

OPERATING RESULTS OF
DEPARTMENT AND SPECIALTY STORES
IN 1935

Dhananjayarao Gadgil Library



GIPE-PUNE-046214

BY

CARL N. SCHMALZ

Assistant Professor of Marketing



HARVARD UNIVERSITY
GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
BUREAU OF BUSINESS RESEARCH
SOLDIERS FIELD, BOSTON, MASSACHUSETTS

Gokhale Institute of Politics
& Economics, Poona 4.

HARVARD UNIVERSITY
GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

GEORGE F. BAKER FOUNDATION

WALLACE B. DONHAM, *Dean*

MALCOLM P. McNAIR, *Director of Research*

Copyright, 1936

BY THE PRESIDENT AND FELLOWS OF
HARVARD COLLEGE

46214

FOREWORD

In this bulletin the Bureau presents its sixteenth annual report on the margins, expenses, and profits of department and specialty stores.

This report on 1935 results includes tables presenting figures, to which readers of these bulletins have become accustomed, on merchandising operations, earnings, expenses by natural divisions, expenses by functional divisions, and expenses expressed in cents per transaction. In addition, this bulletin continues the year-to-year trend figures for identical firms introduced in Bulletin Number 96; and there are more detailed data for specialty stores.

The Bureau is glad to express its appreciation of the assistance given by the 637 firms which reported their figures for 1935. Without the interest and loyal cooperation of these firms in all parts of the United States, and in Hawaii and Canada, the continuation of this work and its improvement, of course, would be impossible. The Bureau is sincerely grateful, also, for the generosity of the National Retail Dry Goods Association which, by its financial support, has made possible the Bureau's series of studies in the department and specialty store field. In addition to bearing substantially all the expense of this work since the studies began in 1921, the Association has assisted in various other ways; and the Controllers' Congress, one of the affiliated groups within the Association, has been particularly helpful.

As was noted in the bulletin for 1934, there has been a marked growth of interest in this work among the executives of department and specialty stores in the Pacific Coast states. A year ago, and again this year, stores and retail groups located in California, Oregon, and Washington contributed funds to meet the cost of special tabulations of the operating results for stores in those states. This report will appear as Bulletin Number 102 of the Bureau of Business Research; it will be issued shortly after July 1; and will be distributed without charge to the cooperating stores in the three states named.

The Bureau's department and specialty store surveys are part of a wider program of research in the cost of doing business among retail and other trades which is conducted by the Harvard Business School as one of its efforts toward assembling reliable and timely information for use in teaching.

The present bulletin was written by Assistant Professor Carl N. Schmalz, Manager of the Bureau of Business Research, who directed the study upon which it reports. The statistical and accounting phases of the work were supervised by Miss Elizabeth A. Burnham.

MALCOLM P. MCNAIR,
Director of Research

Boston, Massachusetts
May, 1936

CONTENTS

The figures given in this bulletin include the following:

1. Operating results for department stores and specialty stores arranged according to the form of income statement approved by the Board of Directors of the National Retail Dry Goods Association. See Tables 2 and 3.
2. Merchandising statistics and profits. See Tables 10, 13, 18, 24, and 25.
3. Expenses by natural divisions. See Tables 11, 14, 19, 26, and 27.
4. Pay roll and total expense by functional divisions. See Tables 12, 15, 20, and 28.
5. Goal figures representing the average performance for the firms with best merchandising profit showings. See tables for which numbers are italicized above.
6. Complete natural breakdown of functional expenses. See Tables 16, 21, 22, 29, and 30.
7. Sales income, expenses, and profits in cents per transaction. See Tables 17, 23, and 31.
8. Relatives showing the course of dollar expenses and/or percentage expenses, 1930-1935, inclusive. See Tables 6, 7, 8, and 9.

	PAGE
General Interpretation and Comment	I
Table 1. Operating Results for Department and Specialty Stores: 1929-1935, General Averages	2
Table 2. Operating Results for Department Stores in 1935 According to the Form of Income Statement Approved by the Board of Directors of the National Retail Dry Goods Association	3
Table 3. Operating Results for Specialty Stores in 1935 According to the Form of Income Statement Approved by the Board of Directors of the National Retail Dry Goods Association	4
Table 4. Itemized Cost of Sales for Department Stores in 1935, by Sales Volume Groups	5
Table 5. Itemized Cost of Sales for Specialty Stores in 1935, by Sales Volume Groups	6
Year-to-Year Trends	7
Table 6. Trends of Expense in Percentages for 34 Department Stores with Net Sales of Less than \$500,000 in 1930, by Natural Divisions: 1930-1935	7
Table 7. Trends of Expense in Percentages for 37 Department Stores with Net Sales of \$500,000 to \$2,000,000 in 1930, by Natural Divisions: 1930-1935	8
Table 8. Trends of Expense in Dollars and in Percentages for 74 Department Stores with Net Sales of \$2,000,000 or More in 1930, by Natural Divisions: 1930-1935	9
Table 9. Trends of Expense in Dollars and in Percentages for 14 Specialty Stores with Net Sales of \$2,000,000 or More in 1930, by Natural Divisions: 1930-1935	10
Department Stores: Sales Less than \$500,000	11
Table 10. Merchandising Statistics and Profits for Department Stores with Net Sales of Less than \$500,000, by Sales Volume Groups: 1935	11
Table 11. Expenses by Natural Divisions for Department Stores with Net Sales of Less than \$500,000, by Sales Volume Groups: 1935	12
Table 12. Pay Roll and Total Expense by Functions for Department Stores with Net Sales of \$150,000 to \$500,000, by Sales Volume Groups: 1935	13

