Chrysler combined claimed more than 90% of the market).

ABUSE OF NUMBERS

"Figures don't lie but liars figure."

"There are three great prevaricators in the world: a liar, a damned liar, and a statistician."

These sayings were taught to me in Business Statistics I at Harvard Business School more than 50 years ago; business magazines continue to document these truths today.

However, I perceive another truth: present a figure to the first or second decimal place and most individuals will accept that figure as the gospel truth, whether it projects something 10 years into the future or estimates how many years ago the earth was created.

The following sentence appeared in a *Business Week* (May 10, 1993) article about CUC International and its dream of bringing interactive TV, as a sales tool, to every TV set hooked up to a cable network:

> **For CUC, cable addicts should bring in a bonanza. Jupiter Communications Co., a New York-based firm that researches electronic media, predicts that interactive-TV sales will *approach* $10 billion by 2001, with *17.6%* of U.S. households shopping by TV [emphasis added].**

RThought: Note that the prediction is eight years into the future, not the typical 10. Note the use of 17.6%, not a rounded 18%, or an even more rounded figure of 20%.

Of course, some caution was exercised in predicting the resulting sales! The number of homes to be connected to cable is *not* predictable, yet the *percentage of them* that will be using interactive TV is assumed to be predictable to .5 of 1%!

"Conservatism" forced a prediction of "approach(ing)" $10 billion. Since there are no sales now, actual sales of $2 billion or $3 billion certainly could be considered to be "approach(ing) $10 billion."

My feelings about this prediction are the same as my feelings were when my old professor, Dr. Malcolm McNair, was forecasting electronic interactive-retail sales 30 years ago. I didn't believe his forecasts then (Mac passed on before he could predict them again), just as I don't believe this one now. And I intend to stay around to see who is correct!

DO OUR PHOTO STUDIOS DO THEIR BEST FOR OUR CUSTOMERS?

More and more retail firms, particularly discount and department stores, have photo studios. However, most of the studios face out to the customers in the store, and most of the pictures are of children or of adults in almost "passport photo" poses. Some photographers, however, now have studios which specialize in what is called "boudoir photos." In these studios, men and women, some of whom may look "plain" or have low self-esteem, are quickly transformed with new hair styles, professionally applied cosmetics, and attractive clothing. For the first time, many appear as they never have before, and they are pleased. Such photos often can be a great boost to self-image and are recommended by psychologists.

RThought: Would your photo studios offer specialized photos, or will this service remain the domain of the specialists?

I recall two photos taken of me during World War II that made me look better than ever I thought I could. One was taken in Lakeland, Florida, after I attended the wedding of a man in my outfit. The wedding photographer asked me to pose. The other was taken in Cairo when a friend and I wandered into a photo studio to fulfill his promise to send home a picture and, in my case, to have my picture taken before removing a beard as a condition for a date (my first in over a year) with an Army nurse! In both cases, copies of the photos ended up in the photographers' windows.

A LOOK AT COMPARATIVE PRICES

Many of the major retailers advertise that they will not be undersold. Yet, everyone knows that many store managers can reduce a price "to meet competition," which too often means going a penny below a competitor's price.

Most "we will not be undersold" claims come with qualifications. The most critical qualification is that the price to be matched must be an advertised price. In that manner, none of the stores have to compete with the clubs (Price/Costco, Sam's, Pace, BJ's) because the clubs normally do not advertise their prices.

Some retailers recognize a price only for the customer who brings in an ad. Many will continue to sell an item above a competitor's price, even while refunding money (sometimes, it is "plus 10%") for the sharp-eyed customer who spotted an ad.

At the 1993 International Mass Retailing Association (IMRA) Convention, George Strachan of Goldman Sachs presented a comparison of prices for 69 items in the Indianapolis market. Strachan checked Kmart, Target, Venture, and Wal☆Mart. I used Strachan's technique but eliminated Venture Stores which usually had higher prices.

PRICING STUDY — INDIANAPOLIS, IN — APRIL 16, 1993

		Prices				Percentage Variance from the Average		
	Size/Number	**Kmart**	**Target**	**Wal☆Mart**	**Average**	**Kmart**	**Target**	**Wal☆Mart**
Health & Beauty Aids								
Crest Regular	6.4 oz	$ 0.83	$ 1.03***	$ 0.84	$ 0.90	− 8%	+29%	− 7%
Noxzema Skin Cream	10 oz	1.86	1.96***	1.86	1.89	− 2	+ 5	− 2
Oil of Olay Original Beauty Fluid	6 oz	5.44	5.49	5.44	5.46	0	+ 1	0
Pert Plus Normal Shampoo	15 oz	2.78	2.79***	2.78	2.78	0	0	0
Johnson & Johnson Baby Powder	14 oz	1.88	1.98	1.88	1.91	− 2	+ 4	− 2
Old Spice After Shave	4¼ oz	4.42	4.42	3.88	4.24	+ 4	+ 4	− 8
Bausch & Lomb Sens Eyes Sal Sol	12 oz	2.34	1.49***	1.42	1.75	+34	−15	−19
Tampax	32 ct	2.77	2.79	2.77	2.78	0	0	0
Preparation H	1 doz	4.67	4.67	4.67	4.67	0	0	0
Tylenol Extra Strength Tablets	100 ct	4.07	4.23	4.07	4.12	− 1	+ 3	− 1
PolyViSol Vitamin & Iron Drops	1⅔ oz	7.97	8.08	7.97	8.01	0	+ 1	0
Household Products								
Cascade Dishwasher Detergent, Box	50 oz	1.87	1.89	1.77	1.84	+ 2	+ 3	− 4
Lysol Spray	12 oz	2.67	2.07	2.07	2.27	+18	− 8	− 8
Johnson Future Clear Wax	27 oz	3.78	3.99	3.58	3.78	0	+ 6	− 5
Fantastik Spray	22 oz	0.85**	1.24	1.23	1.11	−23	+12	+11
Easy Off Oven Cleaner	16 oz	2.37	2.74	2.17	2.43	− 2	+13	−11
Woolite	16 oz	1.97	1.94	1.94	1.95	+ 1	− 1	− 1
Home Hardlines								
GE Soft White Lightbulbs	100w - 4 pk	1.18	1.18	1.18	1.18	0	0	0
Energizer C Batteries	2 pk	1.83	1.84	1.83	1.84	0	0	0
Duracell AA	4 pk	3.27	2.96	2.96	3.06	+ 7	− 3	− 3
Kodak Gold 200	pk - 24 exp	3.48	3.58	3.48	3.51	− 1	+ 2	− 1
Rubbermaid Laundry Basket	2965*	3.97	3.97	3.97	3.97	0	0	0
Black&Decker Spacemkr Can Opener	EC60G	19.96	24.99	19.96	21.64	− 8	+15	− 8
Dirt Devil Hand Vac	103	34.87	34.89	34.88	34.88	0	0	0
Sporting Goods								
Wilson Tennis Balls	3 pk	1.87	1.89	1.64	1.80	+ 4	+ 5	− 9
Stanley Aladdin Steel Bottle	1 qt	17.96	18.69	18.64	18.43	− 3	+ 1	+ 1
Toys								
Fisher Price Chatter Telephone	3063*	6.96	6.99	6.97	6.97	0	0	0
Playdoh Fun Factory	90020*	5.34	5.34	5.34	5.34	0	0	0
Monopoly	—	9.97	9.99	9.97	9.98	0	0	0
Big Ben Puzzle	1000 pc	3.38	3.29	3.27	3.31	+ 2	− 1	− 1
Automotive								
STP Oil Treatment	15 oz	1.34	1.42	1.29	1.35	− 1	+ 5	− 4
Gumout Spray	13 oz	1.47**	1.43	1.68	1.53	− 4	− 7	+10
Castrol 10W40 Motor Oil	1 qt	0.92	0.92	0.92	0.92	0	0	0
Paint & Hardware								
Thompson's Water Seal	1 gal	8.94	8.94	8.94	8.94	0	0	0
3M Aluminum Oxide Sandpaper	9000*	1.87	1.87	1.87	1.87	0	0	0
Black & Decker Drill	7190*	28.88	34.99	28.64	30.84	− 6	+13	− 7
Stanley Power Lock Rule 25' x 1"	33-425*	9.88	9.99***	9.88	9.92	0	+ 1	0
Stanley Utility Knife	10-299	2.96	2.97	2.97	2.97	0	0	0
Bernzomatic Torch Kit	TS2000K*	26.77	19.99	21.96	22.91	+17	−13	− 4
Food								
Oreo Cookies	20 oz	2.28	2.29	2.28	2.28	0	0	0
Planters Unsalted Peanuts	16 oz	1.94	1.94	1.94	1.94	0	0	0
Ocean Spray Cranapple Juice	64 oz	2.28	2.29	2.28	2.28	0	0	0
Stationery								
Crayola	64 ct	2.14	2.49	2.48	2.36	− 9	+ 6	+ 4
Rolodex Petite	CS300	3.88	3.47	3.46	3.60	+ 8	− 4	− 4
Elmer's Glue-All	4 oz	0.73	0.78	0.73	0.75	− 3	+ 4	− 3

*Manufacturer's special included in larger quantity.
**Alternate size in stock.
***Represents "newly reduced, everyday low prices" at Target.

Note: Used by permission of Goldman Sachs.

FEATURE REPORT ***continued:***

Here are some interesting figures:

- 8 items were priced identically by all three stores.
- 9 items varied from the average by less than .5 of 1%.
- 4 items varied from the average by more than .5 of 1% but less than 1.5%.
- 2 items varied from the average by more than 1.5% but less than 2.5%.

Thus, only 22 items varied more than 2.5%.

Looking at the paired stores, we can derive the following:

	Number of Items		
	Wal☆Mart v. Kmart	Wal☆Mart v. Target	Kmart v. Target
Below	14	31	28
Same	23	12	9
Above	8	2	8
Total	45	45	45

	Percentage Distribution		
	Wal☆Mart v. Kmart	Wal☆Mart v. Target	Kmart v. Target
Below	31%	69%	62%
Same	51	27	20
Above	18	4	18
Total	100%	100%	100%

Addressed another way, the stores were the same or lower in the following cases:

Wal☆Mart below/same v. Target ...... 96% of the time
Wal☆Mart below/same v. Kmart ...... 82% of the time
Kmart below/same v. Target .... 82% of the time

RThought: In Indianapolis on April 16, 1993, for the 45 items selected by Strachan, which were carried by all three stores, one must rate the overall prices:

Lowest prices .... Wal☆Mart
Second lowest prices .... Kmart
Third lowest prices .... Target

Remember, on another day in another town and for another group of items, the results could have been different.

SHORT SHORTS

Borrowed from a speaker at a conference of the Urban Land Institute on the future of shopping centers: As two retailers were talking, one complained about how terrible his business was. The other retailer said, "Cheer up. Things could be worse." He did — and they were!

If I hear one more E-mail voice say, "Your call is important to us," I will be tempted to take my business elsewhere. **RThought:** Unfortunately, the different place probably has those same words on its answering equipment!

Let me test your age. Do you remember when the present 240- to 280-sheet rolls of bathroom tissue were 450- to 500-sheet rolls? **RThought:** Modern technology has kept the rolls at about the same outside diameter by "fluffing" the paper and enlarging the diameter of the cardboard core.

In Damark's May 1993 catalog there was a Uniden 200-channel, hand-held scanner for $269.99, with the comment, "Manufacturer's Suggested Retail: $509.95." Have you ever seen a suggested retail price of $509.95?

Nice note from IMRA. The vendors showing at the International Mass Retail Association exhibit donated all of the goods in their display booths to the Red Cross for 300 needy families who had migrated from the Hurricane Andrew area to Orlando. Of course, lipstick may not be an essential item and probably has never before been included in a Red Cross package, but I am certain that women of all ages were appreciative. **RThought:** Nice idea, whoever thought of it.

How New Zealand handles student loans. During the first year under a new plan in New Zealand, 42,000 students in a country of 3,400,000 borrowed NZ$125 million (US$63 million). For students owing loans, when their pay on jobs after graduation reaches the "student loan threshold" of NZ$12,670 (US$6,460), the employer will deduct payments on the loan from his or her pay, according to a published repayment schedule, and remit it to the government. **RThought:** There is a lot we can learn from other countries, even one as small as New Zealand. (**Source:** *The Notes,* Retail and Wholesale Merchants Association of New Zealand, October 10, 1992.)

We can all learn from J. C. Penney. Diane Carter was fired from the J. C. Penney store in Lawrence Township, New Jersey, for violating the store policy prohibiting female employees from wearing pants. However, after four days, she received her job back at the same pay and benefits, plus pay for the four days she missed. The store manager admitted that the adverse publicity and shopper reaction caused a change in the dress code. **RThought:** Is your dress code, perhaps written a decade or two ago, still appropriate in 1993? How long has it been since you have asked your employees for their opinions of and suggestions for your dress code?

A tougher code for fund raisers. *The Chronicle of Philanthropy* (December 15, 1992) reported new standards for members of the National Society of Fund Raising Executives:

1. **Work for a set fee or salary and do not accept compensation based on the amount raised.**
2. **Refuse to accept or pay fees, often called "finder's fees," for steering big donations to a charity.**
3. **Leave all information on donors and potential donors at the organization for which it was collected. Fund raisers should not take such information with them when they change jobs.**
4. **Give donors the opportunity "on a scheduled basis" to have their names removed from mailing lists which will be sold, rented, or exchanged.**
5. **Keep confidential all information on the people an organization** ***serves*** **[emphasis added].**
6. **Make sure that contributions are used as the donors intended and that all fund-raising materials accurately reflect an organization's activities.**

RThought: This may give you a guide as to what you should ask of organizations which approach you or your business for a contribution. In addition, ask for a copy of their most recent audited financial statement and a list of the state governments with which they file their statement. You should also inquire:

1. Is your executive a member of the National Society of Fund Raising Executives?
2. Does your organization observe all of the provisions of the NSFRE Code?
3. Will you assure me that my (our) name will not be sold or traded with any other fund-raising organization?
4. Will anyone receive a fee from my (our) contribution?

WHAT DOES MACY'S MEAN?

The top of Macy's ad stated:

Now In Progress
Macy's
"Hello Summer"
S
A
L
E
& Clearance

I guess I know what that means. It ran on May 28. However, because Macy's does not use Strategic Weather Service forecasts, it ran its ad on what was a cold and rainy day in the San Francisco area. The items, of course, were "real" summer items — or were they? Consider whether these are summer items, even in San Francisco:

Krups Mini Expresso Cappuccino Machine
Bissell Clean Machine Promax Plus (discontinued)
Franciscan Desert Rose 5-piece place settings
Complete bed ensemble includes comforter, flat and fitted sheets, case(s), bed skirt and sham(s)
Chadwick 5-piece, 18th century dining room includes 42''x64'' table with two 12'' leaves and 4 Queen Anne side chairs
Handcrafted quilts (discontinued)

The ad ran in Macy's prime location in the *San Francisco Chronicle:* next to Herb Caen's column (which was celebrated in a feature article in *The New York Times* on May 26, 1992).

Residents in most areas of the country are unlikely to connect the advertised items and a "Hello Summer" sale, but we natives all know that San Francisco is not on the same calendar as is the rest of the U.S., so we will give Macy's the benefit of the doubt.

However, I really could not decipher the small print at the bottom of the ad [exact size shown below]. Do you understand it?

> **Macy's "Hello Summer" Sale & Clearance includes reductions taken from regular stock plus clearance items, value priced goods, and special purchases offered while quantities last. Additional savings apply to selected permanently marked down merchandise unless identified as "all." Selection of clearance merchandise will vary by store. Sale merchandise is from specially selected groups unless identified as "all." Stock on hand only. Intermediate markdowns may have been taken. "Regular," "original," and "former" prices reflect offering prices which may not have resulted in actual sales. Advertised items may be offered in future sale events. NOT RESPONSIBLE FOR TYPOGRAPHICAL OR PICTORAL ERRORS. Prices in effect now through June 6, 1993; except special purchases, value priced goods, and permanent markdowns.**

The customer who reads the small print must:

1. Find a magnifying glass.
2. Find the word "all."
3. Understand the word "all."
4. Identify "permanent markdown," "value priced goods," and "special purchases."
5. Guess at the percentage of the items that never sold at a "regular," "original," or "former" price.
6. Wonder who approved the "typographical errors."
7. Wonder who approved the "pictoral errors."
8. Determine which items are on "permanent" sale, reduced from "regular," "original," or "former" price.

RThought: When retailers elect to use "high-low" pricing, with constantly moving prices and with comparisons to "regular," "original," and "former" prices at which sales "may or may not have resulted," they further reduce the confidence of their customers in the "value" claimed in their ads.

When retailers use "everyday low prices" or "everyday fair prices," they can use the terms "regular," "original," and "former" without having to qualify them in a footnote.

WHAT HAPPENED AT A LOCAL SUPERMARKET CHAIN STORE

When I was in the "10 or fewer" lane in a local supermarket and the checker was dawdling, I knew there would be problems. I had loaded two small sundry items on the belt. In the cart, I placed two 20-pound bags of cat food, carefully set so that the cashier could read the UPC number and key it into the register. I put down two $20 bills. The checker rang up the two sundry items and totaled out. I asked, "What about the cat food?" She replied, "How could I have missed them?" I knew and she knew. As the change was $5-plus, I asked for five $1 bills. She gave me a $5 bill. I asked again and received five $1 bills.

RThought: Now we know why that store always posts a "We Are Hiring" sign on its doors. Two 20-pound bags would not be missed at our local, independent store; but unfortunately, the store is too small to stock 20-pound bags of pet food.

WHENCE COMETH, WHENCE GOETH THE NEW HEALTH FOOD STORES?

Whole Foods Market, originally backed by venture capitalists, is now public — and growing. Whole Foods is even making acquisitions such as the seven Bread & Circus stores in Boston, as well as smaller firms in North Carolina, New Orleans, and Dallas. Now, along comes Fresh Fields, also backed by venture capitalists, but with the investment firm Robertson Stephens & Co. in San Francisco already in its corner waiting for an initial public offering.

Chain Store Age Executive Edition (April 1993) did a review of the health food store industry, if it may be called an industry. Most interesting was a report by Robertson Stephens stating that "given that we project at least a 200-store market size, Whole Foods Market, Fresh Fields, and possibly a third player could co-exist quite nicely...although it should be noted that Whole Foods has a significant head start." (Whole Foods already has 19 stores, or almost 10% of the "whole" potential market.)

RThought: I believe there is a "whole" in this investment firm's reasoning. I don't believe there is any type of retail operation that is so "specialized" that the United States can support only 200 stores (square footage not specified). In December 1992 The San Francisco Music Box Company, a subsidiary of Woolworth Corporation, had more than 140 stores. Perhaps there would be a limit to the number of stores that could specialize in left-handed archery equipment; but once they added apparel, the U.S. could support more than 200 stores.

As proof of the folly of this kind of estimate, I offer the estimate of some years ago that the U.S. could support only 100 large home centers a la Home Depot. That forecast prompted Kmart to rush the development of Builders Square. At the end of 1992, Home Depot had 214 stores, while Builders Square had 144, and that isn't the entire industry nor are all parts of the country yet to be served by home centers.

If I had to estimate the potential for supermarket-style health food stores (square footage not specified) over just the next decade, I would have to estimate 500 to 700 stores (squ footage not specified) — and growing.

A NEW SCAM

A friend responded to an ad by Bullock's (Los Angeles), part of R. H. Macy & Company, offering some coffee mugs at $8.50 apiece. He ordered six by phone. However, when he received them, he found that Bullock's had shipped each mug separately and had charged *$5.50 delivery for each mug!* Fortunately, he had used a bank credit card and was able to protest the charge, saying that he would pay it when there was an appropriate adjustment.

RThought: There may be a logical reason for Bullock's having sent each mug separately, but I cannot think of one. Perhaps Bullock's expected people to buy only one and was set up with prewrapped mugs to which it merely attached a label. Consider the time to took to prepare separate charge slips for this customer! Or this may be a form of revenge: when in Chapter 11, try to force customers into Chapter 13!

SHORT SHORT

Advice given but not taken: George Struthers, vice president of merchandising at Sears, told the American Marketing Association, "...the competitive edge is eliminated from buying, and competition is primarily on an operating basis rather than a merchandising basis." *In 1962* (the year Kmart, Target, and Wal☆Mart were founded) *the audience was listening but, apparently, Sears was not.* A case of "do as I say, not as I do." Sears lost.

WORDS — THAT CAME TO MIND AFTER THE WAL☆MART ANNUAL MEETING

The 1993 Wal☆Mart Annual Meeting was my 14th and my last year as a director, although I will continue as a consult During that period, the age limit was changed from 65 to and then waived four times for me.

I used to tell Sam, who was 50 days older than I, that I thought I could stay on the board for as long as he was on it. When, in 1979, Sam first asked me to join the board, I had thought Wal☆Mart a large company, although it had not yet completed its first billion-dollar year!

When I thought back to the early years, I thought of Henry David Thoreau (1817-62), even though, of course, he did not know Sam:

> **If a man does not keep pace with his companions, perhaps it is because he hears a different drummer. Let him step to the music which he hears, however measured or far away.**

RThought: Sam marched to a different drummer and accomplished more than any other retailer accomplished. He left behind many executives in their 30's and 40's who heard that drummer for 15, 20 or more years while marching with Sam. Sam's drummer will be heard for many years to come.

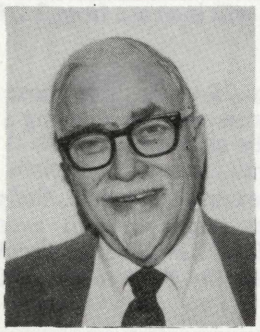
Retail Monthly/Year-To-Date Sales Comparison (Unadjusted $ millions)

SIC Code	Category	March 1993 1993	March 1993 1992	Percentage Change	Year to Date Three Months 1993	Year to Date Three Months 1992	Percentage Change
52	*Bldg Matl Group	$ 8,278	$ 7,939	+ 4.3%	$ 22,081	$ 21,127	+ 4.5%
57	*Furniture Group	8,939	8,235	+ 8.5	25,579	23,915	+ 6.6
571	Furniture Stores	4,539	4,310	+ 5.3	12,974	12,399	+ 4.6
572	Appl, TV, Radio Stores	3,502	3,155	+11.0	9,988	9,248	+ 8.0
5941	*Sporting Goods Stores	1,518	1,413	+ 7.4	3,990	3,833	+ 4.1
5942	*Book Stores	615	573	+ 7.3	2,237	1,992	+12.3
5944	*Jewelry Stores	907	926	− 2.1	2,760	2,780	− 0.7
531 Pt	Conventional Dept Stores	3,850	3,779	+ 1.9	9,822	9,849	− 0.3
531 Pt	Natl Chain Dept Stores	2,854	2,785	+ 2.5	7,607	7,375	+ 3.1
	Subtotal	6,704	6,564	+ 2.1	17,429	17,224	+ 1.2
531 Pt	Discount Stores	8,027	7,516	+ 6.8	21,990	20,363	+ 8.0
531	*Department Stores	14,731	14,080	+ 4.6	39,419	37,587	+ 4.9
541	*Grocery Stores	29,988	29,031	+ 3.3	87,262	86,403	+ 1.3
56	*Apparel Stores	7,829	7,573	+ 3.4	21,005	20,179	+ 4.1
561	Men's & Boys' Stores	634	656	− 3.4	1,813	1,862	− 2.6
562,3,8	Women's Stores	2,885	2,816	+ 2.0	7,853	7,419	+ 5.8
565	Family Clothing Stores	2,384	2,183	+ 2.5	6,291	5,766	+ 9.1
566	Shoe Stores	1,319	1,387	− 4.9	3,471	3,721	− 6.7
591	*Drug Stores	6,648	6,365	+ 4.4	19,002	18,878	+ 0.7
596	*Nonstore Retail	4,179	3,747	+11.5	11,324	11,127	+ 1.8
5961 Pt	Mail Order	2,336	2,098	+11.3	6,478	6,310	+ 2.7
	Retail Trade — Total	83,632	79,882	+ 4.7	234,659	227,521	+ 3.1
	**Retailing Today* Total Store Retailing†						
	**GAF TOTAL	41,279	38,835	+ 6.3	113,968	108,043	+ 5.5

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

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.



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CORRECTION — ALL IN THE FAMILY

In a June 1993 *RT* article, "It All Depends Upon Where You Stand," under **RThought,** I wrote:

> **An old saying ran through my mind. Patty, my wife, helped put it together: "I felt sorry for myself because I had no shoes, until I met a man who had no feet."**

Our niece, Cesca Tillman, sent me the following from The International Thesaurus of Quotations:

> **I murmured because I had no shoes, until I met a man who had no feet. PERSIAN PROVERB**

RThought: Another reference book for me to purchase! The quotations are by subject. As an example, the above proverb was under "Comparison." Comparison was cross-referenced to Advantage, Adversity, Compensation, Consolations, Contrast, and Relativeness.

The photocopy of the title page sent by Cesca discloses the publisher to be Harper & Row, ISBN 0-06-091382-7, and a price of $12.95 (probably in paperback).

[**Late Note:** I received my copy. It is a paperback but now costs $19.95.]

IS ABC MORE ETHICAL THAN NBC?

We all recall how NBC handled its story on the safety of General Motors trucks with "side saddle" gas tanks, a story that made most people wonder about the integrity of any story aired on NBC.

However, ABC may be in the same league. It is the one which claims "More Americans get their news from ABC than from any other source."

For years I have read *AIM* (Accuracy in Media) *Report* (1275 K Street, N.W., Suite 1150, Washington, D.C. 20005; $35/yr.), edited by Reed Irvine. Often I disagree with Irvine's position, but in this particular article, he and his associate editor, Joseph C. Goulden, documented their case by quoting an exchange that took place at the annual meeting of Capital Cities/ABC on May 13. Allow me to quote from *AIM Report* on "ABC's Taco Caper":

> **Goulden detailed an episode discussed in [the] January-A 1993 *AIM Report.* In an attempt to prove that a Customs Service drug interdiction program didn't work, "20/20" flew a plane into Arizona from Mexico, dipping low to toss out a bag containing a taco — a substitute for drugs.**
>
> **GOULDEN: "There was something interesting omitted from the broadcast.... You didn't mention...that the Customs Service trailed the plane into Arizona, watched the drop of the bag, and had officers on the ground intercept the ABC pickup crew the minute they grabbed the blue bag. The Customs plane was right behind the ABC charter when it landed. Not a word of this was mentioned on "20/20"; the thrust of the segment was that the Customs Service wasn't doing its job...I suggested that "20/20" wasn't doing its job either. What we have here is a mini-version of the GM truck scandal...."**
>
> **ARLEDGE [Roone Arledge, president of ABC News] replied, "The people involved were reprimanded by us for violating the law...they are not allowed to violate the law to get a story. Other than the fact that it was an attempt to use a silly little thing like a taco to prove that you could get it into the country, I don't think that anybody was harmed one way or the other by it."**
>
> **GOULDEN: "Why not tell your viewers that you tested the system**

THE WHEEL OF RETAILING GOES AROUND

My old professor, Malcolm J. McNair, wrote about "The Wheel of Retailing" and gave many examples to illustrate the cycle.

There is another cycle in my office. For 10 years we have restricted the files to 125 drawers. When a drawer is too full, one of my assistants will tie a blue ribbon on the drawer handle, which tells me, "Bob, please make room. Otherwise, papers cannot be filed."

I was "de-filing" the other evening when a small article from *The New York Times,* dated February 20, 1987, fell out of the Dayton Hudson Corporation file. Here is the entire article:

> **TV SHOPPING PLAN BY DAYTON HUDSON**
>
> **The Dayton Hudson Corporation plans to start a live, one-hour television show this spring offering viewers a chance to buy just about anything sold in its Dayton's stores except furniture and appliances. Dayton Hudson thus joins a growing list of major retailers getting into the televised shop-at-home business.**
>
> **Dayton Hudson said that it would be creating its show as part of a joint venture with USTV, a Los Angeles-based television production company. The Dayton Hudson show makes its debut March 29 in a 13-week test period, Cyndi Schlosser, a Dayton's spokeswoman, said. USTV will handle on-air production and Dayton's has contracted for air time with stations in the Twin Cities, St. Petersburg, FL, and Albuquerque, Roswell, and Farmington, NM, Ms. Schlosser said.**

RThought: Have you watched Dayton's show lately? Has it promised anything different from those copycats, Saks Fifth Avenue, Macy's, and Nordstrom?

The show began in March 1987, some six years and five months ago. It must be a well-established show by now. Or did it last just 13 weeks? Or did it last less than 13 weeks?

I am with Mac on this one: the wheel goes around.

RThought: Perhaps another rule applies here.

It takes three tries to start something entirely new; the first two failures merely show what won't work.

you were criticizing? The system worked. You were caught redhanded with a taco." [Laughter]

ARLEDGE: "I think you have some validity to that...."

RThought: What shocks me is that even after the facts were disclosed, Arledge did not acknowledge that "20/20" had perpetrated a fraud on its viewers. Instead of being reprimanded for violating the law, the producer and the others responsible should have been fired. Arledge was in error in making excuses for them.

Do you remember how long it took for NBC to admit the fraud it perpetrated on its viewers when it conducted a controlled explosion of a GM truck, calling it "typical" of what could happen should one of the trucks be involved in an accident?

Irvine reported on another event on ABC: At the 1992 annual meeting of Capital Cities/ABC, Irvine charged that ABC had deleted the opening four-second segment of the "Rodney King video." The jurors saw that four-second segment but most of the public did not. Apparently, ABC bought the tape and controlled what was shown. After the trial, jurors said that these four seconds were what made them feel that the officers had reason to fear King. The segment showed that King tossed aside four police officers *after* they had used a Taser stun gun to give him two 50,000-volt shots.

RThought: For years Patty and I have watched ABC news almost every night when we are home. It will be a long time — perhaps, never — before I will again accept ABC's presentation of anything controversial. I will, however, accept that the Mississippi River went over its banks during July.

ARE YOU PREPARED FOR THE CALIFORNIA OF THE FUTURE?

The Demographic Research Unit of the California Department of Finance has a long history of useful and realistic demographic projections. The projected population figures have been very close for the last three census counts.

The estimated population as of January 1, 1993, was 31,552,000. During 1992, the population increase was 570,000, which consisted of 390,000 from natural increase (births exceeding deaths) and 162,000 from net in-migration. (You may not want to believe the net in-migration figure if you have read the many stories about corporations closing plants in California and people leaving in droves for lower-cost areas of the U.S.)

Here are the projected mileposts in California's total population:

- 40 million in the year 2006
- 50 million in the year 2022
- 60 million in the year 2036

At the present time, California's population is about 12% of the U.S. population (but will probably be between 15% and 17% by 2036). By the year 2002, no racial/ethnic group in California will exceed 50%.

By the year 2040 the ethnic composition is projected as follows:

	1993	2040
Whites	58%	32%
Blacks	7	6
Hispanics	25	50
Asians and others	10	12

Birth rates for whites and blacks will remain about the same as in 1990. For Hispanics the rate will drop from 3.5% to 3.0%; for the Asians and others group, it will increase from 2.2% to 2.4%.

Life expectancy will increase from 75 years (now above the U.S. average) to 82 years, with Asian and others having a life expectancy of 87 years.

For all of the talk about people leaving California, the projected annual net increase from migration will average 226,000. It will increase from 162,000 in 1992 to a peak of 285,000 in 1995-96 and then gradually drop to 216,000 in 2040.

The population will be older. The median age will increase from 31 to 35. Whites will be the oldest at 45 and Hispanics will be the youngest at 28.

RThought: In-migration and the higher birth rate among Hispanics will lead to Hispanics constituting 50% of the population. Not all of the in-migration will be legal.

RThought: California often leads the United States in cultural, economic, and fashion trends. The increased Hispanic component in the population is also taking place in Texas (from Mexicans), in Florida (from Cubans, although this could change with the death/retirement/overthrow of Fidel Castro), and in New York (from Puerto Ricans). The Asian component in many states will rise faster than in California, which already has a large Asian population. (When in New York City recently, I was conscious of the large number of Asians.)

LET'S USE MORE EIGHTH-PAGE ADS

I often wonder about the effectiveness of newspaper ads that take two, three, four, or even six consecutive full pages. I am not talking about tabs or sections containing advertising for just one company.

At last, I have found some figures that support my curiosity.

An assistant brought me a copy of the June 24, 1993, *Financial Post* from Montreal. The Newspaper Marketing Bureau, Inc. [of Canada], conducted a survey of 1,618 adults and found that:

- A quarter-page ad is 12% (not 100%) more effective than an eighth page.
- A half-page ad is 21% (not 100%) more effective than a quarter page.
- A full-page ad is 50% (not 100%) more effective than a half page.

I did a little multiplying — 1.12x1.21x1.5 = 2.02 — and found that a full-page ad should be slightly more than twice as effective as an eighth-page ad.

Most newspapers charge by the column inch. A full-page ad should cost eight times as much as an eighth-page ad (if the same number of inches are used each month) but is only twice as effective. Why not run one-eighth page ads on every right-hand page in a paper and get the maximum effectiveness for your money?

Another survey by the same organization, based on 1,852 adults, found that 69% of Canadians over 18 read a daily newspaper. The report does not indicate whether this is a decrease or an increase (in the U.S., readership has dropped over recent years).

Of that 69%, 85% said they read the entire paper, regardless of day of week or weekend. Fifty percent read from front to back, 15% read only sections of interest, and 20% read particular sections and scan the rest.

IF YOU DON'T WANT TO WORK HARD FOR EDLP . . .

Sometimes, there is a strange side to retailing.

If there is something which you know you should do but don't want to do, you can develop a test to prove you don't need to do it.

If there is something that you know you must do but aren't prepared for, go ahead and do it, preparation be damned. When you fail, you can go back to your old, comfortable way.

And when you are the editor of a retail trade paper, you can find a worthless study by an impressive source and use it to prove that the world really is flat!

Let's start with the middle situation: doing something that ought to be done before you know what you are doing. The classic example is the Sears Roebuck and Co. venture into Everyday Low Pricing (EDLP). Sears knew that its prices were too high, because its expenses were too high and it added a profit on top of the high costs. Its customers soon realized, when they purchased an item at Sears, that they probably could have purchased a similar item elsewhere at an equal or lower price.

Sears decided to switch to EDLP. A massive advertising program announced the arrival of the millennium. Sears closed its stores and cut prices on thousands of items. Customers flocked to Sears — for a few days — only to find themselves asking, "How do I know if Kenmore appliances or Craftsman tools are now a real value? Where can I go to compare prices of Kenmore or Craftsman products so that I can be certain that the new EDLP prices at Sears represent a 'value'"? The answer: they can't! Another Sears store will have the same prices.

Apparently, no one at Sears asked the question: Exactly what is EDLP? Apparently, no one explained that EDLP is *a price that a customer recognizes as a low price because he or she sees EXACTLY the same item at varying prices in other stores and, therefore, knows that the price in the EDLP store is low.* As a shopper, I am always storing away in my mind the price of Coca Cola, a particular Olympus camera, Pampers, and Michelin tires in the sizes that I use. Doesn't everyone?

Soon enough, the shopper will conclude: Whenever I am out to buy something, I notice that XYZ store has it at a lower price. And eventually, the shopper will foresee: If I am as smart a shopper as I think I am, I will quit running around and go directly to XYZ store in the first place.

Subsequently, Sears forgot all about EDLP because EDLP didn't mean anything relative to its private labels. Sears then began concentrating on what it should have worked on in the first place: reducing expenses. They should be low enough that even when a profit is added its customers would recognize a value.

When Sears began to work on lowering expenses, it was embarrassed by the thousands of people *it knew it wouldn't need* if its systems were as efficient as those already used by other retailers. To get the good systems, it had to come up with some real dollars. While Sears was studying the business, it realized its stores looked shabby and that it would have to put some big money into remodeling as well.

At one time, Sears had a lot of money (called "depreciation," which is part of "cash flow"). But Sears had used its cash flow from retailing to buy financial companies. Now, when it looked into its bank account, the money was gone.

These were the problems Arthur C. Martinez faced when he took on the job as CEO of the Sears Merchandise Group. When Martinez looked at the mail-order operation, he saw facilities and systems that were more archaic than his stores. It would be years before he would have the dollars needed to modernize mail order, so he closed it. However, I believe this to be a temporary move. In five or six years, when Martinez has his new store systems in place and his stores are remodeled, he will realize that there are still 25 million Sears credit customers who remember those great BIG BOOKS. Sears will go back into the mail-order business with its BIG BOOK and with a state-of-the-art mail-order system (J. C. Penney probably has that now).

Now, let me deal with my first paragraph: If there is something which you know you should do but don't want to do it, develop a test to prove there is no need.

The supermarket industry knows, deep down, that it must learn to operate more efficiently. The industry can no longer make a profit by selling slots and end displays and forcing out high-cost items at prices its customers resent. The "cents per package" spent on advertising cigarettes, breakfast foods, soft drinks, disposable diapers, and bathroom tissue are getting so high that now there is room for good quality, private or restricted, labels at much lower prices. These items don't pay slotting allowances because that expense would go directly into the price paid for the product, plus a 10% charge for bookkeeping.

And there is the tremendous investment in warehouse space to store advance purchases of items on "special" from the vendor, enabling the store to offer goods at a higher margin four or five months later.

Once, the theory of supermarketing was that you turned your inventory more than 15 times a year so that your payables exceeded your inventory and you didn't have to invest equity dollars in inventory.

It would be foolish to think that supermarkets, today, could offer EDLP and continue to "buy and warehouse," collect slotting allowances, and all the rest. Why do supermarkets have the Food Marketing Institute (FMI)? To do research, of course! FMI went to the University of Chicago Graduate School of Business and surely asked, "If your School of Aeronautical Engineering can prove that a bumble bee cannot fly, why can't you prove that EDLP won't work?" Apparently, the School of Business took on the assignment, with Dominick's Finer Foods offering the use of its data.

Department stores, of course, were looking for similar proof. An editorial in the National Retail Federation's magazine, *Stores,* entitled "EDLP Revisited," summarized the key points in the FMI study as follows: "In stores where the researchers lowered prices 10% (thereby creating an EDLP strategy) [It did?], sales increased slightly, but profits were about 17% less than had the store stuck with its traditional pricing. In stores where the researchers raised the prices, sales slacked slightly, but profits actually increased."

The editor of *Stores,* who may not be a retailer, closed his editorial with this comment: "Many retailers have claimed that the EDLP policy might work fine for Wal☆Mart, but not for them. They argue — and the University of Chicago study gives them credence — one of retail's oldest lessons: Customers like a sale."

What has been overlooked?

First of all, those successful with EDLP, such as Home Depot,

FEATURE REPORT ***continued:***

Toys "R" Us, Price/Costco, Sam's, Food Lion, Albertson's, Dillard, and Wal☆Mart, *first reduced their total costs so that they could reduce ALL of their prices,* not just 10% on a few unadvertised items. They did this so that more people would shop with them for all of their purchases. This process increased their volume, with the result that fixed costs are spread and the total expense percent dropped. Then those successful retailers can cut prices again, which, in turn, increases sales, etc., etc. Secondly, those successful with EDLP tell *everyone* about it — both associates and customers — not just the University of Chicago Graduate School of Business. The successful retailers use low EDLP in lieu of advertising dollars. Thirdly, those successful with EDLP do have sales — but not twice or three times a week. They offer "true" special purchases rather than unbelievable percentages off of so-called and unbelieved "everyday prices." *The culture of EDLP demands more integrity in pricing and in advertising than most retailers are willing to invest.*

RThought: The list above — Home Depot (Lowe's Companies is also having great success with EDLP in the same field), Toys "R" Us, Price/Costco, Sam's, Food Lion, Albertson's, Dillard, and Wal☆Mart — must be delighted to learn that two such large industries, those represented by FMI and NRF, have formally announced that EDLP won't work because (a) cutting prices reduces profits and (b) customers like a sale.

As is said in Los Angeles, "They just don't get it."

A RETAILER WHO FIGHTS FOR PRINCIPLES

I have a friend named John Roscoe. He is the founder and vice president (his son is the president) of The Customer Company, a chain of "Compact Mass Merchant" stores under the name of Cheaper! In 2,400 to 6,000 square feet, it meets all prices — warehouse clubs, supermarkets, Wal☆Mart, whatever comes down the road. The storefront sign might have a person's name before the company's name, Cheaper!, indicating the first name of the permanent manager of that particular store.

I won't go into all of the unique features of Cheaper! stores nor of John, a staunch, philosophical libertarian, who believes that free enterprise is the best of all things at all times.

Cheaper! uses the four sides (and sometimes the bottom!) of its barrel bags to carry editorial messages. I will deal with just two: "The State of California Sues Us Because We Sold Milk Cheaper" and "The $100,000 Apology, A Case of Prosecutorial Abuse."

About the milk, California controls the price at all levels of all milk with a butterfat content — what the dairy can charge the processor, what the processor can charge the store, and what the store can charge the customer. I am very familiar with this because I represented a founding member of a quasi-cooperative milk processor and was a consultant to the firm for many years. I fought the Milk Stabilization Board, trying to get it to reduce the price my client had to charge its customers and the stores had to charge their customers. This was in the 1954-1970 period, when the "mom and pop" stores were giving way to the supermarkets and the supermarkets were giving way to the super-supermarkets.

In California, milk has always been the most profitable item in a grocery store, especially when a store owns, individually or cooperatively, a processor. Our captive processor regularly paid a $2 dividend (85% tax exempt) on stock that had a book value of $4.

However, there is a loophole in the price structure: the legal prices apply only to milk in sizes up to one gallon. In the market of The Customer Company, one of the membership clubs shrink-wrapped together two one-gallon containers and sold the unit for less than twice the one-gallon price. Roscoe figured the shrink-wrap was wasted expense, so he began selling any combination that equalled a gallon — four quarters, two half gallons, or a mixture — at one-half what the warehouse club was charging for two gallons.

The Milk Stabilization Board turned to the attorney general, whose annual budget is $285 million, with 3,964 employees, of which more than 700 are attorneys.

Roscoe pointed out that there were some absurd variations in the fixed prices — a gallon of milk costs $2.72 in Los Angeles, $2.27 in San Francisco, and $2.29 in Sacramento.

The attorney general wanted to impose the maximum fine — $64,000 — and he was willing to spend $100,000 or more to collect it. The case dragged on for more than five years. Finally, Roscoe was offered a settlement:

1. **Stop selling one gallon containers of milk at half the price of two gallons.**
2. **Increase the price of milk in all Cheaper! stores more than 15 miles from a club store (there are 103 Cheaper! stores and 38 club stores in Northern California).**
3. **Report the Cheaper! price and the Price Club price to the state every week.**

Roscoe declined the offer.

The latest figures I have from one of the Cheaper! barrel bags show Safeway and Lucky at $2.49 a gallon (each has its own milk processor), Raley's at $2.45, and Cheaper! at $1.91.

Roscoe does not believe the process is right or fair and will continue to resist. If he wins in court, the attorney general will probably appeal; if he loses, I am certain that Roscoe will appeal. [**Late Note:** A jury held 12-0 that Cheaper! did not sell below cost and could price to meet competition. So far, the state has not appealed.]

Now, let's look at "The $100,000 Apology." In 1988 (legal actions take a lot of time in California!) Solano County officials served surprise search warrants on several Cheaper! stores based on the statement of a former employee who claimed that chlordane, a pesticide, had been sprayed inside the stores.

An environmental consultant concluded, "There is more chlordane on an orange than there is in these stores."

Despite this finding, Mark Pollock, the deputy district attorney, took the case to the Solano County Grand Jury and to the municipal court. Subsequently, the municipal court case was dismissed at the request of Pollock "for lack of evidence." After the dismissal, Pollock made a statement to the press that the case was dismissed because a key witness had developed a "memory lapse."

Pollock's statements implied that The Customer Company had procured perjured testimony. In fact, although Pollock had questioned the witness at length before the grand jury, he had never before asked the question about which he accused the witness of having had a "convenient lapse of memory." Pollock also made comments to the effect that Cheaper! stores may present a health hazard to the public.

The Customer Company sued Solano County for slander and for the costs of defending against a charge that was withdrawn for lack of evidence.

In the end, Roscoe reproduced the following on his Cheaper! barrel bags:

PUBLIC NOTICE/COUNTY OF SOLANO

The County of Solano and Deputy District Attorney Mark Pollock have reached agreement with The Customer Company and John Roscoe concerning public statements made by Mr. Pollock in July of 1989 about The Customer Company stores, its employees, and Mr. Roscoe. His statements created the impression that Mr. Roscoe had suborned perjury and that the company's Food & Liquor [then the name] stores were unsafe. This impression was not true.

Mr. Pollock regrets the unfortunate choice of words that created the inference of misconduct on the part of The Customer Company, its employees, and Mr. Roscoe. The County of Solano and Mr. Pollock apologize to The Customer Company, its employees, and to Mr. Roscoe for any misunderstandings, damages, or inconveniences that may have been suffered by them.

PAID FOR BY THE COUNTY OF SOLANO

The ad ran in the *Fairfield Daily Republic* on October 26-27, 1991, and on November 2-3 and 9-10, 1991, and in the *Vacaville Reporter* on October 26-27, 1991, and on November 2-3, 1991.

It cost Roscoe and The Customer Company an estimated $100,000 to get the record corrected. But he believed doing anything less would be wrong.

RThought: I never knew my grandfather, Solomon, or my great grandfather, Israel, but from what I have heard about them, they would be pleased to know that a man with John's character is my friend.

RThought: Just think of how you could increase advertising effectiveness. If you normally run two full pages, you could run 16 eighth-page ads. For the price of two full pages, you get four times the effectiveness!

It is unlikely that the Newspaper Marketing Bureau anticipated this interpretation of its study.

Have I made an error in my logic? If so, please straighten me out. Perhaps someone will try this and let me know the results.

The more I think about this report, the more I wonder how much retailers could save by using one-sixteenth or one-thirtysecond of a page.

DOES YOUR MARKET INCLUDE SENIOR CITIZENS?

The following data was included in an article, "Spending by Older Consumers: 1980 and 1990 Compared," in the May 1993 *Monthly Labor Review* (a single copy may be obtained for $7 [$8.75 foreign] from your nearest Government Printing Office; identify it as ISSN 0098-1818, May 1993).

The table below shows the growing importance of senior citizens during the 20th century.

Percentage of Population over 65

Year	65-74	75 and over
1900	2.9%	1.2%
1950	5.6	2.5
1970	6.1	3.7
1980	6.9	4.4
1990	7.3	5.2

Projections

Year	65-74	75 and over
2000	6.8%	6.2%
2010	7.4	6.5
2020	10.5	7.2
2030	12.0	9.8
2040	10.2	12.4
2050	10.5	12.4

All people who will be 65 or older by 2050 are already on earth! The projections are a matter of applying the death rate (which can be done with reasonable accuracy) and estimating the net in- or out-migration rate (which partially depends upon U.S. laws that are subject to variations in content and enforcement).

The table below highlights changes in the 1980-90 period:

Comparison of Consumer Units by Age — 1980 vs. 1990

Item	Year	Under 65	65 to 74	75 and older
Average number of persons in household	1980	3.0	1.9	1.6
	1990	2.8	1.9	1.6
Average age of head of household	1980	40.0	69.3	80.3
	1990	40.1	69.2	80.7
Average number of earners	1980	1.7	.5	.3
	1990	1.6	.6	.2
Average number of vehicles	1980	2.2	1.4	.8
	1990	2.1	1.8	1.0
Percentage of home-owners with a mortgage	1980	44%	13%	5%
	1990	45	22	6
Percentage of home-owners without a mortgage	1980	18%	63%	61%
	1990	14	60	66
Percentage of renters	1980	38%	24%	34%
	1990	41	18	28
Percentage of households with at least one vehicle	1980	88%	79%	55%
	1990	89	87	67
Total expenditure dollars	1980	$17,779	$10,774	$ 8,894
	1990	29,442	20,366	15,082
Percentage change		+66%	+90%	+70%
Total dollars spent on food	1980	$ 3,364	$ 2,363	$ 1,835
	1990	4,636	3,717	2,613
Percentage change		+38%	+57%	+42%
Total dollars spent on alcoholic beverages	1980	$ 302	$ 125	$ 89
	1990	290	143	73
Percentage change		-4%	+14%	-18%
Total dollars spent on housing	1980	$ 5,002	$ 3,221	$ 3,351
	1990	9,029	6,174	5,208
Percentage change		+81%	+92%	+55%
Total dollars spent on apparel and services	1980	$ 970	$ 450	$ 246
	1990	1,499	755	434
Percentage change		+55%	+68%	+76%
Total dollars spent on transportation	1980	$ 3,876	$ 1,972	$ 1,035
	1990	5,625	3,444	2,113
Percentage change		+45%	+75%	+104%
Total dollars spent on health	1980	$ 658	$ 899	$ 1,152
	1990	1,204	2,102	2,113
Percentage change		+83%	+134%	+84%
Total dollars spent on entertainment	1980	$ 808	$ 322	$ 158
	1990	1,512	874	383
Percentage change		+87%	+71%	+149%
Total dollars spent on cash contributions	1980	$ 437	$ 502	$ 584
	1990	761	937	1,141
Percentage change		+74%	+87%	+95%
Total dollars spent on pensions and insurance	1980	$ 1,395	$ 332	$ 153
	1990	3,082	1,071	251
Percentage change		+121%	+223%	+64%

*I have omitted expenditures on personal care, reading, education, smoking, and miscellaneous.

Note the change in total expenditures. The income of the "younger 'old' group" (aged 65-74) had a 90% increase and the "older 'old' group" (aged 75 and over) had a 70% increase. Both older groups had a greater increase in total expenditures than did consumer units headed by persons 64 or younger (65%).

You can see the pressure points on the senior groups. Expenditures for the "older" groups have increased faster in the following categories than have their total expenditures which approximate income:

- Apparel and services
- Transportation
- Health care
- Entertainment
- Contributions

Health care costs are, to a large extent, not controllable by the individual. Entertainment and contributions are controllable. Transportation and entertainment may indicate greater activity at 75 and older. Apparel and services may reflect inflation more than it reflects income.

The expenditures of the "younger" group increased faster than total expenditures in the following categories:

- Health care
- Pensions and insurance

These two categories may not be controllable.

Food expenditures for both groups have increased at a much smaller rate than the rate of increase in total expenditures.

RThought: Each retailer will have to consider these facts when planning merchandise assortments. Car dealers, as well as sellers of gasoline, quick lubes, tires, and batteries, will benefit from the increased number of cars owned per consumer unit. Department and apparel specialty stores will recognize that expenditures for apparel and services (cleaning, laundry, repair, etc.) do not increase proportionately to the increase in total expenditures but, perhaps, can be increased by offering more appealing merchandise.

SHORT SHORT

Abuse of numbers. A mailing from the Zero Population Growth organization began with this statement: "FACT: It took four million years for humanity to reach the 2 billion mark. That was in 1927." **RThought:** 4,000,000 - 1,927 = humanity's founding *precisely* in the year 3,998,073 B.C. Want to bet? And would you bet on the accuracy of the figure for 1927 if you knew it was not a world census year? Using figures in this manner encourages people to believe they were made up by some press agent! There is no reason to contribute money to an organization which prints such foolishness.

WORDS — FOR ME — FIVE YEARS FROM NOW

The following poem appeared recently in the notes for the Harvard Business School Class of 1935 (I was five years later in the Class of 1940):

I Can't Remember

Just a line to say I'm living,
That I'm not among the dead.
Though I'm getting more forgetful
And mixed up in the head.

I got used to my arthritis,
To my dentures I'm resigned;
I can manage my bifocals,
But God, I miss my mind!

For sometimes I can't remember
When I stand below the stairs:
Must I go up for something
Or have I just come down from there?

And before the refrig, so often
My poor mind is in doubt.
Have I just put food away
Or have I come to take some out?

And there are times when it is dark,
With my nightcap on my head,
I don't know if I'm retiring
Or just getting out of bed.

So if it's my turn to write you,
There's no need for getting sore.
I may think that I have written
And don't want to be a bore.

So remember that I love you
And wish that you were near,
But now it's nearly mail time
So I say good-bye, my dear.

Here I stand beside the mailbox
With my face so very red.
Instead of mailing you my letter,
I opened it instead.

RThought: I know just how the author felt. Sometimes I walk into one of the rooms in my office and wonder what brought me there. I write a note to myself but always seem to misplace it — at night I will find it in my shirt pocket.

The poem was marked "Author not known." Most likely, the author forgot to sign it!

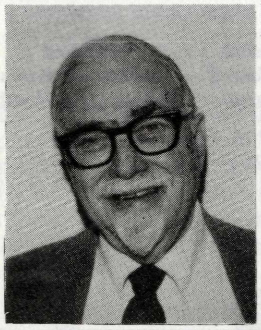
Retail Monthly/Year-To-Date Sales Comparison (Unadjusted $ millions)

SIC Code	Category	April 1993 1993	April 1993 1992	Percentage Change	Year to Date Four Months 1993	Year to Date Four Months 1992	Percentage Change
52	*Bldg Matl Group	$ 9,700	$ 9,092	+ 6.7%	$ 31,842	$ 30,219	+ 5.4%
57	*Furniture Group	8,786	8,078	+ 8.9	34,399	31,993	+ 7.5
571	Furniture Stores	4,621	4,329	+ 6.7	17,654	16,728	+ 5.5
572	Appl, TV, Radio Stores	3,254	3,031	+ 7.4	13,233	12,279	+ 7.8
5941	*Sporting Goods Stores	1,655	1,544	+ 7.2	5,633	5,377	+ 4.8
5942	*Book Stores	595	574	+ 3.6	2,843	2,566	+10.8
5944	*Jewelry Stores	1,030	972	+ 6.0	3,811	3,752	+ 1.6
531 Pt	Conventional Dept Stores	3,944	3,933	+ 0.3	13,757	13,782	− 0.2
531 Pt	Natl Chain Dept Stores	2,895	2,797	+ 3.5	10,502	10,172	+ 3.2
	Subtotal	6,839	6,730	+ 1.6	24,259	23,954	+ 1.3
531 Pt	Discount Stores	8,826	7,963	+10.8	30,817	28,326	+ 8.8
531	*Department Stores	15,665	14,693	+ 6.6	55,076	52,280	+ 5.3
541	*Grocery Stores	30,238	29,424	+ 2.8	117,490	115,527	+ 1.7
56	*Apparel Stores	8,781	8,444	+ 4.0	29,754	28,623	+ 3.9
561	Men's & Boys' Stores	708	739	− 4.2	2,515	2,601	− 3.3
562,3,8	Women's Stores	3,346	3,112	+ 4.3	11,092	10,531	+ 5.3
565	Family Clothing Stores	2,645	2,458	+ 7.6	8,918	8,224	+ 8.4
566	Shoe Stores	1,520	1,602	− 5.1	4,996	5,323	− 6.1
591	*Drug Stores	6,654	6,511	+ 2.2	25,662	25,389	+ 1.1
596	*Nonstore Retail	3,871	3,651	+ 6.0	15,131	14,778	+ 2.4
5961 Pt	Mail Order	2,036	2,098	− 3.0	8,484	8,408	+ 0.9
	**Retailing Today* Total Store Retailing†	86,975	82,983	+ 4.8	321,641	283,314	+13.5
	**GAF TOTAL	43,563	40,682	+ 7.1	157,524	148,725	+ 5.9

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

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington D.C. 20233 or call (301) 763-7128/7129. Irving has been very helpful to me over the years.



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WHERE IS THE DEPRESSION?

From the monthly Bureau of Census reports, I have been reprinting in *RT* the unadjusted monthly sales for major types of retailers. The news releases to the press are the seasonally adjusted figures. The two tell different stories.

We retailers look at actual sales. For retailers who use a calendar month, as does the Census Bureau, there was an extra day (February 29) last year. The sales changes for May 1993 versus May 1992 and for five months through May were:

Type of Retailer	Percentage Change Unadjusted Sales May 1993 v. May 1992	Percentage Change Unadjusted Sales 5 Months v. 5 Months
*Building Material Grp	+ 7.8%	+ 5.8%
*Furniture Grp	+10.4	+ 8.5
*Sporting Goods Strs	+ 9.1	+ 6.1
*Book Strs	+ 7.0	+10.5
*Jewelry Strs	+ 5.9	+ 2.5
Conventional Dept Strs	0.1	0.1
National Chain Dept Strs	+ 4.9	+ 3.6
Discount Dept Strs	+10.5	+ 9.2
*Total Dept Strs	+ 6.6	+ 5.7
*Grocery Strs	+ 1.6	+ 1.6
*Apparel Strs	+ 3.7	+ 3.9
*Drug Strs	+ 3.0	+ 1.5
*Nonstore Retail	+ 4.8	+ 2.6
Mail Order	-10.9	- 1.6
General, Apparel, Furniture (GAF)	+ 7.1	+ 6.3
**RT* Total Store Retailing	+ 4.7%	+ 3.9%

If there had been equal days in the five-month figures, they would have been about 0.7% higher. The only types of retailers running behind 1992 are the conventional department stores (to many members of the press, that means a depression) and mail order. Conventional department stores would be ahead about 0.6% this year had they not had an extra day last year.

We are told that mail order will put specialty stores out of business, yet the mail-order companies are running behind last year. So much for saving time and money by shopping by mail!

RThought: The Department Store LIFO index for the 12 months ending March 1993 shows:

Groups 1-15	Soft Goods	+1.1%
Groups 16-20	Durable Goods	-0.2
Groups 21-23	Miscellaneous Goods	+0.5
Store Total		+0.7%

IT DEPENDS

The "boxed" article in the April 1993 *RT* had a rather flippant heading: "It Depends Upon Whose Ox Is Being Gored". I wrote of the plea by J. Michael Cook, chairman and chief executive officer of Deloitte & Touche, who spoke out for accounting firms, demanding that a change be made in our tort liability system which was awarding large damages to plaintiffs who won suits claiming financial injury due to failures of accounting firms to detect any number of wrongdoings.

I noted that the accountants had not been concerned when the same tort liability system forced up the cost of medicine through large malpractice decisions and raised costs for all businesses due to excessive awards for such injuries as auto whiplash and slip-and-fall supermarket accidents.

I have not used the same headline in this box, but I cannot resist commenting on the reaction of the San Francisco legal community after the slaughter of eight people by a crazed man who made tragic use of legally obtained, semiautomatic assault handguns. Apparently, the gunman had been holding a 10-year grudge against the large San Francisco law firm where he began his random shootings in the firm's offices.

Immediately after the incident, the firm involved, along with other San Francisco law firms, demanded gun control laws and the Legal Community Against Violence was formed. There was talk of providing pro bono legal efforts in support of local laws which would be more restrictive than the state laws. It would also assist in suits against the person(s) or business(es) alleged to have sold weapons used to kill or maim.

RThought: The legal community reacted quickly when the victims were from their own group. I recall no such reaction from them when a similarly crazed gunman killed and maimed patrons in a fast-food outlet in San Ysidro, California, or when children were shot on a Stockton, California, playground or when innocent persons are killed or maimed in drive-by shootings.

John Donne (1672-1631) put it so well:

> ***No man is an island, entire of itself;***
> ***Every man is a piece of the continent, a part of the main:***
> ***If a clod be washed away by the sea, Europe is the less,***
> ***as well as if a promontory were,***
> ***as well as if a manor of the friends or of thine own were;***
> ***Any man's death diminishes me, because I am involved***
> ***in mankind;***
> ***And therefore never send to know for whom the bell tolls;***
> ***It tolls for thee.*** (Devotions XVII)

Four centuries ago, John Donne (who first studied at Oxford; then studied the law; next partook in two expeditions against Spain; was imprisoned by his father-in-law in an attempt to break up his marriage; became a priest in the Church of England at the suggestion of King James I; and then, the Dean of St. Paul's, the principal church in London) told us why we have a responsibility to all men.

NO MAN IS AN ISLAND.

It is unfortunate that too often the victim must be one of our own before we realize this simple truth.

Consider how much higher sales would have been had there been inflation.

The Consumer Price Index (CPI) for March 1993 versus March 1992 shows an increase of approximately 3% overall, but for "food at home" (sold by grocery stores), it is only 1.4%, slightly less than the grocery store sales increase. Some of the categories in the CPI which cover merchandise sold in other types of stores (such as apparel) are unchanged from last year. (The increase for January-May 1993 was less than 3% and 1.4%, respectively.)

When we have no inflation and a small population increase (about 1%), and yet show a 6.3% (7% adjusted) increase in GAF and a 3.9% (4.6% adjusted) increase for a broader measure of store sales, it is unfair to state that consumers are not spending because they lack confidence in the future or that they are worried about proposed tax increases.

The problem facing retailing is that **we are adding too much retail space**, particularly the major chains (Wal*Mart, Kmart, Target, Home Depot, Toys "R" Us, Walgreen, Staples, Office Depot, etc.). This type of expansion may help the large, efficient chains, but it is hurting the small, inefficient retailers, of which there are many. And there are large retailers who are inefficient and who are reporting declines in same-store sales and, in some cases, gross sales. Yet, in a free-enterprise system, we do not control the number of stores a retailer can open; the correction comes through business failure or retrenchment.

The consumers are doing more than their share.

We have either to quit complaining or to find out how the government manages to rig the figures to make total retail sales look so good.

RThought: I have read many articles indicating that gross square-foot construction of shopping centers (strip centers up to enclosed malls) will be about 12-15% of the existing total. No net figure is available reflecting shopping centers which have been converted to other uses or torn down.

If we assume that net space increased 8-10% and sales increased only 5%, there must be an overall drop in same-store sales. When same-store sales drop, economists, as well as analysts following the retail industry, immediately talk recession/depression. Inaccurate assumptions can dangerously mislead.

A single issue (May 21, 1993) of *The Dealmakers* (published by Ted Kraus, P.O. Box 429, Belle Mead, NJ 08502-0429; $197/yr.) for the shopping center industry lists the following planned new stores over the next 18 months:

Company	Present Number of Stores	Planned Additional Stores Within 12-18 Months
Dollar Discount	30	20
Everything Is $1 or $2	8	6
Consolidated Stores/All for One	167	75-100
Nevada Bob's Pro Shops	315	20
Imperial Sports	36	6
Sox Appeal	28	15
Barami Studio Apparel	10	8
Leather Mode	13	4
Hobby Lobby Creative Centers	57	25
Fastcheck Food Mart	55	10
Kotliar's Cards & Gifts	17	10
Recycled Paper Greetings	1,200	200
I Natural Cosmetics	70	15
CVS Drug Stores	1,250	80
Pet Go Round	11	4
Harwyn Shoes	16	4
Overland Trading Company	16	8
P&C Food Markets	62	5
West Coast Entertainment	500	18
Moto Photo	400	50
Total	4,261	583

This randomly selected issue shows planned expansion of 14%. In most cases the new units will be larger than their existing ones.

We certainly must be in a recession when expansion is so far ahead of consumer spending!

COMMON SENSE AT SEARS

Arthur C. Martinez, chairman and chief executive officer of Sears Merchandise Group, said, when announcing that Sears would honor Visa, MasterCard, and American Express cards, "It's a win for us and a win for our customers." Sears' management, going back to the introduction of BankAmeriCard and MasterCharge in the 1950s, argued, "We have more cards out than they have." (I remember such arguments with Linden E. Wheeler, then Sears' vice president of credit.)

The introduction of the Discover Card (recently sold) was an effort to show "We don't need Visa and MasterCard."

The most recent report on bankcards in the May 1993, Issue 548, of The Nilson Report (300 Esplanade Drive, Suite 1790, Oxnard, CA 93030; fax 805-983-0792; $695/yr., 24 issues) reported the following for the United States as of 1993:

- 85.3 million cardholders
- 248.8 million cards outstanding
- 2.92 cards per account
- 120.1 million active accounts
- $3,812 spent per year per cardholder
- $2,708 spent per year per account

In addition, there are all of the Visa and MasterCard holders in Europe, Asia, and South America who may travel to the United States and may not want to open a Discover Card or Sears account.

RThought: Richard Warren Sears and Marshall Field both developed their businesses in Chicago. Sears became famous for the slogan, "Since 1886, Satisfaction Guaranteed or Your Money Back." while Field became famous for "Give The Lady What She Wants." Field had approximately the same "satisfaction guaranteed" policy but he understood something more about retailing when he emphasized, "Give The Lady What She Wants."

Unfortunately, Sears' management and ego let 35 years pass before the company finally did do what retailers are supposed to do: "Give The Lady What She Wants." For a long time, "the lady" has demonstrated that *she wants bank credit cards;* in fact, almost the entire world of credit buyers, regardless of country or language, has expressed the same desire.

SHORTING RETAIL STOCKS

Every month *The Wall Street Journal* devotes almost two pages to "Uncovered Short Sales". One day reports the position on stocks traded on the New York Stock Exchange (NYSE) and the American Stock Exchange (ASE) and the other day reports on the stocks traded on NASDAQ. On July 22, 1993, the report covered both the NYSE and the ASE as of July 15.

The report covered only "uncovered" positions of more than 250,000 shares or, where there had been a plus-or-minus change from mid-June, of more than 173,717 shares [there never was an explanation as to how one arrived at the number 173,717].

If someone who *owns* the stock *sells short* to protect the price at the date of sale, it is called "selling against the box." If the stock goes down, the short can be covered by buying stock at the lower price (which will produce a profit) or delivering some of the owned stock to cover the short sale (in which case the sale, at the higher price, has been protected). There are two measures of a short position:

1. The short position in terms of number of days at current average sales which are needed to cover the short position. In the table below, I have used the average daily sales of the stocks during June 1993 to determine the "days."

2. The short position as a percentage of shares outstanding. For this figure, I have used the number of shares reported in the July Standard & Poor's Stock Guide as of June 30, 1993.

The stocks are listed in "days to cover" order.

Retail Stocks Listed as Short as of July 15, 1993

Stock	Days to Cover	Percentage of Stock Outstanding
AutoZone, Inc.	46.66	5.65%
Longs Drug Stores	45.53	6.58
Vons Cos.	38.74	5.75
INTERCO, Inc.	36.71	1.17
Safeway, Inc.	35.06	4.64
Factory Stores of America	33.00	.09
Duty Free International	30.65	7.04
Discount Auto Parts	27.83	3.36
Petrie Stores	24.97	3.19
Weis Markets	22.11	.67
Kroger Co.	21.54	5.17
CML Group, Inc.	20.11	8.71
Tiffany & Co.	18.76	11.21
Winn-Dixie Stores	18.53	1.22
American Stores	15.41	2.89
Blockbuster Entertainment	12.82	6.29
Consolidated Stores	12.41	3.06
Best Buy Co.	11.87	16.05
Office Depot	11.29	3.51
Stop & Shop Cos.	10.89	1.07
Value Merchants	9.75	14.57
Bombay Co.	9.16	4.55
Carter Hawley Hale, Inc.	7.27	1.74
Lowes Cos.	6.51	1.84
Venture Stores	6.40	2.26
Hancock Fabrics	6.03	1.48
Phillips-Van Heusen	5.79	1.31
Ann Taylor Stores	5.62	3.14
Smith's Food & Drugs	5.53	2.49
Tandy Corp.	5.12	1.51
Avon Products	5.03	1.31
Waban, Inc.	4.74	3.99
Jamesway Corp.	4.14	8.08
Federated Department Stores	4.05	1.19
TJX Cos.	4.04	.92
Walgreen Co.	3.96	.55
Wal*Mart Stores, Inc.	3.83	.61
Hills Department Stores	3.77	2.25
Toys "R" Us	3.63	.91
Service Merchandise	3.57	.72
Great A&P Tea Co.	3.54	.94
U.S. Shoe Corp.	3.43	1.32
Pier 1 Imports	3.29	2.00
Gap (The), Inc.	2.42	.71
May Department Store	2.26	.44
Woolworth Holdings	2.21	.54
Penney (J.C.) Co.	2.12	.43
Kmart Corp.	2.07	.85
Pep Boys	1.84	.64
Circuit City Stores	1.83	.60
Dayton Hudson	1.81	1.12
CUC International	1.33	.53
Melville Corp.	1.21	.24
Limited (The), Inc.	1.17	.27
Dillard (C1 "A")	1.15	.36
Home Shopping Network	1.06	1.28
Merry-Go-Round Enterprises	.99	.75
Caldor Corp.	.26	.25

The table can be summarized as follows:

Days to Cover

Fifty percent (the interquartile range) fall between 15.41 and 2.47 days. The median (half higher and half lower) is 5.53 days.

Percentage of Stock Outstanding

The interquartile range is .81% to 3.36%. The median is 1.31%.

RThought: Basically, a short position is created by someone who believes (or is concerned) that the price will go down. The greater the open short position, in terms of "days to cover," the more potential buying once the holders believe the downward trend has ended and the price will move up.

There are special situations regarding many of these stocks. For example, Milton Petrie holds about 60% of the stock in Petrie Stores. This major block means that the short percentage against the non-Milton Petrie shares is about 8%, instead of 3.19%, as reported. A similar situation exists in Wal*Mart, where the Walton family owns about 38%.

Kohlberg Kravis Roberts & Company owns or controls large blocks in several of these companies, such as Safeway, Inc., which holds 35% of the shares of Vons Companies.

In some cases, such as Jamesway Corporation, the 4.14 "days to cover" is low because there was heavy trading of Jamesway stock in the June weeks prior to the filing under Chapter 11.

RThought: Too often, without any measure of significance, mention is made of the absolute number of short sales outstanding. Of the above listed retailers, the three ranked as having the third, fourth, and fifth largest short positions among all companies on the NYSE are:

Company	Short
Wal*Mart Stores, Inc.	14,242,586
Home Depot	12,767,789
Blockbuster Entertainment	12,693,795

In terms of "days to cover" sales, these three large numbers represent 3.83, 11.29, and 12.82 days, respectively. In terms of "percentage of stock outstanding," they are only .61%, 2.87%, and 6.29% — far less than the short position of Best Buy Company (2,207,703 shares), which represents 16.05% of shares outstanding, or AutoZone, Inc. (3,988,4849 shares), which represents 46.66 days of sales at the current rate.

BETTER BUSINESS BUREAU CHALLENGES WARD'S JEWELRY ADS

The National Advertising Division (NAD) of the Council of Better Business Bureaus, Inc. (CBBB), as part of the Voluntary Self-Regulation of National Advertising, heard a complaint against Montgomery Ward because one of its sales circulars described a pair of diamond earrings on sale for $399 as having a "regular price" of $1,199 (a 67% discount). The complaint was filed by a competitor through the Cornhuskers Better Business Bureau. The competitor claimed that the company does not *sell* the jewelry at the stated regular price. Montgomery Ward asserted that the earrings were *offered* at the indicated regular price for 186 out of 365 days in 1992. However, Montgomery Ward was unable to locate evidence of any such earrings having been sold at the regular price in the Lincoln, Nebraska, market.

In a case reported in 1991, NAD had accepted, as a good faith offer to sell, an item at a discount of 55%, without evidence of any actual sales at the regular price. The recent Montgomery Ward decision, however, read:

> **Despite the advertiser's good faith efforts to sell the jewelry at the regular price, NAD determined that a regular price, which is four times the sale price, is an unrealistic dollar figure that has the potential of confusing the consumer as to the actual value of the jewelry. [Note: By my calculation, $1,199 is roughly three times $399, but advertising people are not required to be proficient at arithmetic!] This finding is reinforced by the fact that the advertiser presented no evidence of sales of the merchandise, in the local market, at the advertised original price. NAD concluded that, in this instance, the comparison of the sale price to the regular price is an overstatement of the discount, and the claim of savings is not substantiated.**

Montgomery Ward, in its statement, said, in part:

> **However, in this instance, NAD seems to be adding an interpretive gloss to this rule [set forth in the Code of Advertising]. It seems that if the discount is a certain amount that evidence of actual sales at the regular price is also required. It is unclear at what level of discount this requirement becomes operable. In addition, the magnitude of actual sales at the regular price is also left unclear.**

RThought: Montgomery Ward is both right and wrong. For years, both the Federal Trade Commission and NAD have been letting advertisers get by, claiming, as a regular price, a price at which no sale has ever been made. Under the old rule, which Montgomery Ward claimed as its defense, it could have offered the earrings at $2,199 instead of $1,199, with even less probability of ever selling a pair at the "regular" price yet permitting Montgomery Ward to claim an even greater savings when offered at $399. Or Montgomery Ward could offer the earrings for 186 days at $3,990, precluding any sale, but permitting a 90% savings claim when "on sale."

On the other hand, Montgomery Ward surely must recognize that without actual sales having taken place at the regular price it really was misleading customers when claiming a savings of 67%. It is my opinion that running advertisements of this type will hurt Montgomery Ward with its regular customers, although some sales may be produced. One would hope that Montgomery Ward is more concerned with building long-term relationships than with short-term profit.

The cost of the earrings was not disclosed. However, I believe that the cost does have a bearing. If the cost was $400, then $1,199 represented a double keystone (three times the cost), and the cost would have more or less proven the claimed regular price. On the other hand, if the cost was $200 and the claimed regular price was six times the cost, it would seem to support a regular price of only $600, and the advertised price would then be a savings of 33%.

Other companies, which have been covered from time to time in *RT*, insist that a regular price can be used only if one or more sales were made at that price. Everyone can understand and customers can appreciate such a clear-cut rule.

Until the FTC or NAD take a fair and consistent stand — that a regular price can apply only to a price at which a sale has been made — customers are going to continue to be misled and angry. And we will continue to have sales at 60-70% off 14 kt. gold and sterling silver jewelry.

Seasoned customers know that many so-called discounts are false; retailers know that customers know that the so-called discounts are not true. Does continuance of this game benefit anyone in retailing? If not, why don't retailers stop this practice which reflects most unfavorably not only on the advertiser but on all retailers?

SHORT SHORTS

Addiction to waste. An item in In-Store (Retail Systems Consulting, 520 Michigan Avenue, Suite 1610, Chicago, IL 60611; $295/yr.) gave an early report on the use of coupons in 1992. Number distributed: 310 billion; number redeemed: 7.7 billion, or 2.5%; number thrown away: 97.5%. The 7.7 billion redeemed had a value of $4.5 billion, or about 1.2% of grocery store sales in 1992. The only change in the 1992 coupon picture was the increase in coupons distributed in stores, an increase from 2.67% in 1990 to 4.1% in 1992. **RThought:** Coupons are a major part of an industry which is now saying that its future lies in improving efficiency in order to bring grocery store products to customers at a lower cost. No estimate was made of the percentage of 303 billion unused coupons dumped in landfills. (Some go with the newspapers to be recycled.)

Should this "innovation" be prohibited by law? The Shop Distributive and Allied Employees Association of New Zealand (the retail employees union) is lobbying the Victorian MPs (not military police but Members of Parliament from Victoria) to ban topless women in retail stores. The action follows the use of topless females hired from an "entertainment" agency by a hardware store, an auto parts store, and a fast-food restaurant! **RThought:** Retailers should establish and maintain high standards of conduct without a mandate by law. There should be no jobs in retailing which you would not want your daughter, wife, or sister to fill.

Lifelong learning, but not for retailers. I received a 226-page catalog from the Extension School of the University of California at Berkeley which offered courses at six locations in the San Francisco Bay Area — but not a single course about retailing. **RThought:** With retailers providing 20% of the jobs in the total work force but with fewer than 1% of the retailers cooperating with educators, what more can we — and those of our employee/associates who want to learn their profession — really expect?

You might confirm this truth with a simple test:

1. How many bank credit cards do you have?
2. Do you have a Sears card?
3. Would you buy a major appliance at Sears (before this announcement)?

RThought: Wheeler was not alone. Federated Department Stores held the same view, although I don't believe that Dick Kerr, then the operating vice president of credit, believed that it was wise. Kerr eventually resolved his doubts by retiring.

RThought: IBM did not foresee that desktop computing would replace the main frame. General Motors did not understand that Americans wanted the quality and gas mileage that Japanese cars provided them. National department stores did not understand that bank credit cards, by making credit available to every small retailer, were going to help develop many of them into big companies such as Marshalls, TJ Maxx, Ross Stores, Kmart, Wal*Mart, Target, Bradlees, Caldor, Toys "R" Us, Service Merchandise, Burlington Coat Factory, Woolworth, Home Shopping Network, Walgreen, The Gap, U.S. Shoe's various formats, Loehmann's, Dress Barn, Stein Mart, and hundreds of others — retailers which would take over much of the traditional department stores' business by offering comparable (some say, "better") credit facilities without having to invest more dollars in charge accounts than they had invested in inventory.

We must keep in mind that Studebaker was the only carriage maker which survived the introduction of the automobile — but even Studebaker has been gone for several decades.

THE WHEEL OF RETAILING AT NORDSTROM

Women's Wear Daily, April 13, 1983:

NORDSTROM SUIT NAMES VISA

Contra Costa Times, July 23, 1993:

NORDSTROM HOPES TO SPARK SALES BY ISSUING VISA CARD OF ITS OWN

The first headline related to a 1983 suit by Nordstrom against Visa to stop Visa from compelling Nordstrom to honor Visa debit cards. Nordstorm claimed that requiring the handling of debit cards, along with credit cards, was an illegal "tie-in arrangement." Nordstrom compared a debit card transaction to accepting a check, yet no fee was charged by the bank for honoring checks drawn on it. It "charged Visa with attempting to create a monopoly in the national bank card market." But Nordstrom dropped the suit a few weeks later.

The second headline relates to the issuance of a co-labeled "Visa card" by the Nordstrom National Credit Bank in Englewood, Colorado. Offering both a co-labeled Visa card and hundreds of thousands of regular Nordstrom store credit cards seems to me to be the height of hypocrisy. It is nothing more than a vehicle to collect a higher finance charge — using a rate beyond the control of the state in which the customer lives. The Visa-Nordstorm card will require a smaller monthly payment than will the regular Nordstrom card on an identical balance. One makes more money on a Visa card if the balance is higher. Therefore, Nordstrom will encourage a larger balance on the Visa card rather than a smaller one on its Nordstrom accounts. If successful, Nordstrom's customers will be spending more for less.

RThought: My assistant, who spotted the latest article for me, left a note asking, "If Nordstrom wants to 'spark sales,' why doesn't it cut the interest and minimum payment on its own card?" I don't want to tell her why because she now shops at Nordstrom and the truth would disappoint her.

Nordstrom's new offer may mark a turning point for the company. Until now, Nordstrom has concentrated on building a profitable business by providing the best service in the industry *before the transaction is completed.* Now, it may be concentrating on making the most money from what it collects *after the transaction is completed.*

This is not the first time a retailer has metamorphosed from merchant to finance company. For 1992 Sears reported a loss for its Sears Merchandise Group of $2,977 million, despite a $338 million profit on $2,827 million of "finance charges and other revenues." (I would not keep my books the way Sears keeps its books on credit profitability.)

THE PROBLEM OF COMPARING PRICES

The Ottawa Citizen (Canada), July 13, 1993, tried to find out if it was worth paying yearly membership dues of $25 to shop at Price Club. It compared prices of 56 food items with identical items in Loblaws (supermarkets), a firm which states that it is "taking the Price Club on, item for item." Another 12 items were compared with private-label items at Sears (Canada), and finally, 13 items were compared with prices at Canadian Tire (a large national chain which just selected the CFO of Hechinger Co. as its new CEO).

The comparison is flawed by attempting to compare national brand items with Sears' private-label items. For example, the reporter was under the impression that he had a real argument against Price Club because it carried a 900-watt vacuum cleaner at $267.99 against a 1,000-watt vacuum cleaner at Sears for $189.99. Did the national brand carried by Price Club include on-board tools with its upright model when the Sears Kenmore did not? No mention was made of accessories. How did the attachment kits compare? How long were the extension cords? Could both get under the standard 6-inch clearance of a sofa? Did both have rubber bumpers to protect furniture? Were the bags easy to install? In other words, excessive credence was given to a "noncomparison" comparison because the reporter concentrated only on the wattage.

The article's "pull quote" read, "Overall, there are savings to be had at a giant warehouse outlet. But shop around — because you could find some items cheaper elsewhere." (This is hardly a remarkable conclusion.)

The 56 identical supermarket products could also stand some analysis. The relative prices and savings are shown below:

Number of Items		Price Club's Price Savings Higher/Lower than Loblaws
16	(same price) no savings	-0-
31	(lower price) savings	$35.82
9	(higher price) extra cost	(7.53)
56	items - net savings	$28.29

The net savings of $28.29 against the Loblaws total of $437.73 represented a savings of 6.5%. How much time and how much travel can you afford to shop Loblaws for nine of 56 items at a savings of $7.53, or an additional 1.7%?

RThought: Much newspaper space is spent on the assumption that when a customer goes shopping for 10 or 15 items he or she is willing to go to five or six stores, record the price of each item, return to each store offering the lowest price on one or more of the items, and make a purchase.

What usually happens, and this is probably true for the reporter (or whoever does most of his shopping), is that a shopper will initially visit three or four different stores in each group. Probably The Bay is checked, as well as Sears; Kmart and Woolco are checked, as well as Canadian Tire. Once this has been done, the shopper concludes which items he or she will usually find cheaper at the Price Club and whether or not he or she is willing to pay $25 a year.

RThought: If you are male and married, go shopping with your wife. You will be amazed at how many prices she knows. As she walks through the local supermarket, she will say, "That's a good price" or "It cost me less at XYZ supermarket." If more retail executives were to do this, they would have a better understanding of why shoppers patronize certain stores in preference to others. Choice is not based upon proclamations by CEOs that "We will not be undersold." (I heard an "Amen" from one of my assistants!)

WORDS — FOR THOSE WHO STUDY THE BIBLE

Mark Twain once said:

> **Most people are bothered by those passages in Scripture they cannot understand, but as for me, I always noticed the passages in Scripture which trouble me most are those I do understand.**

Here are a few Scriptures which may have troubled Mark Twain; they certainly trouble me.

> **How are the mighty fallen, and the weapons of war perished?** II Samuel 1:27

Said so long ago and still the weapons of war continue with us.

> **Am I my brother's keeper?** Genesis 4:9

I believe I am; therefore, I assign myself a responsibility which others may not want to assume.

> **Great men are not always wise.** Job 32:9

And wise men are not always great.

> **The meek shall inherit the earth.** Psalms 37:11

The wealthy will not permit this.

> **Cast me not off in time of old age; forsake me not when my strength faileth.** Psalms 71.9

Yet, we often do this to our loved ones.

RThought: I understand the problem that Mark Twain had, for I share it.

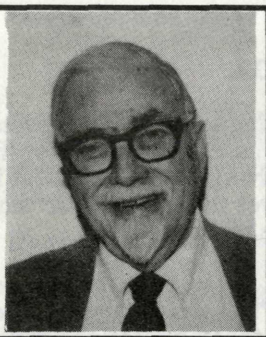
RETAIL MONTHLY/YEAR-TO-DATE SALES COMPARISON
(Unadjusted $ millions)

SIC Code	Category	MAY 1993	1992	Percentage Change	Year to Date Five Months 1993	1992	Percentage Change
52	*Bldg Matl Group	$10,697	$9,926	+ 7.8%	$4,248	$40,145	+ 5.8%
57	*Furniture Group	9,074	8,220	+10.4	43,632	40,213	+ 8.5
571	Furniture Stores	4,826	4,659	+ 8.2	22,537	21,187	+ 6.4
572	Appl, TV, Radio Stores	3,363	3,072	+ 9.5	16,680	15,351	+ 8.7
5941	*Sporting Goods Stores	1,076	1,563	+ 9.1	7,365	6,940	+ 6.1
5942	*Book Stores	638	596	+ 7.0	3,493	3,162	+10.5
5944	*Jewelry Stores	1,263	1,193	+ 5.9	5,069	4,945	+ 2.5
531Pt	Conventional Dept Stores	4,136	4,142	- 0.1	17,899	17,924	- 0.1
531Pt	Natl Chain Dept Stores	2,952	2,814	+ 4.9	13,453	12,986	+ 3.6
	Subtotal	7,088	6,956	+ 1.9	31,352	30,910	+ 1.4
531Pt	Discount Stores	9,534	8,631	+10.5	40,351	36,957	+ 9.2
531	*Department Stores	16,622	15,587	+ 6.6	71,703	67,867	+ 5.7
541	*Grocery Stores	31,349	30,852	+ 1.6	148,775	146,379	+ 1.6
56	*Apparel Stores	8,804	8,486	+ 3.7	38,565	37,109	+ 3.9
561	Men's & Boys' Stores	706	775	- 8.9	3,219	3,376	- 4.7
562,3,8	Women's Stores	3,420	3,298	+ 3.7	14,521	13,829	+ 5.0
565	Family Clothing Stores	2,633	2,422	+ 8.5	11,549	10,646	+ 8.5
566	Shoe Stores	1,471	1,514	- 2.8	6,477	6,837	- 5.3
591	*Drug Stores	6,614	6,420	+ 3.0	32,290	31,809	+ 1.5
596	*Nonstore Retail	3,815	3,639	+ 4.8	18,905	18,417	+ 2.6
5961	Mail Order	1,867	2,095	-10.9	10,333	10,503	- 1.6
	**Retailing Today* Total Store Retailing†	90,582	86,482	+ 4.7	412,277	396,986	+ 3.9
	**GAF TOTAL	45,556	42,528	+ 7.1	203,242	191,253	+ 6.3

†Excludes car dealers, auto supply stores, variety and misc. general merchandise, eating and drinking places and services stations and some specialty stores.

**General, Apparel, and Furniture.

For further information on these figures contact Irving True, Business Division, Bureau of Census, Washington, D.C. 20233, or call 301-763-7128/7129. Irving has been very helpful to me over the years.



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ROUTE TO

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BUDD GORE HAS A NEW ADDRESS

For those of my readers who knew Budd Gore, it is my sad duty to inform you that there is no mail delivery where Budd has gone. My file on Budd goes back to 1978, although I am certain we exchanged notes before that time.

Speaking of exchanges, Budd's letterhead always stated "PROFIT CONSULTANT TO BUSINESS." Because we shared the same professional principles, I had once sent him a second-quarter report on a retailer, with a note that the company needed a "profit consultant to business". His reply was that he would contact the company and remember me to the father and son who ran the business.

We exchanged publications. He published the *Retail Marketing Newsletter* at somewhat regular intervals and *Pure Gore* at very irregular intervals. On a door in my office, one can find Issue 81 of *Pure Gore*, dated March 28, 1978. It includes the following excerpt, which provides comfort to me:

> **George Condon, a columnist with the Cleveland Plain Dealer, once wrote, "A desk top which is piled high with papers, correspondence, names, notes, pencils, and doohickeys is a sign, to me, of an active, throbbing intelligence at work. It is the sign of a man who is honest, openly candid and without guile. It is a mark of a person who is still active in the lists and eager to joust with life."**

Budd was one of the founders, in 1953, of the annual Retail Advertising Conference (which I believe has taken the new name of Retail Advertising and Marketing Association).

We exchanged ads, commented on the wise and foolish among retailers, and shared some mutual friends, one of which (Budd must be with him now) was Jack Moss, who developed the Key-Rec System (a system old-timers will recognize; but for those of you who are younger, it would take a long description before you would appreciate the system as we did).

My last letter from Budd was dated December 31, 1988, relating the diagnosis of his daughter's recurring headaches: an aneurysm on her brain. He wrote of successful surgery and the happy family Christmas which followed.

I began to have sad thoughts, however, when Budd failed to answer my fax in September of 1990. His telephone number was no longer listed. Although his publications had not arrived for a number of years, copies of *RT* had not been returned. That changed in August, when the June *RT* came back to me with a sticker which read:

> **Dear Postal Customer:**
>
> **The enclosed mail matter you sent was recovered in its present condition. The addressee has refused and/or abandoned acceptance of this article. For further information, contact Private Postal Boxes of Austin at 512-451-6698.**

I called and a pleasant female voice responded, "Yes, I knew Budd." And "Yes, he did pass away last June."

RThought:

> **Dear Budd—**
>
> **Are you where you can now write good material forever, with n'er a misspelled word or grammatical error? Is your audience as appreciative as I have been for all of these many years?**
>
> **I hope your many friends were waiting for you. When my turn comes, I hope to join you.**

TOM, THERE IS STILL HOPE

In 1790, when Thomas Jefferson was Secretary of State, he recommended that the United States adopt the metric system. Surely, he faced the same objections which have been raised ever since.

France adopted the metric system in 1799 and made it mandatory in 1837. But we went our own way — not even agreeing with Great Britain and the majority of Commonwealth countries upon the amount in a gallon or the number of pounds in a ton. Yet, our coinage was always based on the metric system and the British system was not.

In 1893, the Bureau of Standards used the metric system to legally define a "yard," but that was as far as the metric system went in the U.S.

In the 1988 Omnibus Trade Bill (Title V, Subtitle B, Section 5164), the metric system was designated the "preferred system of weights and measures for U.S. Trade and Commerce." The bill required all federal agencies to use it by 1992 in their purchases and, with minor exceptions, other "business-related activities."

The year 1992 has come and gone, but alas, the metric system has not!

RThought: On August 16, 1993, in Federal Trade Commission (FTC) Matter No. P938402, the FTC, which is a Federal agency, proposed that "labels and packaging for many common consumer products would state the contents in both the customary inch/pound measurement system and the metric system." This proposal may never be adopted, but Tom, there is still hope.

BIASED TESTS

Do you have a daughter who didn't get into the college she wanted? It may be because the Scholastic Assessment Test (SAT) is biased against women.

The SAT is prepared by the College Entrance Examination Board (CEEB). When changing the test's name from Scholastic *Achievement* Test to Scholastic *Assessment* Test, CEEB did more than retain the same letters — SAT; it maintained the same bias. The table below shows that only in one case did females score higher than males — black females in the verbal test — and then only by 1 point (352 versus 351).

	Verbal Test		Math Test	
Ethnic Group	Female	Male	Female	Male
White	439	447	470	514
Asian	409	418	510	555
Black	352	351	377	397
Mexican American	366	380	406	448
Puerto Rican	361	372	388	429
Latin American	377	391	411	459
Native American	391	399	424	462
All	419	428	456	499

From the above information, one would never guess that women consistently earn higher grades than men in both high school and college, yet 60% of the National Merit Scholarships are awarded to men. The first screening of applicants is the Preliminary Scholastic Assessment Test/National Merit Scholarship Test (PSAT/NMSQT).

A study of 4,000 University of Pennsylvania students, published in *Educational and Psychological Measurements*, showed that achievement (not assessment) tests and high school grades provided a good predictor of college performance. Adding the SAT score brought no significant improvement to the prediction.

RThought: Why have I once again published information on tests given to students seeking entry into college? I do this because a half dozen qualified organizations keep checking on the value of these tests as a predictor of performance in college. The organizations look at groups numbering into many thousands — *and always come up with a bias.*

Retailers, on the other hand, are prone to use such tests as "honesty tests" which are evaluated mainly by the company which designs and sells the test. One might say that the professionals who evaluate the tests have a conflict of interest.

If you use honesty or other sociological tests which have not been carefully studied and validated, you may be passing up as many honest and talented people as do the college admission and college scholarship tests when they discriminate against women who apply for entrance.

When measuring tests, one should look for two factors:

> *Validity,* which proves that the test measures what it says it measures (i.e., honesty).

> *Reliability,* which means the test produces the same result each time it is given to the same person.

WITHER GOEST TV RETAILING?

Certainly, TV shopping is not going to meet the expectations of some enthusiasts. One can excuse, however, the enthusiasm of Barry Diller. Having been successful in the entertainment field, he believes that retailing is "simple" to conquer. Time may prove him right.

The "industry" is being cheered on by experts who are known to me. Although I won't associate their names with their statements, here are three quotations which appeared in a recent newspaper article.

> **It was like a rocket shooting off [referring to Diller's putting QVC into a new orbit]. It stirred up a tremendous amount of interest on the part of virtually every retailer.**

> **TV retailing is the great unknown. Nobody...fully understands what the potential rewards are and what the potential risks are.**

> **He [Diller] brought glamour to what seemed to be a very downscale, cheap-jewelry-at-2-o'clock-in-the-morning industry. He's instantly legitimatized TV shopping [two companies which may soon be one].**

The article points out that the combined volume of QVC Network, Inc. (QVC), and Home Shopping Network (HSN) is $2.2 billion.

Suppose the "industry" (one firm is an industry?) grows at 50% a year. By the year ending January 2000, the volume will be about $37.5 billion. This year Kmart's discount stores and Sears will each do about 80% of that amount and both are likely to grow — but not at a rate of 50% between now and January 2000.

Some "expert" will undoubtedly say that this concept will grow even faster...perhaps 75% a year [which hasn't ever been attained by any multibillion dollar company or industry for seven consecutive years]. At that rate sales would reach $110 million, just when Wal*Mart associates may well meet their pledge to Sam of $135 billion, thereby probably passing General Motors as the largest-volume business in the world.

RThought: In reading the article, I found two encouraging quotes. QVC is described as "attempting to reduce the rate of returns [25%] on apparel by asking [?] manufacturers to adhere to sizing specifications." Further, it will encourage [?] hosts to deliver as much information as possible." These quotes make me wonder how much control management plans to have in running TV retailing. "Ask" to adhere to specifications? "Encourage" hosts to deliver information?

Seeing is believing.

SEARS STOPS STEALING THE CASH FLOW OF ITS STORES

In the November 1988 *RT*, I told my readers how much the parent corporation, Sears, Roebuck and Co., had drained through transfers and dividends from the Sears Merchandise Group. The money was used to acquire financial institutions in a drive to offer a "supermarket of financial institutions." Stocks were to be sold by Dean Witter in every store — just as insurance has, for many years, been sold in every store.

HOW MUCH IS A RETAILER'S PROMISE WORTH?

In print, on TV, and on the radio, we have all seen or heard retailers promise they "will not be undersold." Sometimes it is promised by an actor, sometimes by a CEO, but it is always said with emphasis.

Do you believe such "will not be undersold" claims? Of course not. There is nothing which will stop a store, within a block or so of a store advertising such a claim, from changing the price on an important item. Will it inform the nearby store that promises not to be undersold? Of course not.

The Center for the Study of Services, a nonprofit organization headquartered at 806 - 15 Street, N.W., Washington, D.C. 20005, publishes the (San Francisco) *Bay Area Consumer's Checkbook* ($25 for four issues a year). It also publishes a report on the Washington, D.C. area and may well publish reports for other areas.

The Bay Area issue recently rated pharmacies for prices on prescriptions and for national-brand health and beauty (HBA) items. What it found was that there was no such thing as a "company price".

In the table below, the results of the survey were expressed in terms of dollars, but the numbers are really an index number. The six companies shown as lowest in prescription drugs were:

Company (location)	Price Index for Prescription Drugs
Drug Emporium (Concord)	$82
Walgreen (Clayton)	84
Raley's (Fremont)	85
Walgreen (San Jose)	89
Drug Barn (Pleasant Hill)*	89
Walgreen (San Jose)	90

*Now in Chapter 11

Below is a grouping for each chain of both prescriptions and HBA items at different locations:

Company (location)	Price Index for Prescription Drugs	Price Index for HBA
Walgreen (Clayton)	$84	$95
Walgreen (San Jose)	89	97
Walgreen (San Jose)	90	100
Walgreen (Oakland)	92	106
Walgreen (San Francisco)	102	111
Average	91	102
Longs (Pleasant Hill)	97	99
Longs (Alameda)	100	101
Longs (San Francisco)	101	94
Longs (San Jose)	102	94
Longs (Walnut Creek)	103	98
Longs (Novato)	101	93
Average	101	97
Payless (Novato)	99	98
Payless (Pittsburg)	99	94
Payless (San Jose)	100	96
Payless (San Jose)	101	96
Payless (Alameda)	102	99
Payless (San Francisco)	104	96
Average	101	97
Thrifty (Walnut Creek)	102	103
Thrifty (San Jose)	104	104
Thrifty (San Francisco)	105	102
Thrifty (Berkeley)	105	103
Thrifty (Novato)	105	103
Thrifty (San Jose)	106	102
Average	105	103
Drug Emporium (Fremont)	82	85
Raley's (Clayton)*	85	99
Drug Barn (Pleasant Hill)	89	86
Wal*Mart (Pittsburg)	90	74
Costco Wholesale	94	102
Save Mart (Fremont)*	96	101
Kmart (Colma)	**	89
Lucky (San Jose)	97	100
Lucky (San Francisco)	98	98
Safeway (Santa Clara)	98	102
Safeway (San Francisco)	99	108

*Regional supermarket chains
**No pharmacy

RThought: So much for claims of not being undersold. Each branch looks at its own local "market," deciding which stores are competitors, and maintains prices accordingly. Some compete more on national brand HBAs (Longs) and some compete more on prescriptions (Walgreen). The range in prescriptions is from -16% (Walgreen in Clayton) to +6% (Thrifty in San Jose). On the HBA items, the range is from -26% (Wal*Mart in Pittsburg) to +11% (Walgreen in San Francisco).

Among the companies with more than five stores, the ranges are as follows:

Company	Price Index for Prescriptions	Price Index for HBA
Walgreen	$ 84-102	$ 95-111
Longs	97-103	93-101
Payless	99-104	94-99
Thrifty	102-106	102-104

RThought: Wouldn't it be nice to have retailers say, "We *try* not to be undersold."? After all, a lot of retailers confess, "We try to please every customer," or plead, "We try to have the merchandise you want." We all know those statements cannot be made in absolutes; yet for some reason, when it comes to price comparisons, we resort to an absolute: "We will not be undersold."

RThought: Even worse than the unconditional promise not to be undersold is that most retailers making such a promise apply it only to the bright-eyed customer who detects the variance. Most do not, however, *change the posted price* nor do they send refunds to other customers, if their addresses are known, who were charged a higher price.

An accurate commitment would read: "We will not be undersold to those of our customers who catch us." This would be honest advertising — something to which the claimants appear to be adverse.

SHORT SHORTS

Don't let your forms designers confuse customers. Spiegel's charge statement, which includes Honey Bee (now swatted out of existence?) and Eddie Bauer, has a nice clear statement of charges and adjustments — but where is the account balance? To find "nothing" was owed, in this case, the customer has to find an area with a purple background below the words "New Balance" and then deduce that if there is nothing posted under "New Balance," nothing is owed. **RT Thought:** At the right hand side of that line are the figures 22.60 which turn out to be the APR (kind of high in these days of a 6% prime rate). Isn't there anyone in Spiegel's smart enough to program the computer to print "None," or at least "00.00," under "New Balance"?

'SURVIVAL GUIDE TO SUPERMARKETS'

...thus read the cover of the September 1993 issue of *Consumer Reports* (*CR*). This issue may be off the newsstands by the time you read this, but you can purchase a copy by sending $4 to *Consumer Reports*, P.O. Box 53029, Boulder, CO 80322-3029.

CR provided its usual even-handed analysis. Regarding the accuracy of scanners, it quoted the Food Marketing Institute: "Responsible studies show error rates within the 2% range and improving." *CR* did its own checking by sending out a small panel of shoppers to supermarkets around the country. Result: most shoppers reported no errors; a few found nickel-or-dime mistakes going each way. However, *CR* suggested that wise shoppers write down the prices in stores where the items are not individually priced.

The narrow profit margin of supermarkets is mentioned several times. *CR* doesn't believe that the consumer benefits from the excessive selection, the reported 17,000 new products/sizes introduced each year or the 310 billion cents-off coupons used to push special items.

CR analyzed the layout of a typical supermarket, providing comment on how it is used to induce consumers to buy items they don't want and shouldn't buy (candies, etc.), but stopped short of explaining how a shopper can make himself or herself "impulse proof." It didn't even argue that shoppers want to be "impulse proof."

It further analyzed the competition between warehouse clubs and supermarkets, pointing out that customers have to buy larger packages, perhaps too large to use, in order to get the lower price-per-ounce in the clubs.

In the discussion of private labels, *CR* pointed out that often private labels are made by the makers of national brands and that many times the quality of those national brands is not what one would expect. The general advice is to buy by the lowest-price product, because "often enough...those store brands have done as well or better [in tests] than the big-name brands.

Pathmark, Lucky, and Vons each received a "pat on the back" for putting first-quality stores in inner-city areas, where, in most cities, the residents must rely on the high price of convenience stores or small supermarkets (is this an oxymoron?). Jewel, Safeway, and Giant Food each receive a "half pat on the back."

CR rated 24 chains based on a "satisfaction score," with Publix, Smith's Food & Drug, and Harris-Teeter receiving the first three places, while Pathmark, Grand Union, and Great A&P were rated 22, 23, and 24, respectively. Being or not being in stock on advertised specials was very important in the rating of 16 of the 24 chains. **RThought on the spot:** I doubt that chain management places the strong emphasis on this point that its customers do.

Publix received a nice compliment: Those who were "most satisfied" listed its stores highest in five of seven features (clean store, courteous staff, fast checkout, produce quality, and specials in stock). Meijer won on competitive prices and Giant Food on good price labeling. (**Note:** Giant Food was one of the first to feel the wrath of customers when it installed scanners and removed price labels.)

In a mini profile of the top two chains, *CR* noted that the motto of Publix is: "Where shopping is a pleasure"; and for Smith's: "A better way to run a supermarket." **RThought on the spot:** The other 22 probably have mottoes which are just as good — they just don't live up to the way they depict themselves.

RThought: *CR* did one completely foolish thing: it made up a "shopping list" of 40 items and compared the prices of national-brand products with A&P private labels in order to show a savings of $46.60. It then multiplied that amount by 52 and produced this headline:

HOW TO SAVE (UP TO) $2,423 A YEAR

Help me find a person who, every week, uses 100 tea bags, a bottle of Lea & Perrins, 10 pounds of Tidy Cat litter, 100 Tylenol tablets, and a 28-ounce jar of Skippy peanut butter!

To its partial credit, *CR* does state, "...if you make a similar shopping trip each week." It apparently compared the regular (nonadvertised) price of the national brands, which often go on sale, with the A&P private labels, which seldom go on sale. Using this measure and a little imagination, *CR* could have had a list of 80 items to show its readers "HOW TO SAVE (UP TO) $4,846 A YEAR!"

SHORT SHORTS

I guess it had to happen. The two-column, 5-inch ad stopped me! The store's name: A Step Forward. The simple ad: "Going Out of Business." **RThought:** The store's name should have been A Step Backward!

Does *Vogue* have a negative cash flow? In July 1993 I subscribed to *Vogue* magazine; on September 3, 1993, I received a billing for an additional year, although my present subscription does not expire until July 1994. **RThought:** I am now afraid to send a payment for fear the magazine will run out of money before I receive my August 1994 through July 1995 issues! I will wait to see if *Vogue* is still being published in May 1994 before renewing!

I thought Kmart's ad was perfect, but its sporting goods department didn't receive the instructions. On September 5, Kmart ran an insert of eight full pages advertising "Dollar Day" items. One hundred and seventy-eight items were priced in even dollars. Only the shoe department was off: Melville probably called the shots in the jointly owned Meldisco shoe departments and ran "Buy one pair, get a second pair at half price." But 178 items in even dollars was a new record!

Then I saw the insert for sporting goods. First page: five deer rifles, at $209.97, $249.97, $269.97, $339.97, and $379.97, respectively, which could easily have been $210, $250, $270, $340, and $380. I started counting more items in the sporting goods insert and found the following price endings: 1 @ .17, 2 @ .27, 1 @ .37, 1 @ .38, 2 @ .47, 2 @ .57, 2 @ .60, 1 @ .67, 2 @ .77, 1 @ .88, 2 @ .96, and 18 more @ .97. Not one even dollar ending!

RThought: My guess is the sporting goods department wanted all of its prices to end in "7" rather than "00," and even then, it managed to get five of them wrong!

The information on transfers first became available when the cash-flow for Sears Merchandise Group was published in 1979. The figures in the table below, covering 1979 through 1987, were reported in *RT* in 1988. Here, I have added 1989 through 1992.

Year	Net Cash Flow to Parent Company (including dividends) $ Millions	Cumulative $ Millions
1979	$ 404	$ 404
1980	473	877
1981	500	1,377
1982	370	1,747
1983	929	2,676
1984	(365)*	1,311
1985	400	2,711
1986	670	3,381
1987	1,130	4,511
1988	1,482	5,993
1989	(76)*	5,918
1990	4	5,922
1991	358	6,280
1992	236	6,516

*Net advanced *to* Sears Merchandise Group by Sears corporate.

RThought: *Business Week* (August 30, 1993) reported that the new CEO of the Sears Merchandise Group, Arthur C. Martinez, "accelerated a five-year, $4 billion store-refurbishing effort aimed at 500 of Sears' 798 stores that need face-lifts."

Three cheers for Martinez!

In addition, there is the cost being incurred for new point-of-sale terminals and other electronic equipment needed to bring the operating systems up to "state of the art," as is practiced by other large retailers.

RThought: Let me repeat the No. 1 Rule of Retail Financing: There is no such thing as "free-cash flow" in a large retail company. Depreciation must be reinvested in stores to keep them competitive; net after tax is needed to finance larger inventories as sales volume increases.

HOW BERGDORF GOODMAN COULD HAVE SAVED $2 MILLION

According to *Chain Store Age Executive* (November 1992), a New York court ruled that Bergdorf Goodman was 100% liable for a slip-and-fall accident. It awarded the plaintiff $1,500,000 for permanent injuries and her husband $500,000 for "impairment" of the services of his wife.

The agreed upon fact: It rained in New York City on the day of the accident.

The plaintiff stated that the terrazzo floor inside the foyer area was wet and that she fell immediately upon entering the area. She further stated that it was like "slipping on ice."

The store's management stated that the floor was dry and that mats were in place at the time; but unfortunately, the reports which would have supported its position had been lost or destroyed.

RThought: More than 40 years ago I was treasurer of a unique store in Oakland, California, a store combining a public market, a supermarket, and a very low-end department store. We had the usual problem with slip-and-fall accidents in the supermarket area, especially during cherry season (food retailers would save a lot of money and customers a lot of falls if someone developed "pitless" cherries, since customers and kids will never stop "tasting" cherries and throwing the pits on the floor).

In California a personal injury accident must be filed within one year; almost all are filed on the 364th day. Too often the defendant, usually a retailer, has no record to document the facts, even if a record was made of the accident and the accident reported to the insurance carrier.

But getting back to my days of working in Oakland. Polaroid cameras were just becoming popular, so I had our security department purchase one. Whenever there was an accident, whether customer or employee related, the security department took a picture of the accident site, even if the evidence could be used against us. We then asked any individual who had witnessed the accident to sign the back of the picture, giving name, address, and telephone number. When possible, we secured the signature, address, and telephone number of the person who fell.

Many personal injury attorneys were suprised when confronted by a photo showing a condition much different from the one alleged by the plaintiff — especially when the plaintiff's signature was on the back of the photo. Most plaintiffs had forgotten that they had signed it.

Had Bergdorf Goodman spent an approximate one hundred dollars on a good Polaroid camera, it might have saved the better part of $2 million, providing that its undocumented memory was correct.

This is probably the sixth time in 28 years that this suggestion has been included in *RT*. I know of only one retailer who uses a Polaroid camera in this manner — Longs Drug Stores.

RETAILERS AMONG THE LARGEST EMPLOYERS IN THE WORLD

Sixteen retailers were named among the 50 largest employers in *Fortune's* list of Global Service 500. They are listed below, each with its ranking and number of employees.

Rank	Company	Number of Employees
1	Wal*Mart Stores, Inc.	425,000
2	Sears, Roebuck and Company	403,000
3	Kmart Corporation	356,000
13	Tengelman (Germany)	193,792
14	J.C. Penney Company, Inc.	192,000
15	Kroger Company	190,000
17	Dayton Hudson Corporation	170,000
20	Rewe-Handelsgruppe (Germany)	150,000
23	Woolworth Corporation	143,000
26	American Stores	132,712
27	Coles Myer Ltd. (Australia)	132,543
37	Melville Corporation	115,000
40	May Department Stores	111,000
41	Koninlijke Ahold (Netherlands)	109,713
45	Safeway, Inc.	104,900
56	Winn-Dixie Stores	102,000

RThought: These figures are as of the end of 1992. Since then, several of these retailers have announced plans for substantial reductions to take place during 1993.

WHO OWNS THE PUBLIC DEBT?

The table below was extracted from a Treasury Bulletin cited in the July 5, 1993, *Research Reports* of the American Institute of Economic Research (Great Barrington, MA 01230; 24 issues at $59/yr.)

MARCH 1993
(Billions of Dollars)

Individuals - savings bonds	$ 155.0	3.7%
Individuals - marketable securities	134.2	3.2
Nonfinancial corporations	192.5	4.6
State and local governments	532.0	12.7
Commercial banks	292.0	7.0
Insurance companies	183.0	4.4
Money market funds	80.6	1.9
Other*	758.1	18.1
Total domestic investors	2,327.4	55.7
Foreign investors	512.5	12.3
Total held by public	2,839.9	68.0
Held by Federal Reserve banks**	302.5	7.2
Held by U.S. Government accounts***	1,034.6	24.8
TOTAL	$4,1770.0	100.0%

*Includes savings and loan associations, credit unions, non-profit institutions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain Government deposit accounts, and Government-sponsored enterprises.

**Part is used by the Federal Reserve banks to create or reduce bank reserves and control the amount of credit.

***The largest amount is held by the trust funds financing Social Security and Medicare. It represents the excess of collections in taxes over payments of benefits; also includes highway, airport and airway, railroad retirement, Federal Government retirement, and military retirement trust funds, all of which can invest their surpluses only in Federal debt. In other words, **one-quarter of the public debt is owed to the Federal Government.**

RThought: We hear a lot about the public debt and we read articles about how we are at risk due to the amount held by foreigners. A percentage of 12.3% isn't such a high portion and all of the foreign holders are not going to cash out at one time.

A measure of the national debt, which automatically adjusts for inflation and other factors, is the public debt as a percentage of the Gross Domestic Product (GDP), now used in lieu of the Gross National Product (GNP). Before our entry into World War II (1940), the debt was about 50% of the GDP. It peaked in 1946 (end of WW II) at approximately 125%. Despite running a deficit most years, it dropped steadily to about 35% in 1981 when Mr. Reagan became president and some new economic theories were practiced. Since then, it has increased steadily to 67% (1992).

WORDS — TO EXPLAIN THE RICH AND THE POOR

John Ruskin (1819-1900) put it this way:

> **In a community regulated by the laws of demand and supply but protected from open violence...the persons who become rich are, generally speaking, industrious, resolute, proud, covetous, prompt, methodical, sensible, unimaginative, and ignorant; and the persons who remain poor are the entirely foolish, the entirely wise, the idle, the reckless, the humble, the thoughtful, the dull, the imaginative, the sensitive, the well informed, the improvident, the regularly and impulsively wicked, the clumsy knave, the open thief, the entirely just and godly person.**

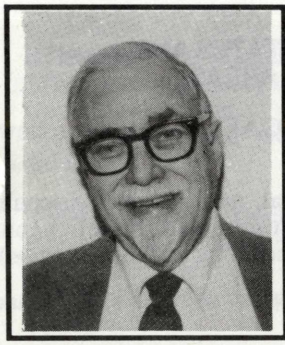
RThought: In the years during which I was active in Mensa, I observed a large number of bright people (in the top 2% of intelligence) who were miserable because they knew they were gifted and yet could not get or hold jobs which they thought to be commensurate with their intelligence.

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

SIC Code	Category	JUNE 1993	JUNE 1992	Percentage Change	Year to Date Six Months 1993	Year to Date Six Months 1992	Percentage Change
52	*Bldg Matl Group	$10,675	$ 9,843	+ 9.6%	$ 53,261	$ 49,988	+ 6.5%
57	*Furniture Group	9,407	8,505	+10.6	53,045	48,718	+ 8.9
571	Furniture Stores	4,848	4,567	+ 6.6	27,397	25,734	+ 6.5
572	Appl, TV, Radio Stores	3,648	3,250	+12.2	20,331	18,601	+ 9.3
5941	*Sporting Goods Stores	1,779	1,574	+13.0	9,150	8,514	+ 7.5
5942	*Book Stores	672	625	+ 7.5	4,162	3,787	+ 9.9
5944	*Jewelry Stores	1,160	1,112	+ 4.3	6,225	6,057	+ 2.8
531Pt	Conventional Dept Stores	3,870	3,751	+ 3.2	21,793	21,675	+ 0.5
531Pt	Natl Chain Dept Stores	2,851	2,695	+ 5.8	16,304	15,681	+ 4.0
	Subtotal	6,721	6,446	+ 4.3	38,097	37,356	+ 2.0
531Pt	Discount Stores	9,080	8,122	+11.8	49,428	45,079	+ 9.6
531	*Department Stores	15,801	14,568	+ 8.5	87,525	82,435	+ 6.2
539	*Misc General Mdse Stores	4,614	4,125	+11.9	25,646	23,187	+10.6
541	*Grocery Stores	30,782	30,107	+ 2.2	179,502	176,486	+ 1.7
56	*Apparel Stores	8,325	8,115	+ 2.6	46,862	45,224	+ 3.6
561	Men's & Boys' Stores	702	756	- 7.1	3,934	4,132	+ 4.8
562,3,8	Women's Stores	3,057	2,926	+ 4.5	17,555	16,755	+ 4.8
565	Family Clothing Stores	2,592	2,516	+ 3.0	14,127	13,162	+ 7.3
566	Shoe Stores	1,448	1,447	+ 0.1	7,937	8,284	- 4.2
591	*Drug Stores	6,935	6,273	+ 4.2	38,808	38,082	+ 1.9
596	*Nonstore Retail	3,387	3,708	- 8.7	22,365	22,125	+ 1.1
5961	Mail Order	1,712	2,167	-21.0	12,054	12,670	- 4.9
	**Retailing Today* Total Store Retailing†	93,137	88,555	+ 5.2	526,551	504,603	+ 4.3
	**GAF TOTAL	44,376	41,179	+ 7.8	247,561	232,432	+ 6.5

†Excludes car dealers, auto supply stores, eating and drinking places, service stations and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**General, Apparel, and Furniture.

For further information on these figures, contact Irving True, Business Division, Bureau of Census, Washington, D.C. 20233, or call 301-763-7128/7129. Irving has been very helpful to me over the years.



RETAILING TODAY

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REDISCOVERING THE PATH OF JAMES CASH PENNEY

The front-page "box" of the September *RT* quoted from the poetry of John Donne which contained his most famous observation: "No man is an island."

This line was brought to my attention again when I was looking for something in *View from the Ninth Decade* by J.C. Penney — I am fortunate to have an autographed copy.

Chapter IV, entitled "Human Relations — Our Most Important Commodity," began as follows:

> **We are prone to have interest in the careers of "self-made" men, so-called. Yet I cannot recall knowing of anyone who made a success by himself. Whether we recognize it or not, we are inextricably bound with one another. John Donne put his finger on it a long time ago when he wrote, "No man is an island."**

Paragraphs later, Mr. Penney wrote:

> **Very early, in exploring the possibilities of Callahan and Johnson for a chain of stores linked by their partnership idea, I perceived that, unless I found men to help me, I could not succeed, nor, unless I reciprocated their help, could these men succeed.**

RThought: I have enjoyed the warm glow of having found that my thoughts closely parallel those which Mr. Penney set down more than 30 years ago.

I always remember, as do few, other than his wife, Helen, that Sam Walton, often called the "greatest merchant of this century," received his basic training in retailing in a program for store managers in the J.C. Penney Company at a time (1938-41) when great attention was paid to the "Original Body of Doctrine" written in 1914 by Mr. Penney. In those years, it was followed closely.

To serve the public, as nearly as we can, to its complete satisfaction.

Sam Walton: Service beyond their expectations.

To offer the best possible dollar's worth of quality and value.

Sam Walton: We save you money.

To strive constantly for a high level of intelligent and helpful service.

Sam Walton: To make the greatest commitment to technology of any retailer.

To charge a fair profit for what we offer — and not all that the traffic will bear.

Sam Walton: Constantly reduce costs and pass the savings on to the customers.

TEEN SUICIDE: CAN IT BE PREVENTED?

Something is very wrong in the United States. Can we, as merchants, do anything about it?

We take a customer's money — but should that be all?

UNICEF (United Nations International Children's Emergency Fund) reported the rates of suicide per 100,000 residents between 15 and 24 years of age for the following industrialized nations:

United States	15.3 (THE WINNER!)	Sweden	1.1
Canada	3.1	Denmark	1.0
Italy	1.9	Netherlands	0.9
Norway	1.4	Britain	0.9
Spain	1.4	France	0.7
Switzerland	1.3	Japan	0.4

RThought: There are young people who have worked for us who have resorted to suicide. We know that attempted and/or threatened suicides are calls for help. Most of us are not listening; if we do listen, most of us don't know what to do. There are plenty of volunteers, yet many needed suicide-prevention switchboards are never set up, and many in existence are closing due to lack of funds.

Unfortunately, the report did not break down the background of the young people who make up the 15.3/100,000 in the U.S. who committed suicide. Did they come from homes lacking adequate health care? Did they come from homes where a single parent or both parents were working? Was adequate, loving day care missing? Were their parents too overwhelmed by their own problems to provide the nurturing each child has a right to receive?

Most *RT* readers are executives in companies doing $300 million to $70 billion a year and operating in 100 or more communities. As a group, *we retailers can and must make a major change in our society.* But first, we must *want* to solve our society's problems.

Mervyn's, through Mervyn's Foundation, has diligently worked in a number of states to establish day-care facilities for six or fewer children, including establishing licensing standards for the operators of such facilities.

Sherwood Swan, a retailer, and Adrian Falk, a private food manufacturer, brought the Bay Area Rapid Transit (BART) into existence, connecting San Francisco with two counties in the East Bay, although it took years of effort. Swan owned a combination supermarket, public market, and low-end department store. Falk was president of S&W Foods, when it was still owned by the Susman and Wormser families.

At the last minute, their efforts might have failed because it was necessary to obtain a majority (three of five) of supervisors in three counties to approve. Falk and Swan decided to have breakfast, which later became known as the "famous breakfast," with an undecided supervisor in the third county — and the supervisor voted for BART. Now, 250,000 people a day use the system.

Once our communities could count on leaders of locally owned companies to lead the drive for community betterment.

In too many cases, large regional or national firms, though owning local retailers, have not taken on the responsibilities once assumed by local owners. Only a few national chains insist that local managers provide local leadership.

To apply this test to everything we do: "Does it square with what is just and right?"

Sam Walton: Believed the "right" things to do were the "Buy America" program, bringing "it" back to the USA; rolling back prices; profit sharing for all associates working more than 1,000 hours a year; a stock-purchase plan; using a family foundation (as did Mr. Penney); and many, many more.

RThought: The Sam Walton I knew learned at the knees of Mr. Penney. If Mr. Penney were watching from above, he many times could have smiled with pride. Sam, too, knew that "no man is an island."

A WORD ABOUT RETAILING IN SOUTH AFRICA

Each month I look forward to receiving a copy of *The Buyer,* South Africa's leading retail publication. I turn quickly to the editor's column by Jos Baker.

In the June issue (which I received the last day of August), Baker wrote about "New Market Opportunities." Changes, she wrote, are taking place faster than political negotiations.

Change found in Johannesburg is in the growth of flea markets: the city now has more flea markets than any other city in the world! They account for an estimated one-third of its total retail trade. The estimates of the number of people who depend for their livelihood on flea markets range from 3 to 4.5 million out of 42 million people in South Africa.

South Africa is sharing the same recession found in most of the developed world. Unlike most developed countries, many of South Africa's unemployed are entrepreneurs.

Over 400,000 domestic sewing machines were imported during 1989-91. An industrial knitting machine can be purchased for R600 (R = Rand, valued at approximately 20 cents [U.S.] at the market rate but 30 cents [U.S.] at the official exchange rate). A sewing or knitting machine can put a trained operator into business in a garage. These people are serving those customers who, like many elsewhere in the world, are "seeking value."

RThought: I share this background on South Africa with you so that I could pass on Baker's observation:

> **Too many companies are stuck in the time warp of the good old days, when there were recognized suppliers and recognized retail outlets patronized by consumers "born to shop."** ***To retain this mind-set is to invite liquidation.*** [Emphasis added.]
>
> **Both Woolworth and the OK Bazaar in South Africa are on a back-to-basics exercise. But it is the smaller chains, such as Specialty Stores and City Girl, who are scoring in this economic climate.** ***Their strategy for success is simply to keep in touch with their customers' wants.*** [Emphasis added.]

RThought: The joint managing directors of Specialty Stores (a client of mine) recently set up the first profit-sharing plan in South Africa retailing, a plan covering all employees: white, black, Indian, and Cape colored. Most of the company's contribution to the plan will be used to buy stock in the company. The officers believe, as did Sam Walton, that this creates a loop: The more the associates put into the conduct of the business, the more the business will profit; the more the business profits, the higher will go the price of the stock. The employees will benefit from both the annual contribution of a portion of the profit with which to buy stock and the higher-market price of the stock. The officers are great admirers of Sam Walton and have studied his biography carefully (although they would like to model their department store group, The Hub, after Mervyn's).

CHANGE IN GAF SALES FOR STATES AND METROPOLITAN STATISTICAL AREAS

General, Apparel, and Furniture (GAF) relate to the following definitions of stores:

> **General** includes conventional, national, and discount department stores, variety stores, and miscellaneous general merchandise stores (including warehouse clubs).
>
> **Apparel** includes men's, women's, children's, shoe, and miscellaneous apparel stores.
>
> **Furniture** includes furniture, floor covering, consumer electronics, appliance, radio, TV, piano, and organ stores.

The most recent GAF figures furnished by the Bureau of Census for larger states and cities are shown below:

Location	Jun. '93 v. Jun. '92	6 mos. '93 v. 6 mos. '92
State:		
Indiana	+15.4%	+ 18.1%
Florida	+14.8	+17.4
Tennessee	+ 9.8	+10.3
Minnesota	+15.3	+10.1
Texas	+12.5	+ 8.8
North Carolina	+ 9.8	+ 8.4
Ohio	+11.8	+ 8.0
Illinois	+ 5.6	+ 7.9
Virginia	+ 9.0	+ 7.6
Michigan	+ 4.7	+ 5.2
Massachusetts	+ 8.9	+ 5.1
Pennsylvania	+ 7.5	+ 5.0
Missouri	+ 5.9	+ 4.5
New Jersey	+ 7.3	+ 2.8
Wisconsin	+ 3.1	+ 2.6
California	+ 4.0	+ 2.5
Maryland	+ 3.5	+ 1.3
New York	1.9	+ 0.6
Louisiana	7.7	1.8
City:		
Miami CMSA*	+19.7%	+26.9%
Tampa MSA**	+14.6	+19.0
Phoenix MSA	+19.4	+18.6
Pittsburgh CMSA	+14.2	+16.5
Denver CMSA	+21.3	+15.4
Minneapolis MSA	+15.5	+13.8
Houston CMSA	+11.8	+10.3
Atlanta MSA	+16.7	+10.1
Chicago CMSA	+ 7.9	+ 9.8
Dallas/Ft. Worth CMSA	+16.4	+ 9.5
San Diego MSA	+ 8.9	+ 8.0
Boston CMSA	+ 8.6	+ 6.9
Detroit CMSA	+ 2.3	+ 5.1
Cincinnati CMSA	+ 4.7	+ 4.3
Cleveland CMSA	+ 4.7	+ 4.3
Milwaukee CMSA	+ 6.0	+ 3.7
San Francisco/Oakland/ San Jose CMSA	+ 6.6	+ 2.7
St. Louis MSA	+ 6.2	+ 2.4
Washington, DC MSA	+ 3.3	+ 2.0
Baltimore MSA	+ 3.3	+ 0.8
Los Angeles CMSA	+ 0.8	+ 0.1
New York/South New Jersey CMSA	+ 1.6	- 1.0
Seattle/Tacoma CMSA	+ 1.6	- 3.4
Philadelphia MSA	+ 0.4	- 3.5
Kansas City MSA	- 4.8	- 4.0

*Consolidation of two or more Metropolitan Statistical Areas, such as Seattle MSA and Tacoma MSA.

**Metropolitan Statistical Area.

RThought: The "Conclusions of Law" in Paragraph 8 states: "The burden of proof is on Plaintiffs to establish [these two] essential elements...." One would think such a finding of "no direct evidence" would have determined the case. But it did not.

It was Wal☆Mart which located the direct evidence that the Plaintiffs had actually benefited during the period for which they claimed damage. How could the Plaintiffs have greatly increased profits/compensation and, at the same time, be damaged?

During the period from 1987 (when Wal☆Mart opened a pharmacy in Conway, Arkansas) until the trial date, it would appear that the three Plaintiffs, American Drugs, Family Drug, and Baker Drug, had there been injury, ought to have been able to assemble evidence which showed:

1. **as competitors, they were injured; or, at least,**
2. **competition was destroyed.**

Under discovery procedures, it was Wal☆Mart which obtained the tax returns of the Plaintiffs and submitted the following information at the trial, showing that the Plaintiffs actually benefited.

NET INCOME AND OFFICERS' COMPENSATION ($000)

Company	1993*	1992	1991	1990	1989	1988	1987
American Drugs	$ 41.5	$ 11.7	$ 32.8	$ 30.0	$ 13.8	$ 20.6	$ 40.9
Family Drug	63.3	71.5	91.8	50.3	9.7	1.3	4.9
Baker Drug	64.5	46.2	61.7	43.4	57.1	39.6	40.5
Total	$ 169.3	$ 129.4	$ 186.3	$ 123.7	$ 80.6	$ 61.5	$ 86.3

NET SALES ($000)

Company	1993*	1992	1991	1990	1989	1988	1987
American Drugs	$ 1,204	$ 1,199	$ 1,187	$ 1,199	$ 1,162	$ 1,113	$ 1,061
Family Drug	606	538	605	627	519	459	439
Baker Drug	1,236	1,231	1,216	1,094	1,067	1,041	1,042
Total	$ 3,046	$ 2,968	$ 3,008	$ 2,920	$ 2,748	$ 2,613	$ 2,542

*Annualized sales, profits, and salary based on actual figures through May 1993.

Observation: *The Plaintiffs' combined net income and officers' compensation from 1987 to 1991 increased by 116%. That figure dropped in 1992 but is projected to increase again in 1993, reaching 96% above the base year.*

If one reviews the sales, the increase from 1987 to 1991 was 18%; the projection for 1987 to 1993 is an increase of 20%. The greater gain in profit/earnings came from an improvement in gross margin.

Do these figures reflect the type of injury to a competitor that Arkansas law was designed to prevent? I think not.

Not only did the Plaintiffs remain in business from 1987 to 1993, *with a substantial increase in profits,* but the "Findings of Fact" (Paragraph 4) point to an increase in the number of pharmacies in Conway. This evidence indicates that competition, far from being destroyed, was actually stimulated.

The "Findings of Fact" (Paragraph 4) mention a Fred's discount store. Fred's opened during the period covered by the complaint. Wal☆Mart introduced evidence that *Fred's often undersold Wal☆Mart,* but this appears not to have been considered in rendering the decision.

RThought: Despite finding "no intent" on the part of Wal☆Mart to "injure competitors" and/or to "destroy competition" (Paragraph 10, "Findings of Fact"), despite the healthy survival of the Plaintiffs during the period of alleged destruction of competition, and despite the reported increase in the number of pharmacies in Conway during the period of complaint, Judge Reynolds found "intent" based upon the following factors set forth in Paragraph 11, "Conclusions of Law":

1. **The number and frequency of below cost sales.**
2. **The extent of below cost sales.**
3. **Wal☆Mart's stated pricing policy — "meet or beat the competition without regard to cost."**
4. **Wal☆Mart's stated purpose of below cost sales — to attract a disproportionate number of customers to Wal☆Mart.**
5. **The in-store price comparison of products sold by competitors, including Plaintiffs.**
6. **The disparity in prices between Faulkner County prices of the relevant product lines and other markets with more and less competition.**

RThought: One looks to the courts for guidance in the proper conduct of business so as to comply with the law. Judge Reynolds' decision fails to provide guidance regarding any of his six "proofs" of intent. Worse, the decision raises more questions than it answers.

1. Judge Reynolds' decision does not instruct us as to how many and how frequently sales can be made below cost without creating the presumption of an intention to "injure competitors" and "destroy competition".
2. Judge Reynolds' decision does not clearly set forth the extent of below cost sales which are permitted without creating the presumption of an intention to "injure competitors" and/or "destroy competition."
3. Judge Reynolds' decision recites the good brought about by competition (Paragraph 5, "Findings of Fact"), but certainly, a retailer should have a right to meet any other price in the market, even if that price is below his or her cost.
4. Judge Reynolds' decision now renders illegal the use of price to draw into a store a "disproportionate number of customers." But, what is a "disproportionate number"? Who determines that a number is "disproportionate"? If a store approaches that number, must it then refuse to serve additional customers in order to avoid being charged with intent to "injure competitors" and "destroy competition"? Must Judge Reynolds' decision be posted in the store so that a customer of average intelligence knows why a product cannot be sold?
5. Judge Reynolds' decision now precludes in-store comparison of prices with those of competitors (but the First Amendment of the United States Constitution permits such a comparison in newspapers, on TV, in throwaways, etc.). As an example, the Kroger store in Conway can no longer lawfully show a basket of foodstuff next to another shopping cart filled with identical goods purchased at a competing store, coupled with a cash register tape showing the higher price at which the items were bought.

6. Judge Reynolds' decision now appears to exclude from Faulkner County every major chain which sells at a higher price in a smaller community, where sales per square foot are lower and costs per square foot are higher, or at a lower price in larger communities, where sales per square foot are higher and costs are lower as a percentage of sales and where competition is greater. [The tribute to competition in Paragraph 5 of the "Findings of Fact" must have been made with tongue in cheek, because, certainly, it could not have been sincere.]

RThought: In light of Judge Reynolds' decision, any firm on the edge of bankruptcy running a "50%-off" sale, in an attempt to raise cash and survive, will now be subject to charges of "injuring competitors and damaging competition" under the provisions of Paragraph 11, "Conclusions of Law." If the price is not low enough to avoid bankruptcy, the firm will bankrupt itself; if the price is low enough to stave off bankruptcy, the business will become subject to the cost of triple damages under Judge Reynolds' interpretation of the law, and the result will be the same forced bankruptcy.

RThought: Many *RT* readers know a great deal about Wal☆Mart. They must be surprised at the "intent" which Judge Reynolds ascribed to Wal☆Mart and that despite "intent" by the largest retailer in the world *the net result was that three small Plaintiffs increased both their sales and their profit/earnings. They will wonder, could Wal☆Mart have been so ineffective in carrying out its alleged "intent" that it helped rather than hurt its competitors?*

RThought: The award, too, was inconsistent with the intent alleged by Judge Reynolds. The amount of damages, in relation to 1987-1993 compensation/profit for each Plaintiff, was:

	Net Income/Compensation ($000)	Award ($000)	Percentage
American Drugs	$ 191.3	$ 42.4	22.2%
Family Drug	292.8	33.8	11.5
Baker Drug	353.0	20.3	5.8

By what evidence was American Drugs hurt four times as much as Baker Drug and twice as much as Family Drug? It does appear that American Drugs is not as good a merchant as the other two. Why should punitive damages award compensation for a difference in merchandising skills?

One wonders with which store it was that Judge Reynolds was most familiar. One trusts that Judge Reynolds neither patronizes nor fraternizes with any of the three Plaintiffs (out of 15 available pharmacies) in Conway, a town of just 26,481 (1990 census).

Some court renderings don't make sense. Judge Reynolds' opinion is one of them. An example such as this is the reason states have a Supreme Court to review the decisions of their lower courts.

THE BUSINESS CLIMATE IN 1937

I have pointed out that the law under which the suit was filed is called "The Unfair Trade Practices Act" and was passed in 1937. Now, 56 years later, the first suit has been tried under it.

We might well look at the "anti-chain store" feelings during the 1930s. The theory pushed by independents was that chains would come into a town and sell merchandise at below cost. The fear was that such practices would drive out the independents. The stores selling below cost would be supported by the profit from their other stores. When the independents were gone, the chains would then raise prices to monopolistic levels.

Amongst the states, two approaches were taken to stop this attack on independent stores. One approach was a progressive tax based on the number of stores in a chain. The other was to ban sales below cost. Arkansas chose the latter.

Between 1923 and 1957, 1,297 bills based upon taxation of the number of stores were introduced in state legislatures, but only 62 were passed. A few were still on the books in 1957, as well as a few of the laws passed by some 70 cities.

But small businesses were more interested in obtaining a higher price if the brands they carried could be protected against price cutting. It was the chains in 1931, led by Charles R. Walgreen, which came out for legalized price maintenance. Starting at that time, states began passing fair trade laws. California came up with the "nonsigner" version: if any single retailer in California signed a price maintenance agreement with a manufacturer, that price would be binding on all other retailers in California.

Even when there were such laws in 45 states, not all manufacturers availed themselves and, as time passed, some withdrew. The early forms of off-price selling were already developing in the 1930s, although not in the form of discount stores as we know them today.

In 1937, Congress passed the Miller-Tydings Act which exempted such "nonsigner" laws from the ban on price fixing imposed by other Federal laws. Many states followed California's "nonsigner" form. In 1951, the United States Supreme Court overturned the application of Miller-Tydings to California's "nonsigner" law. Eventually, fair trade laws completely disappeared.

I am told that Judge Reynolds is a relatively young man; anyone who is younger than the law would be unfamiliar with this history. Only an old codger such as I is likely to have records of this background.

There is no indication, when Judge Reynolds had a problem with interpreting "intent" that, for assistance, he referred to the 1937 hearings which took place in the Arkansas legislature. In 1940, Arkansas had only 1,900,000 people. Arkansas was so small that perhaps the committees of the legislature did not record their hearings.

I suspect that if each legislator who voted for "The Unfair Trade Practices Act" were questioned today as to whether he had intended his vote to apply as interpreted by Judge Reynolds, most would say no; most would likely express surprise that the act is still on the books, especially since no case has sought protection under the act in 56 years. There is merit to sunset provisions — perhaps, if there is no application of the law for 20 years, the sun should set on the law.

WAL☆MART: SELLING BELOW COST — AND CONWAY, ARKANSAS

Unlike *The New York Times, The Wall Street Journal,* and other publications which have given you bits and pieces with disjointed comments, *Retailing Today* brings you all of the facts about the suit of American Drug, Inc., et al. vs. Wal☆Mart Stores, Inc., which was tried in Conway, Arkansas. The suit alleged that Wal☆Mart violated Arkansas law by selling pharmaceutical and health and beauty products below cost.

Read the entire decision of Chancery Judge David L. Reynolds. Note that the decision is divided into two parts: "Findings of Fact" and "Conclusions of Law." The "Conclusions of Law" should be supported by the "Findings of Fact."

IN THE CHANCERY COURT
FAULKNER COUNTY, ARKANSAS

FIRST DIVISION

AMERICAN DRUGS, INC., et al.		PLAINTIFFS
VS.	NO. E-92-1158	
WAL☆MART STORES, INC.		DEFENDANT

FINDINGS OF FACT

1. Plaintiffs, American Drugs, Inc. ("American Drugs"), Tim Benton d/b/a Mayflower Family Pharmacy ("Family Drug") and Jim Hendrickson d/b/a Baker Drug ("Baker Drug") (collectively the "Plaintiffs"), own and operate drug stores in Faulkner County, Arkansas.

2. Plaintiffs' drug stores offer for sale a full line of pharmaceutical items and health and beauty aids. Plaintiffs are multiple-line marketers relying on local sales of pharmaceuticals for the majority of their retail sales and income.

3. Defendant Wal☆Mart, Inc., ("Wal☆Mart") the world's largest retailer, owns and operates a discount store at Conway, Faulkner County, Arkansas ("Conway Wal☆Mart"), which offers a variety of products, including pharmaceuticals and health and beauty aids, but does not rely on pharmaceuticals for a substantial amount of its retail sales. For the purpose of determining competitive impact in this litigation, the relevant market is the pharmaceutical and health and beauty aids product-lines ("relevant product lines") in Faulkner County, Arkansas, where Conway Wal☆Mart and Plaintiffs are competitors.

4. Faulkner County has experienced strong population and commercial growth during the past 20 years. The sale of pharmaceuticals and health and beauty aids has expanded correspondingly. Retail sales in the relevant product-lines increased from $5,184,000 in 1988 to $9,897,000 in 1990. The number of pharmacies located in Faulkner County has increased from five in 1967 to twelve in 1981 and fourteen in 1992. Conway Wal☆Mart began selling prescription drugs in 1987. Other competitors of Plaintiffs and Defendant in the relevant product lines are other drug stores and large volume chain discount stores in Faulkner County, including Kroger, Harvest Foods, and Fred's.

5. Healthy competition in a market tends to result in lower retail prices; and a competitive marketplace is beneficial to consumers. Prices for the relevant product lines in Conway Wal☆Mart tend to be the same or slightly higher than in the Little Rock market area Wal☆Mart stores (equal or greater competition than Faulkner County) and substantially lower than in the Clinton, Arkansas, or Flippin, Arkansas, Wal☆Mart stores (areas of less competition).

6. Wal☆Mart determines the "everyday" price for its products at its headquarters in Bentonville, Arkansas. Local store owners [managers] cannot raise their store's prices above the price determined at its headquarters. It is Wal☆Mart policy that its store managers monitor the retail prices charged by competitors in their respective market area and lower prices for highly competitive merchandise without regard to the cost of individual items. This price is frequently below Wal☆Mart cost of acquiring some of these products in highly competitive markets.

7. After monitoring prices charged by other competitors, the manager of Conway Wal☆Mart has reduced the retail prices of some items in its relevant product lines below Wal☆Mart's invoice or acquisition cost. Conway Wal☆Mart has advertised for sale, in the local market, pharmaceutical items at prices below Wal☆Mart's acquisition cost. Conway Wal☆Mart occasionally has displayed a pricing "scorecard" near the front of the store comparing Conway Wal☆Mart's prices on certain merchandise with prices charged by other local retailers, including Plaintiffs.

8. The stated purpose of Wal☆Mart's pricing policy is to "meet or beat" the retail prices contemporaneously charged by competitors for highly competitive, price-sensitive merchandise; to maintain "low-price leadership" in the local marketplace; and to "attract a disproportionate number of customers into a store to increase traffic." The stated purpose of below cost sales is to generate traffic that will purchase other items offsetting any loss on a particular item sold below cost.

9. Although Conway Wal☆Mart has sold, at prices below its cost, items in the relevant product lines, Conway Wal☆Mart sells the whole product line above cost. Conway Wal☆Mart and its pharmacy are profitable even in the short run.

10. There is no direct evidence that the purpose of Wal☆Mart's pricing policy or Conway Wal☆Mart's implementation of the policy is to injure competitors or to destroy competition. However, such purposes may be inferred from the stated policy, the effects of the stated policy, and other circumstantial evidence.

11. Plaintiffs have lost prescription and related sales and customers to Conway Wal☆Mart's as a result of Wal☆Mart's advertising and sale of the relevant product lines below Wal☆Mart's acquisition costs. The growth in sales and profits experienced by Plaintiffs substantially decreased primarily as a result of Wal☆Mart's below-cost advertising and pricing in spite of the dramatic increase in sales in the local market.

12. Plaintiffs have been injured by Conway Wal☆Mart's aggressive and unfair pricing practices. American Drugs has been damaged in the amount of $42,407.00. Baker Drug has been damaged in the amount of $33,767.00. Family Drug has been damaged in the amount of $20,295.00.

CONCLUSIONS OF LAW

1. Act 253 of 1937, "The Unfair Trade Practices Act," Ark. Code Ann. § 4-75-201 through 4-75-211, ("the Act") specifically sets out the legislative intent of "the Act":

> **The General Assembly declares that the purpose of this subsection is to....foster and encourage competition by prohibiting unfair and discriminatory prices by which fair and honest competition is destroyed or prevented.**

2. The Arkansas Supreme Court recognized "the Act's" purpose in Beam Brothers v. Monsanto, 259 Ark. 253, 532 S.W.2d 175 (1976):

> **This subsection (of the Act) is intended for the primary benefit of the public by protecting dealers, especially small dealers, from unfair competition by large dealers.**

3. The purpose of "the Act" is not to protect small business from large business, downtown from malls, or to guarantee any business a share of the market, but to encourage "fair and honest competition." The protection afforded by "the Act" is from "unfair competition."

4. "The Act" states that "...it shall be literally construed so that its beneficial purposes may be subserved." "The Act" is penal in nature and imposes liabilities unknown at common law, therefore it must be strictly construed in favor of those upon whom the burden is sought to be imposed, and that which is not expressed will not be taken as intended. Davis v. Fowler, 230 Ark. 39, 320 S.W.2d 938 (1959).

5. "The Act" makes it unlawful for a business to sell, or advertise for sale "any article or product" at less than the "cost thereof." "Cost" in this instance is defined as the "invoice or replacement cost of the article to the distributor or vendor plus the cost of doing business." "Cost of doing business" is defined as:

> **....all costs of doing business incurred in the conduct of the business and must include without limitation the following items of expense: labor, which includes salaries of the executives and officers, rent, interest on borrowed capital, depreciation, selling cost, maintenance of equipment, delivery cost, credit losses, all types of licenses, taxes, insurance, and advertising.** Ark. Code Ann. § 4-75-209 (2) (b) (2).

6. The prohibition against sales below costs does not apply to the sale below cost of seasonal, damaged, deteriorated and perishable items; good faith closing business sales; and court ordered sales.

7. Wal☆Mart contends that the Court should look at "market-basket" cost rather than single product or article cost. While the Court can find no Arkansas judicial decision construing this issue, the Court finds that Ark. Code Ann. § 4-75-209 is clear — "the Act" applies to "any article or product" and not "market-basket" or "overall product line" cost.

8. The burden of proof is on Plaintiffs to establish three essential elements: that Conway Wal☆Mart sold, offered to sell or advertised to sell products (1) at less than the cost to Conway Wal☆Mart, (2) for the purpose of injuring competitors, and (3) for the purpose of destroying competition. Ark. Code Ann. § 4-75-209 (a) (1).

9. The evidence is clear that Conway Wal☆Mart advertised and sold pharmaceutical and health and beauty products below invoice or acquired costs (without taking into consideration the "cost of doing business") on a regular basis. These below cost sales do not fall within the exemptions set out in "the Act."

10. The Court finds that purpose to injure competitors and destroy competition cannot be inferred from below cost advertising and sales alone. There must be other proof of intent or purpose. A person's purpose or intent, being a state of mind, ordinarily cannot be proven by direct evidence, but may be inferred from other circumstances. Alford v. State 34 Ark. App 113, 806 S.W.2d 29 (1991).

11. The Court finds from the following circumstances that Conway Wal☆Mart advertised and sold pharmaceutical and health and beauty products below cost for the purpose of injuring competitors and destroying competition:

1. The number and frequency of below cost sales.
2. The extent of below costs sales.
3. Wal☆Mart's stated pricing policy - "meet or beat the competition without regard to cost."
4. Wal-Mart's stated purpose of below cost sales — to attract a disproportionate number of customers to Wal☆Mart.
5. The in-store price comparison of products sold by competitors, including Plaintiffs.
6. The disparity in prices between Faulkner County prices of the relevant product lines and other markets with more and less competition.

RELIEF AND DAMAGES

Plaintiffs' request to enjoin Conway Wal☆Mart from selling below cost as defined by the "Unfair Trade Practices Act" is GRANTED.

Plaintiffs' request for damages is GRANTED and the Court awards damages as follows:

American Drugs	$ 42,407.00
Baker Drug	33,767.00
Family Drug	20,295.00

Plaintiffs' request for treble damages and costs is GRANTED.
Plaintiffs' request for attorney's fees is DENIED due to the lack of statutory authority for such allowance.

IT IS SO ORDERED THIS 11TH DAY OF OCTOBER, 1993.

DAVID L. REYNOLDS
CHANCERY JUDGE ON EXCHANGE

PROBLEMS IN UNDERSTANDING THE DECISION

The text of Paragraph 6 in the "Findings of Fact" states: "It is Wal☆Mart's policy that its store managers monitor the retail prices charged by competitors in their respective market area and lower prices for highly competitive merchandise without regard to the cost of individual items." This statement is enclosed in quotation marks but is not attributed. In addition, the decision fails to indicate whether or not the store *will meet but not go below those prices which are already at or below cost,* thus selling at below cost only in those cases when matching a competitor who is already below Wal☆Mart's cost. No illuminating examples were quoted in the decision. From their public statements and advertising (i.e., Joe Antonini, CEO of Kmart, stating on TV, "We will not be undersold"), I believe both Kmart and Target have similar policies.

The text of Paragraph 8 in the "Findings of Fact" includes the phraseology "...'meet or beat' the retail prices...by competitors; 'attract a disproportionate number of customers into a store to increase traffic.'" The decision contained these statements within quotation marks but, again, does not indicate whether the words are those of the Plaintiffs, Wal☆Mart, or of the judge himself.

Continuing with Paragraph 8, there is no indication of the source of the statement: "The stated purpose of below cost sales is to generate traffic that will purchase other items offsetting any loss on a particular item sold below cost." Was this "stated" by the Plaintiffs? the defendant? or was it a conclusion by the court? The purpose of all advertising, at above or below cost, is to "attract a disproportionate number of customers"; if it does not, the expenditure has been wasted.

Paragraph 8 in the "Conclusions of Law" recites that the Plaintiffs must submit proof that the acts of Wal☆Mart were "...(2) for the purpose of injuring competitors, and (3) for the purpose of destroying competition." Yet, nothing in the decision identifies any such proof.

OBSERVATIONS

The "Conclusions of Law" in Paragraph 1 cite Act 253 of 1937, "The Unfair Trade Practices Act", Ark. Code Ann. §4—75-201 through 4-75-211 [this is the first suit in 56 years], but at no time in either part of the decision does the judge cite the key provision of the law:

> **§4-75-209 (a) (1). It shall be unlawful for any person, partnership, firm, corporation, joint-stock company, or other association engaged in business within this state to sell, offer for sale, or advertise for sale any article or product, or service or output of a service trade, at less than the cost thereof to the vendor, or to give, offer to give, or advertise the intent to give away any article or product, or service or output of a service trade, *for the purpose of injuring competitors and destroying competition.*** [Emphasis added.]

The law seems clear. To be guilty under the law, selling below cost must have taken place for the purpose of both:

1. **"injuring competitors and**
2. **destroying competition."**

Paragraph 10 in the "Findings of Fact" states:

> **There is no direct evidence that the purpose of Wal☆Mart's pricing policy or Conway Wal☆Mart's implementation of the policy is to injure competitors or to destroy competition.** [Emphasis added.]

BEWARE OF LIST PRICES...IN ILLINOIS

Both Mrs. Kay's, Inc., and Habitat Wallpaper and Blinds, Inc., sell shades, blinds, and wallpaper in Illinois and offer unbelievable savings, such as "up to 83% off...list or retail prices." Sounds great. But the Illinois Attorney General checked with 22 retailers of shades, blinds, and wallpaper in the Chicago area and found that *none of them ever charges manufacturer's list prices* for these products. Result: Mrs. Kay's and Habitat are now involved in a lawsuit in which the Illinois Attorney General seeks to enjoin them from further violations of the Illinois Retail Advertising Regulations. In addition, Mrs. Kay's appears to lack authority to do business in Illinois and owes back franchise taxes.

RThought: Just because you are able to obtain a "suggested list price" from a manufacturer or a wholesaler doesn't mean you may legally use it for comparison purposes. In New Zealand, Australia, and several other countries, a similar suit would include imposing a major monetary penalty.

CONSUMERS STILL PREFER ITEM PRICING

Recently, retailers in Michigan attempted to have the state's Item Pricing Act amended to require that prices need only be displayed on shelves and not on each item. In response, Attorney General Frank Kelley had a poll conducted by EPIC/MRA. Seventy-nine percent of those polled believe that retailers want only to increase their profits. Fifty-one percent believe that membership clubs, such as Kmart's Pace and Sam's Warehouse, owned by Wal☆Mart, also should be required to item price their merchandise. General Kelley urged consumers to call or write their legislators to ask them to vote against the bill that would eliminate item pricing. (Source: May/June 1993 *Consumer Protection Report,* National Association of Attorneys General, 444 North Capitol Street, N.W., Suite 339, Washington, D.C. 20001; $145/yr.)

HASBRO, INC., SETTLES CHARGES RE GI JOE TOYS

The Federal Trade Commission (FTC) recently stated that the performance of Hasbro's "GI Joe" toys had been misrepresented. For example, Hasbro's advertising agency altered the performance of a Hasbro toy helicopter (sort of like NBC's "Dateline" misrepresenting the fire danger of GM trucks). Hasbro's TV commercial showed the helicopter "hover[ing] and fly[ing] in a sustained and direct manner" when it could not. The agreement with the FTC provides that Hasbro and its advertising agency are prohibited from misrepresenting any toys in the future. (Source: May/June 1993 *Consumer Protection Report*, National Association of Attorneys General, 444 North Capitol Street, N.W., Suite 339, Washington, D.C. 20001; $145/yr.)

MISSOURI SETTLES WITH MONTGOMERY WARD FOR $150,000

Missouri Attorney General Jay Nixon recently revealed that Montgomery Ward & Co., Inc., regularly promoted furniture sale prices which were actually Montgomery Ward's everyday prices. At $150,000, the lawsuit is the largest consumer-protection settlement in the history of the state. (Source: May/June 1993 *Consumer Protection Report*, National Association of Attorneys General, 444 North Capitol Street, N.W., Suite 339, Washington, D.C. 20001; $145/yr.)

THE PREVELANCE OF MBAs AMONG CEOs OF THE 800 LARGEST CORPORATIONS

Forbes (May 24, 1993) listed the compensation for the chief executive officers of the 800 largest U.S. companies. In addition to compensation, the list reported the graduate and undergraduate degrees, if any, of each CEO. Four hundred and two executives, slightly over 50%, possessed graduate degrees. One hundred and ninety-eight executives, or 24.8% held MBA degrees.

The record is different for the 47 food and general retailers listed. Eight executives (17%) possessed graduate degrees, while one in five (11%) held MBAs. You can still be a successful retail CEO without a lot of fancy education!

Thirteen (28%) of the 47 retailers had no college degree. Making it to the top without a university degree may be a good selling point for high school, especially inner city, and junior college students.

Also of interest was where the 194 MBA degrees had been earned.

Harvard University	64	Drexel University	1
Stanford University	15	Duke University	1
University of Pennsylvania	12	Emory University	1
University of Chicago	10	George Washington U.	1
		University of Illinois	1
New York University	5	Iona College	1
Northwestern University	5		
		University of Iwoa	1
Cornell University	4	La Salle College	1
Indiana Univerity	4	Louisiana Tech. University	1
Loyola University	4	Marquette University	1
University of Michigan	4	U. of Massachusetts	1
		Miami University	1
Case Western Reserve U.	3		
Columbia University	3	Michigan State University	1
Dartmouth College	3	University of Nebraska	1
Georgia State University	3	University of New Haven	1
Southwestern Methodist U.	3	University of New Mexico	1
		State U. of N.Y. at Buffalo	1
Boston University	2	University of North Texas	1
U. of California at Berkeley	2		
University of Denver	2	Pace University	1
Mass. Inst. of Technology	2	Pepperdine University	1
University of Minnesota	2	University of Rochester	1
		Rollins College	1
University of Pittsburgh	2	Seton Hall University	1
The State U. of Rutgers	2	Texas Christian University	1
University of South Carolina	2		
U. of Southern California	2	University of Utah	1
Xavier University	2	University of Virginia	1
		University of Washington	1
American University	1	Washington State University	1
Boston College	1	Wayne State University	1
U. of California at L.A.	1	University of Wisconsin	1
University of Cincinnati	1		
University of Delaware	1		
De Paul University	1		

RThought: Of the MBAs, 34% came from Harvard; 59% from the top six universities; and 68% from the top 10 universities.

Lots of schools are in the MBA game!

EVERYDAY LOW PRICES EXPAND TO THE AUTO INDUSTRY

Wal☆Mart Stores is the leading practitioner of Everyday Low Prices (EDLP) in the discount store field. Dillard Department Stores is the leading practitioner of Everyday Fair Prices (EDFP) in the department store field (although Carter Hawley Hale and May Department Stores, according to the small print in footnotes of their newspaper ads, are moving toward EDFP). The entire $36 billion membership club industry is a practitioner of EDLP, because it does not do specfic price advertising.

And now comes General Motors (GM) and, perhaps, Ford Motor Company. Both may be classed as "slow learners."

When Saturn, a product of GM, began manufacturing cars a few years ago, it affixed a single price to each model, a price from which a dealer could not budge. Now, three years later, GM has made a "great discovery": many consumers like the idea, particularly because it eliminates pushy salespeople. (Everyone knows that most car salespeople are paid a commission and, therefore, assume that the higher the price, the greater the commission.)

Now, GM is planning "California Value Selling" (CVS), effective for about 12% of the U.S. population (i.e., those in California) buying its 1994 models. GM is training thousands of salespeople in "the nuances of one-price selling." It seems that salespeople have to be "trained" to read the literature on the cars and then "trained" in how to sell the features described in the literature.

Of course, GM has a problem in making up its mind. Newspaper reports indicate EDLP might cover as much as 70% of the GM 1994 line. After all, why go all the way when you can go half (or 70%) of the way. I can just hear a GM salesperson explaining, "Sorry, this car doesn't happen to be in the 70% category, so let's start shuffling figures," while thinking: If I can get the price up $500, I will make an extra $100 under my commission plan, which increases in percentage the higher the price.

The giants in the auto industry are trying to establish their "individuality" by doing what other retailers do. Ford is rumored to be considering a one-price policy applied nationally (just as Saturn dealers are doing). Shortly, we may hear that Chrysler will be using a single price wherever in the world any Chrysler cars are sold.

RThought: The Sears EDLP effort was a failure. It overlooked the fact that Sears is the only place one can buy Kenmore, Craftsman, and many other private-label brands. Customers never knew whether the prices were ED*HP* or ED*LP* or ED*M* (*H*=High; *L*=Low; *M*=Medium).

Isn't it strange that in an industry (new car sales) only slightly smaller than the grocery store industry, salespeople have to be taught how to sell in a straightforward manner at a fixed price? The world might have been different if Rowland Hussey Macy had started with a wagon outlet instead of a dry goods store. Here is one of Macy's ads from his Haverhill days:

We have but one price, and that is named first!
No deviation except for imperfection!
A child can trade with us as cheap as the shrewdest buyer in the court.
Haverhill Cheap Store 1852

WORDS — OF WISDOM

Soundings is a little booklet published by The Economics Press (12 Daniel Road, Fairfield, NJ 07006; $16.54/yr.)

I often learn from the stories and quotes and try not to skip an issue. Sometimes, they touch retailing directly, as did the March 1988 issue:

The bitterness of poor quality remains long after the sweetness of low price is forgotten.

RThought: How often have I tasted that bitterness. Haven't you?

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

SIC Code	Category	JULY 1993	JULY 1992	Percentage Change	Year to Date Seven Months 1993	Year to Date Seven Months 1992	Percentage Change
52	*Bldg Matl Group	$10,300	$9,503	+ 8.4%	$63,652	$59,491	+ 7.0%
57	*Furniture Group	9,646	8,746	+10.3	62,728	57,464	+ 9.2
571	Furniture Stores	5,009	4,657	+ 7.6	32,409	30,391	+ 6.0
572	Appl, TV, Radio Stores	3,910	3,351	+16.7	24,262	21,952	+10.5
5941	*Sporting Goods Stores	1,776	1,583	+12.2	10,927	10,097	+ 8.2
5942	*Book Stores	611	629	- 2.9	4,736	4,416	+ 7.2
5944	*Jewelry Stores	1,214	1,056	+15.0	7,555	7,113	+ 6.3
531Pt	Conventional Dept Stores	3,703	3,658	+ 1.2	25,498	25,333	+ 0.6
531Pt	Natl Chain Dept Stores	2,912	2,642	+10.2	19,213	18,323	+ 4.9
	Subtotal	6,615	6,300	+ 5.0	44,711	43,656	+ 2.4
531Pt	Discount Stores	9,202	7,988	+15.3	58,639	53,067	+10.5
531	*Department Stores	15,817	14,288	+10.7	103,350	96,723	+ 6.8
539	*Misc General Mdse Stores	4,612	4,137	+11.5	30,267	27,324	+10.8
541	*Grocery Stores	32,743	31,598	+ 3.6	212,524	208,084	+ 2.1
56	*Apparel Stores	8,415	8,100	+ 3.9	55,224	53,324	+ 3.6
561	Men's & Boys' Stores	662	625	+ 5.4	4,600	4,760	- 3.4
562,3,8	Women's Stores	3,057	2,897	+ 5.5	20,601	19,652	+ 4.8
565	Family Clothing Stores	2,717	2,656	+ 2.3	16,820	15,818	+ 6.5
566	Shoe Stores	1,409	1,389	+ 1.4	9,330	9,623	- 3.0
591	*Drug Stores	6,543	6,266	+ 4.4	45,348	44,348	+ 2.3
596	*Nonstore Retail	3,332	3,765	- 11.5	25,708	25,890	- 0.7
5961	Mail Order	1,658	2,185	- 24.1	13,717	14,855	- 7.7
	* *RT* Total Store Retailing†	95,009	89,671	+ 5.9	622,019	594,274	+ 4.7
	**GAF TOTAL	44,823	41,140	+ 8.9	292,484	273,572	+ 6.9

†Excludes car dealers, auto supply stores, eating and drinking places, service stations and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**General, Apparel, and Furniture.

For further information on these figures, contact Irving True, Business Division, Bureau of Census, Washington, D.C. 20233, or call 301-763-7128/7129. Irving has been very helpful to me over the years.

The University of Oklahoma

HELEN ROBSON WALTON CHAIR IN MARKETING

July 1, 1994

Mr. Robert Kahn
Retailing Today
Box 249
Lafayette, Califinoria 94549

Dear Mr. Kahn

Pat Dunne and I are preparing an educational work entitled Cases in Retail Management to be published by South-Western Publishing, Co., Cincinnati, Ohio. Pat has mentioned that you would be willing to let us reprint some of your work.

May we please have permission to include in our work (and in reprints and photocopies of all or portions thereof) the following material, without charge:

> "Wal Mart: Selling Below Cost--And Conway, Arkansas"
> Retailing Today
> Feature Report
> November 1993

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Thank you,

Robert F. Lusch

Robert F. Lusch
Professor of Marketing and Accounting

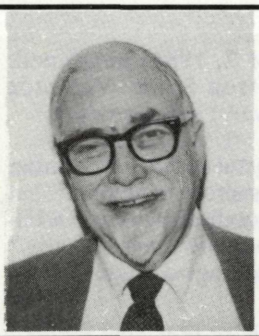
Comment: You will notice that in the article I quoted the entire opinion of the trial judge. I do not believe that is subject to my copyright. As to what I wrote before and after the decision, and which I believe is properly copyright, you have my permission to use it.

Permission granted:

by: Robert Kahn

5 July 1994

Division of Marketing, 307 West Brooks, Room 3, Norman, Oklahoma 73019-0450 PHONE: (405) 325-3611 FAX: (405) 325-7688



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THE MYTH OF QVC

I am fascinated with the hoopla (baloney?) spread by the press, trying to be the first to forecast the end of conventional retailing and the day when everything will be bought from a couch in the living room and delivered by magic to the door — in the right color, size, texture, and quality — after having been charged to one of many credit cards.

Recently, a woman asked me how soon I thought all of these wonders would be available. When I told her that I guessed that 20 to 40 years might pass, depending upon how close she lived to the center of a metropolis, and how soon electronic retailing solves three little problems (the transmission of true color, the standardization of clothing sizes, and someone being home when delivery is attempted), I could see she was mentally crossing me off her list of "experts whom [she] knows."

I defended myself. When I asked her if she had seen any estimates of how much it would cost to bring 500 TV channels, via fiber-optic cable or radio wave, into 60 million-plus homes, she honestly answered, "No." When I hazarded a guess of about $100 billion dollars, I could see her dream crashing. When I asked how long she thought it would take to put the system in place, I sensed that she had placed me back on her list of "experts whom [she] knows."

I explained that more than a decade ago experimental interactive TV was tested by some very large companies. One such test, which was called QUBE, was started by Warner Communications in Columbus, Ohio, on December 1, 1977. The experiment cost over $70 million and was supported by the revenue from adult-only movies available on a pay-per-view basis. It lasted only a few years.

Now, if you will, please wander with me though my file on "Electronic Retailing."

"The Next Revolution of the Retailing Wheel" by Malcom P. McNair (my teacher at Harvard Business School) and Eleanor G. May (my friend), in the *Harvard Business Review* (September/October 1978) forecast the arrival of electronic retailing which would capture 10% of retailing within 10 years.

"Retailing Without Stores" by Larry J. Rosenberg and Elizabeth C. Hirschmann, in the *Harvard Business Review* (July/August 1980) stated: "Telecommunications will make it possible to order merchandise from the home, delivery systems will take the place of pickups by customers, and banks and other financial organizations will handle money transfers." Rosenberg and Hirschmann's conclusion included: "Like all predictions of great changes, this forecast is subject to uncertainties." Their last statement was the most accurate part of the seven-page article!

'GOODBYE, BUD'

Wayne H. (Bud) Fisher, one of the most admired individuals in the supermarket industry, has passed on as a result of complications from Alzheimer's disease.

As an indication of the affection felt toward Bud, Lucky Stores issued a press release on his passing, even though he had retired as CEO 13 years earlier. I cannot recall another press release for an officer not associated with a company for that length of time.

I got to know Bud when he was CEO of Lucky Stores, which is headquartered in Dublin, California. Whenever my driving took me on Interstate 680 through Dublin, I would call Bud and, when possible, visit. We would chat about the condition of retailing, in general, and about many other topics.

There was one talk with Bud that I have remembered for 20 years.

In the early days of warehouse food stores, Lucky opened three such stores in San Antonio, Texas. I believe they were called Magna Mart. The two major San Antonio chains were H.E.B., a regional chain, and Handy Andy, a local chain. H.E.B. met the Magna Mart prices item for item. Handy Andy was forced to do the same and ultimately ended in bankruptcy. Bud told me that when the decision had been made to open the three stores, it had never been his intent to cause the upset and distress that followed. So, he closed them.

I believe the stores were doing the sales expected when they were built, but Bud did not want to generate volume by hurting so many people.

After Bud retired from Lucky, he and his wife, Theo, moved to Pasadena (both had come from Southern California). The last extended stay I had with them was when he was teaching a class of experienced, middle-management supermarket executives in the Food Industry Management Program at the University of Southern California. Bud was kind enough to ask me to speak before his class. I really don't know who enjoyed the class more — the teacher, the students, or the speaker who watched the interplay.

Like many in the supermarket field, I consider myself fortunate to have known Bud.

Chain Store Age (March 1981) stated: "Knight-Ridder and AT&T extend six-month test at Coral Gables in 150 homes offering 18,000 full-screen pages of information and shopping service from 6 A.M. to midnight, with merchandise from Sears, Penney's, and Service Merchandise."

"Electronic Retailing: Force for the Future?" by Michael McLaughlin of Booz, Allen & Hamilton, *Chain Store Age* (October 1981), stated: "Twenty percent of the current retail sales force could be impacted by the end of the decade."

In an unidentified publication dated November 2, 1981: "Although Sears said its pilot video disc catalog received overwhelmingly favorable reviews from shoppers at the nine stores participating...the company has no plans to produce a sequel...."

National Home Center News (May 10, 1982) headlined: "Teleshopping is nearer to reality."

Chain Store Age (June 1, 1982) headlined: "Jump on Electronic Marketing Bandwagon, Retailers are Told."

Nation's Business (March 1984) reported: "Back in 1966, Stanley Marcus predicted that one day telephones would be hooked up to video screens on which products would be displayed, offering a powerful new tool for sales...." Stanley is still waiting — 27 years later.

Robert L. Bartlett of Touche Ross, *Chain Store Age* (April 1984), said: "Although we don't anticipate that actual videotex sales will ever be greater than 10% of all retail sales, the impact of videotex on the industry will be substantial." Bartlett was correct in the first clause, incorrect in the second. [**Note:** Videotex is not interactive TV. A kiosk is usually located in a store or mall and offers a way of shopping for a limited number of items, especially for sizes or colors not normally carried by the store or, perhaps, from a bridal register.]

In a letter dated April 30, 1984, to a friend who headed a venture capital firm, Robert Bartlett and Thomas Rauh, both of Touche Ross, stated that their firm "has taken a leadership position in evaluating and implementing new business ventures in the emerging field of electronic marketing" and recommended that my friend attend a two-day conference put on by Touche Ross at a cost of $650 (1984 dollars)!

In the fall of 1984, Electronistore (trademark and service mark of Electronistore Services, Inc., a subsidiary of RR Donnelley Company), stated: "Touche Ross & Co., the national accounting firm which monitors the electronic shopping industry, predicts that by 1990 there will be approximately 50,000 transactional electronic shopping units [videotex] in use throughout the United States which will account for $5 billion to $10 billion in retailing sales annually." [**Note:** This assumes an average of $100,000 to $200,000 per machine in about 15 square feet!]

Chain Store Age (December 1986) subheadlined: "Bailey, Banks & Biddle's video kiosks: Phase I of Electronic Venture." Don't spend time looking for those kiosks!

Venture (January 1986) quoted: "Thomas R. Rauh of Touche Ross predicts 100,000 machines will be in retail use by 1990, up from 30,000 now, and a market for the machines growing to $150 million, up from 1985 revenues of $50 million [$1,700 per machine per year]."

Again, Thomas Rauh of Touche Ross, this time from *Women's Wear Daily* (March 1, 1986): "Electronic shopping systems will become more commonplace than automated teller machines by the end of the decade. By 1990, 100,000 terminals will account for $2 billion in annual consumer purchases [$20,000 per terminal]."

The Wall Street Journal (November 2, 1984) headlined: "Knight-Ridder's Cutback at Viewtron Show; Videotex Revolution is Faltering."

A 1985 article in my file (publication not indicated): Susan Engel, principal at Booz, Allen & Hamilton, contended that "by the year 2000, 50% of retailing purchases — or $18 billion to $55 billion in sales — will be made electronically." [**Note:** No explanation was given for so huge a range as from "$18 billion to $55 billion in sales."]

DM News (March 15, 1986) headlined: "Electronic Shopping Will See New Growth by 1990, Study Says." The study was by Touche Ross and, again, Thomas Rauh said: "Our analysis of 1985 field experience has led us to lower our forecast of transactional systems (videotex) to 30,000 by 1990 and to increase our forecast of informational systems to more than 70,000." [**Note:** No sales volume was forecast.]

Business Week (March 31, 1986) headlined: "Two Videotex Heavyweights Quit — $80 Million Lighter." The heavyweights were the Times Mirror Co. and Knight-Ridder Newspapers, Inc.

Chain Store Age (November 1987) headlined: "TV Shopping Viewership Down." Only 29% reported that they had watched TV shopping shown within the last week.

The Wall Street Journal (November 4, 1987) headlined: "Home-Shopping Shakeout Forces Survivors to Find Fresh Appeal." From the third paragraph: "At least 15 shows have folded in the past six months. It's not clear that there's even enough business out there for three discount video retailers," says R. Bruce Jones, a senior vice president of Beverly, Massachusetts-based American Cablesystems Corporation. "They're going to have to differentiate themselves."

The brochure for Touche Ross's "Electronic Shopping '88 Seminar" listed 148 "past attendees," but only 37 were retail firms.

Chain Store Age (July 1988) explained its projections for 1988 through 1992, when TV shopping will reach "over $5 billion. [**Note:** It didn't.] It will have continued strong growth; attractive economics for leading players; and will continue to attempt to differentiate." [***RT's* estimate of accuracy of 1988 forecasts:** Between 0 and 1, on a scale of 0 to 10.] Douglas Hosking of forever-optimistic Touche Ross estimated that "by 1992, interactive retailing will be dominated by three or four national companies selling $3 billion worth of merchandise...for comparison...mail order and direct mail will account for $60 billion to $70 billion and home TV shopping for about $5 billion in sales." [Accuracy of forecast on 1 to 10 scale: 1.]

News release from Management Horizons (September 20, 1988): " It is likely to be well into the 1990s [1999?] before there is significant market penetration of interactive home shopping systems. It will not emerge as a major means of consumer interaction with the marketplace, but as an alternative or *supplementary* channel, rather than as a substitute for more traditional forms of retailing. Neither the shopping center nor the grocery store will experience a significant threat."

The New York Times (November 27, 1988): "Right now, kiosks appear to be the fastest-growing application. According to...Touche Ross & Co., the number of interactive kiosks in stores, banks, and other customer-service cen-

HAS ONE OF YOUR INSURANCE POLICIES BEEN SOLD?

For many years I have read *The Insurance Forum* (P.O. Box 245, Ellettsville, IN 47429; $50/yr.) written by Joseph M. Belth, professor of insurance (there are few, if any, other "professors of insurance") at the School of Business, University of Indiana at Bloomington. *The Insurance Forum* is in its twentieth year, and for most of those years, Belth and I have been exchanging newsletters.

In the past year or so, Belth has devoted much space to the manner in which insurance companies are selling their policies to other companies, often with the prospect of adverse results for the policyholder and almost certainly without most policyholders fully understanding what has transpired.

In the August 1993 issue, Belth covered several subjects of interest to any individual or company owning an insurance policy.

Crown Life Insurance Company, a large Canadian company (rated A+ by Best for several years), wanted to drop 14,000 of its disability policies covering individuals in the United States. From Crown Life's point of view, it did have a good reason for such a move; with that in mind, it made a deal with the Lone Star Life Insurance Company of Dallas (rated B- by Best since 1990 and C+ prior to that time).

Each policyholder received two friendly letters (one from a senior vice president at Crown Life and another from the chairman and CEO of Lone Star). Neither mentioned the disparity in financial ratings. *They urged the policyholders to read the "assumption certificate" which was to be attached to and become part of their policies.* The "assumption certificate" did not mention the disparity in financial ratings.

There are a few points in an "assumption certificate" that one should note. First, if you, as policyholder, do not deliver a written rejection within 30 days of receipt of a communication, "you will be deemed to have accepted" the transfer. This particular "assumption certificate" states that it "shall become effective at 12:01 A.M. Eastern Daylight Savings Time, on the *1st day of July 1992"*, but *the policyholders did not receive the material until January 1993* — six months later.

Policyholders in Maine and New Jersey received a *different* letter from Crown Life because it was not licensed in those states. In fact, there were several different versions of the two letters!

It was likely that an individual receiving the notice didn't understand what was happening.

Lone Star had assets of $285 million as of June 30, 1992, even though the letter from its CEO stated that the company "currently boasts assets in excess of $332 million." Part of the difference was the assets related to the transfer of the policies, the owners of which were now being asked to consent to the transfer which had already taken place.

Canadian law requires publication of a notice of an intent to transfer policies. Notice was published in the *Canada Gazette*, a national newspaper which mainly consists of public notices, and in a Regina newspaper, because Crown Life was in the process of moving its headquarters there. *However, all affected policyholders lived in the United States!*

Where were our state insurance commissioners, the people in each state who are in office to protect us in insurance matters? Probably at a convention where they were being entertained by the insurance companies they regulate.

There is an organization called the National Association of Insurance Companies (NAIC). One of the tasks performed by the NAIC is that of proposing legislation, with the hope that each state will then pass the proposed legislation so that the laws will be uniform throughout the 50 states. In March 1993 the NAIC issued a draft of a "model act" covering policy transfers such as the one which took place between Crown Life and Lone Star.

In a letter dated May 28, 1993, Belth set forth his objections to the proposed model law. Here are some points raised by Belth in regard to the "implied consent" given by policyholders to such transfers: There is such a thing as "informed consent," i.e., when the policyholder knows what he or she is doing. "Implied consent," however, usually arises when the policyholder does nothing because he or she doesn't know what is happening, even though the policyholder might have been smart enough to make a decision had he or she understood all of the facts.

Our insurance commissioners proposed in Section 5(B) that policyholders are giving "implied consent" if the next premium is paid on the policy! Belth pointed out that the only message conveyed when the next premium is paid is that the policyholder wants to continue the insured coverage. To imply that the policyholder also is willing to move from a company rated A+ to a company rated B- seems to Belth — and to me — rather absurd; but it apparently seemed reasonable to our insurance commissioners.

As Belth pointed out: Section 5(C) requires a little more effort on the part of the friendly insurance company wanting to rid itself of your insurance policy. You would be giving "implied consent" after receipt of **TWO** notices and the passage of a certain (undefined) length of time. There is no requirement about what is to be set forth in the notices so that your consent will truly be "informed." You are not told that you may elect (as you are allowed to do under the law) to continue to have your policy owned and financially backed by the A+ company, even if the A+ company has a sound business reason to cause the B- company to send out the statements, collect the premiums, make benefit payments under the policy, etc.

Belth pointed out that both 5(B) and 5(C) would assume "novation" took place. The word "novation" comes from Latin's "novation, novatio". Since first used in 1682, "novation" has meant "the substitution of a new legal obligation for an old one." In other words, the A+ company is off the hook and the B- company is on!

Section 7 is the worst of the ill-conceived proposals. It is called "Commissioner's Discretion." If the commissioner has secret knowledge that the selling insurance company is in financial trouble and *the commissioner chooses not to make that information public,* or for any like reason, the commissioner may approve the transfer as being "in the best interest of the policyholder."

RThought: My purpose in writing this article is to sufficiently frighten you so that if and when you receive such a set of friendly letters, saying your policy is being transferred, you will immediately seek out an experienced, honest insurance broker to be on your side. If you are contacted about a policy transfer, please tell the inquirer just what I have told you.

FEATURE REPORT

IS MICRO-LENDING A SOLUTION TO OUR UNEMPLOYMENT?

Once again, I came across the story of Muhammad Yunus and micro-lending in Bangladesh. It began with a 15-cent loan. Today, the Gremeen Bank has branches in 29,000 villages and holds $40 million in savings deposits. It lends $10 million a month, does not practice red-lining, and has 1.3 million borrowers, of which 92% are women.

Professor Yunus, the son of illiterate parents, was the head of the Department of Economics at Chittagong University when he came across a woman making bamboo stools. He stopped to talk with her and found that she had to buy bamboo from a trader on condition that she sold the stools only to him — at whatever price he set. She was making 2 cents a day, but if she could borrow the equivalent of 15 cents to buy her own bamboo, she could sell the stools at a higher price. After lending her the 15 cents, the professor began contemplating existing conditions and what could be done.

Yunus' solution was simple; but creating the bank took nine years. Given our bureaucracy, Yunus' solution might never have been approved. Imagine a bank in the U.S. lending $50 or $100 to persons with no credit ratings and, perhaps, unable to sign their names!

Today, loans by Gremeen Bank average $75, which may be more money than the borrowers have ever held in their hands at one time. Yet, 97% of these loans have been repaid, a far better result than was experienced by the U.S. savings and loan industry.

Yunus has set forth a new list of "Fundamental Human Rights." I have taken the liberty of transposing the first two.

Food and shelter
Freedom of speech
Health
Education
Credit

This form of lending is called "micro-credit." Today, it is being tested among the Sioux Indians in South Dakota.

What I have related was described in greater detail in the April 1993 issue of *Insights on Global Ethics,* the publication of The Institute for Global Ethics, Box 563, Camden, ME 04843. Individual membership cost is $35 ($17.50 for students, educators, and clergy). Seventy-five dollars makes you a donor, $150 a patron, and $500 a sustainer; $1,500 is asked of corporations. A few names on its board are familiar to me: James K. Baker (I once met him when I visited Arvin Industries, where he is CEO); Sissela Bok, the wife of the recently retired president of Harvard; Harlan Cleveland, who has kept the Futurist Society growing; John Gardner, who founded People for the American Way; and Daniel Yankelovich, who is known for his research. The W.K. Kellogg Foundation is listed first among its supporters.

RThought: What could retailers do if they wanted to help people to make a go of it with access to micro-credit?

Suppose you have a home center. And suppose you sold a lawnmower to someone who was willing to work but could pay you only $2 a week. Suppose you next were able to persuade your community to issue licenses, including a photo of the applicant, so that he or she could go from door to door offering to mow lawns for whatever price was negotiated? Do you believe some individuals could become self-supporting? Someone may need to help them set up simple books and keep records of how much they earned and how much they had to pay in taxes. Perhaps the hardware store could bank some window washers with the same kind of licensing. There are many opportunities in our society.

Suppose you have an apparel store. Do you believe you could bank honest "entrepreneurs" who might sell T-shirts at each of the local high schools' sporting events, or even school flags (which I have not seen for a long time)?

Perhaps you run a nursery, as several readers do. Once upon a time, corsages were sold at football games. I did it at a Santa Clara/St. Mary's game at Kezar Stadium in San Francisco, but that was over 60 years ago!

You may even be able to persuade a local bank to cooperate with low- or no-cost micro-checking accounts. Many a person spends a lifetime operating from cash in his or her pocket, in a jar, or under a mattress. Some with micro-accounts may strive to own cars one day and could become profitable customers of the bank.

How many busy executives or mothers would like their cars washed at home — once a week — for $5? Isn't there a business to develop in this field?

We — by that, I mean most executives with whom I speak — complain bitterly about government waste in welfare or that many of those who are unemployed *could* find jobs if they tried a little harder. But seldom do we help them. Instead, we say they should be happy to live in a free-enterprise system and could make something of themselves if they just did this or that. We might start with the bearers of the signs saying "Will work for food."

You can become the leader in your community. Perhaps your service club will help spread the idea. You don't know what miracles you can accomplish until you try.

Perhaps Bangladesh, one of the poorest of nations, has something to teach the U.S., the richest (the second richest?) of nations.

SHORT SHORTS

How many retail CEOs would admit what President Bush admitted? In addressing the California Grocers Association in early October, former President Bush said, "The speech [by President Clinton to Congress on national health care] was absolutely terrific, and it made me see how inarticulate I was. I wasn't as effective as I should have been in communicating." **RThought:** Would you?

The worst fear of any retailer became a reality at Tiffany & Co. Returns of merchandise from the 29 Tiffany boutiques in Mitsukoshi Department Stores in Japan exceeded all sales elsewhere and net sales were a negative figure for its second quarter. Returns during the three months ending July 13, 1993, were $115 million, against sales of $114 million. This resulted in a pretax loss of $57 million and and after-tax loss of $33 million. **RThought:** One hopes the outlook of Chairman William R. Chaney is correct: "The realignment of our business in Japan is a very positive development for Tiffany...the new arrangement...is expected to be more productive and efficient and will eliminate duplication of functions."

ters should grow from a current level of 6,000 to about 70,000 in 1992."

Business Week (June 7, 1993) headlined: "Boob Tube No More." The article talked of when we will have the "500 channels that cable companies promise," without an estimate of the cost of putting it into the 65 million homes now on cable. It does mention, however, a cost of $15 billion to $20 billion for new controller boxes [thus far, there is no standardization of the boxes.]

"From the Editor's [Murray Forseter] Desk" of *Chain Store Age* (July 1993), came the reminder that revolutionary forms of retailing that garner a tremendous number of shoppers (and a lot of sales) have, in the past, involved better assortments and lower prices. Forseter mentioned King Kullen, the food chain, which created the supermarket industry. Self-service, full-line discount stores provided lower prices and a wide assortment of known brands. These same principles were applied to narrow ranges of merchandise, as exemplified by Toys "R" Us, Home Depot, or Office Depot, and the emerging chains of pet supplies and sporting goods. As to TV home shopping, Forseter said, "Traditional retail formats will lose some market share, but there is no danger that they will become extinct or even have to metamorphosize [sic] dramatically to offset cable TV's 500-channel potential."

Stores (October 1993) reported: "Kim Hendrix, senior manager at Management Horizons, believes that electronic retailing will represent 10% of retail sales by 2003. [**Note:** As always, 10 years out, interactive TV is going to handle 10% of retail sales. Considering that 37% of the 1992 "retail" sales in the U.S. consisted of automobiles, service stations, and restaurants, capturing a total of 10% out of the remaining 63% is hard to believe.]

Enough about the projections of the past. Here is some cold water tossed on TV home shopping.

The Deloitte & Touche 1993-94 Retail and Consumer Surveys shows that people spread their shopping as follows:

Discount stores	56.5%
Conventional department stores	46.2
Home center chains	42.3
Specialty stores (non-apparel)	23.5
Catalog	18.7
Specialty apparel	18.1
Off-price outlets	17.2
Warehouse clubs	15.8
TV home shoppers	3.6

It should be noted that off-price outlets and warehouse clubs are not yet available to the entire U.S. population. As this happens, the percentage of people shopping them will increase beyond the 16-17% range.

The preceding percentages total about 240%, indicating that the typical shopper regularly visits 2.4 different types of retail outlets (exclusive of food stores).

If the TV home shopping service attracts 15% (11% more) of shoppers, but these shoppers continue patronizing all of their "old" stores, they would use 2.51 (2.40 + .11) types of retail outlets. Patronage of other types could drop by half of the TV patronage, resulting in a net increase of only six percentage points, with the typical customer shopping at 2.46 (2.40 + .06) types of retail outlets.

RThought: To read some of the statements by experts, one would believe that great masses of people would stop shopping at 2.4 types of outlets and do all of their shopping through TV home shopping programs.

The following figures are in millions of dollars and are the sales, by type of retail outlet, for 1992:

Building materials group	$103,031
Furniture and appliance group	105,844
Sporting goods	18,436
Book stores	8,796
Jewelry stores	15,193
General merchandise group	246,354
Apparel and accessory stores	104,994
Drug and proprietary stores	77,285
Non-store retailers	48,256
Food stores	384,013

What sales do you estimate will be claimed by interactive home shopping 10 years from now? Ten billion dollars (this would be 10% of apparel volume, or 4% of general merchandise stores)? Make your own estimate of where $10 billion, or even as much as $25 billion, might come from. Then estimate how many companies in those lines of retailing may be put out of business as the result of home shopping. Your small number will consist of the weakest firms. Many of these firms may deservedly close up shop because they are failing to provide the quality of service to customers which would earn them a permanent place in the retail scenario.

I can envision the small downtown merchants, such as those who have fought Wal☆Mart and other efficient retailers, organizing a boycott of the local 500-channel cable company because it will provide such good TV-buying service, claiming that it will destroy downtown. It could happen! In other words, the 500-channel cable service could hurt some downtown merchants, but it will never put the good ones out of business.

THE QUESTION IS NOT WHETHER WEATHER SHOULD BE PART OF YOUR INFORMATION BASE — BUT WHEN

RT began in 1977 to write about reliable weather information, forecast months in advance, which should be part of your advance planning.

RT has reported at intervals since then on this valuable resource. Now, almost 17 years after the first item appeared, more than 40 major retailers have signed up for LEWIS (Long-Range Executive Weather Information System) from Strategic Weather Services (SWS).

The breakthrough came with a presentation and booth at the National Retail Federation (NRF) 81st Annual Convention in January 1993. Subsequently, LEWIS won the Best New Product Award at the NRF's RisCON trade show in October. A presentation and booth will be part of the 1994 NRF Annual Convention in January in New York City. And a booth will be part of the International Mass Retail Association Annual Convention in May 1994 at the Sheraton Hotel in Washington, D.C.

Who says the long-range forecasts are accurate? Ernst & Young does. Months in advance Ernst & Young is provided with the forecasts for 15 major cities. It then checks the accuracy of these forecasts by comparing them with actual weather. It has found the forecasts to be accurate 71% of the time. Surely, this is better than the five-day forecasts [available when it is too late to change ads] seen on local television.

But many retailers say they don't need long-range weather forecasts. After all, they have last year's weather information. With that in mind, SWS had Ernst & Young compare this year's and last year's weather. The weather was the same only 37.6% of the time.

It is unfortunate that retailers don't recognize the extent to which weather has been factored into the historic sales figures; and yet, retailers believe they can rely on these historic figures. Even averaging the sales pattern for a month — or a quarter — based on the pattern for several years — or even many years — won't give the accuracy which can be obtained from long-range weather forecasts.

LEWIS has some interesting capabilities. For example, if the weather is substantially different this year and the merchandise being forecast is weather-sensitive, LEWIS can compute what last year's sales *would have been* with the weather forecast for this year. This means better forecasting for weather-impacted merchandise, such as rain gear, coats, certain sports equipment, outerwear, or swimwear.

I would estimate that retailers now doing over $100 billion in annual sales will be using LEWIS during 1994. I am sure more will join the group. Some compete with you.

RThought: Do you really want your competitors to have better-timed ads, fewer markdowns, and fewer stock-outs? When you are buying six months or more in advance, will you want to be wondering whether your competitors are buying smarter than you? I think not.

RThought: For more information about what LEWIS can do, contact Jim Gagne at Strategic Weather Service, 1325 Morris Drive, Suite 201, Wayne, PA 19087-5506. Phone: 215-640-9485. Fax: 215-640-0147. Just say "Bob Kahn sent me"!

WORDS — ABOUT DISAPPEARING CUSTOMERS

For a mere 75 cents, I received on a 5 by 8 index card the answer to a major retailing problem. It read:

Why...

customers QUIT

1% Die
3% Move away
5% Other friends
9% Competitive reasons
14% Product dissatisfaction
68% Quit because of the attitude of indifference of an employee.

RThought: Think of all of the money you spent on consultants to get the right answer — when I got it for 75 cents in a form I can put on my wall!

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

SIC Code	Category	AUGUST 1993	AUGUST 1992	Percentage Change	Year to Date Eight Months 1993	Year to Date Eight Months 1992	Percentage Change
52	*Bldg Matl Group	$10,159	$ 8,971	+13.2%	$ 73,839	$ 68,462	+ 7.9%
57	*Furniture Group	9,658	8,714	+10.8	72,461	66,176	+ 9.5
571	Furniture Stores	4,968	4,678	+ 6.2	37,391	35,069	+ 6.6
572	Appl, TV, Radio Stores	3,881	3,269	+18.7	28,152	25,221	+11.6
5941	*Sporting Goods Stores	2,082	1,613	+29.1	13,006	11,710	+11.1
5942	*Book Stores	1,002	931	+ 7.6	5,748	5,347	+ 7.5
5944	*Jewelry Stores	1,323	1,104	+19.8	8,957	8,217	+ 9.0
531Pt	Conventional Dept Stores	4,337	4,321	+ 0.4	29,834	29,654	+ 0.6
531Pt	Natl Chain Dept Stores	3,245	3,133	+ 3.6	22,459	21,456	+ 4.7
	Subtotal	7,582	7,454	+ 1.7	52,293	51,110	+ 2.3
531Pt	Discount Stores	9,487	8,630	+10.1	68,125	61,697	+10.4
531	*Department Stores	17,069	16,084	+ 6.1	120,418	112,807	+ 6.7
539	*Misc General Mdse Stores	4,638	4,347	+ 6.7	34,922	31,671	+10.3
541	*Grocery Stores	31,000	30,708	+ 1.0	243,479	238,792	+ 2.0
56	*Apparel Stores	9,234	9,374	- 1.5	64,473	62,698	+ 2.8
561	Men's & Boys' Stores	659	682	- 3.4	5,248	5,442	- 3.6
562,3,8	Women's Stores	3,135	3,219	- 2.6	23,747	22,871	+ 3.8
565	Family Clothing Stores	2,981	3,020	- 1.3	19,794	18,838	+ 5.1
566	Shoe Stores	1,710	1,748	- 2.2	11,042	11,421	- 3.3
591	*Drug Stores	6,528	6,276	+ 4.0	51,884	50,624	+ 2.5
596	*Nonstore Retail	3,433	3,727	- 7.9	29,128	29,617	- 1.7
5961	Mail Order	1,771	2,175	- 18.6	15,493	17,030	- 9.0
	*Retailing Today Total Store Retailing†	96,126	91,849	+ 4.7	718,315	686,121	+ 4.7
	**GAF TOTAL	47,681	44,796	+ 6.4	340,319	318,368	+ 6.9

†Excludes car dealers, auto supply stores, eating and drinking places, service stations and some specialty stores.
*Included in *Retailing Today* Total Store Retailing.
**General, Apparel, and Furniture.

For further information on these figures, contact Irving True, Business Division, Bureau of Census, Washington, D.C. 20233, or call 301-763-7128/7129. Irving has been very helpful to me over the years.