	PAGE
Department Stores: Sales from \$500,000 to \$2,000,000	15
Table 13. Merchandising Statistics and Profits for Department Stores with Net Sales of \$500,000 to \$2,000,000, by Sales Volume Groups: 1935	15
Table 14. Expenses by Natural Divisions for Department Stores with Net Sales of \$500,000 to \$2,000,000, by Sales Volume Groups: 1935	16
Table 15. Pay Roll and Total Expense by Functions for Department Stores with Net Sales of \$500,000 to \$2,000,000, by Sales Volume Groups: 1935	17
Table 16. Expenses by Natural and Functional Divisions for Department Stores with Net Sales of \$500,000 to \$2,000,000, by Sales Volume Groups: 1935	18
Table 17. Expenses and Profit per Transaction, and in Percentage of Sales, for 28 Department Stores with Net Sales of \$1,000,000 to \$2,000,000: 1935	20
Department Stores: Sales of \$2,000,000 or More	21
Table 18. Merchandising Statistics and Profits for Department Stores with Net Sales of \$2,000,000 or More, by Sales Volume Groups: 1935	21
Table 19. Expenses by Natural Divisions for Department Stores with Net Sales of \$2,000,000 or More, by Sales Volume Groups: 1935	22
Table 20. Pay Roll and Total Expense by Functions for Department Stores with Net Sales of \$2,000,000 or More, by Sales Volume Groups: 1935	23
Table 21. Expenses by Natural and Functional Divisions for Department Stores with Net Sales of \$2,000,000 to \$10,000,000, by Sales Volume Groups: 1935	24
Table 22. Expenses by Natural and Functional Divisions for Department Stores with Net Sales of \$10,000,000 or More, by Sales Volume Groups: 1935	25
Table 23. Expenses and Profit per Transaction, and in Percentage of Sales, for Department Stores with Net Sales of \$2,000,000 or More, by Sales Volume Groups: 1935	27
Specialty Stores	28
Table 24. Merchandising Statistics and Profits for Specialty Stores with Net Sales of Less than \$500,000, by Sales Volume Groups: 1935	28
Table 25. Merchandising Statistics and Profits for Specialty Stores with Net Sales of \$500,000 or More, by Sales Volume Groups: 1935	29
Table 26. Expenses by Natural Divisions for Specialty Stores with Net Sales of Less than \$500,000, by Sales Volume Groups: 1935	30
Table 27. Expenses by Natural Divisions for Specialty Stores with Net Sales of \$500,000 or More, by Sales Volume Groups: 1935	31
Table 28. Pay Roll and Total Expense by Functions for Specialty Stores with Net Sales of \$500,000 to \$2,000,000, by Sales Volume Groups: 1935	32
Table 29. Expenses by Natural and Functional Divisions for 11 Specialty Stores with Net Sales of \$1,000,000 to \$2,000,000: 1935	32
Table 30. Expenses by Natural and Functional Divisions for Specialty Stores with Net Sales of \$2,000,000 or More, by Sales Volume Groups: 1935	33
Table 31. Expenses and Profit per Transaction, and in Percentage of Sales, for Specialty Stores with Net Sales of \$1,000,000 to \$4,000,000, by Sales Volume Groups: 1935	34
Appendix: Definitions, Materials, Method	35

OPERATING RESULTS OF DEPARTMENT AND SPECIALTY STORES IN 1935

GENERAL INTERPRETATION AND COMMENT

Improved Earnings

The foremost feature of department and specialty store operating results in 1935 is the improvement in earnings which stands out so prominently in Table 1.

As this table shows, in 1935 department stores typically earned net gain or net business profit amounting to 3.4% of sales. This is profit after crediting miscellaneous net income and before providing for Federal income taxes. Even after provision for interest at 6% on the investment and before crediting miscellaneous income, the net operating loss was only 0.1% of sales, a pronounced reduction from the figure of 0.9% for 1934. Specialty stores, on the other hand, showed a final net gain before Federal income taxes amounting to 2.9% of sales, and a net profit amounting to 0.3% of sales after charging interest on the investment. Since net operating losses were shown in 1935 by all three sales-volume groups into which department stores were divided for the purposes of Table 1, it develops that specialty stores were the first among the concerns represented in these studies to recover their ability to earn some net profit on merchandising operations.

Further examination of Table 1 indicates that four of the five sets of figures display improved net profits or reduced net losses in 1935, and that all five sets show larger net gains. Thus, the tendency toward improved earnings was widespread throughout the department and specialty store field in 1935. The one exception just noted, that of department stores with sales of less than \$500,000, which showed a larger loss in 1935 than in 1934, is of peculiar significance and will be referred to later.

Profits During the Depression

In addition to summarizing succinctly store operating results in 1935, Table 1 affords a striking picture of the movement of department and specialty store earnings during the depression. For each of the five groups of stores the percentages of net profit and net gain moved steadily in an unfavorable direction from 1929 through 1932, which year was the worst of the depression from the standpoint of both percentage earnings and dollar earnings. Since 1932 the percentages of both net profit

and net gain, with one exception, have moved in a favorable direction, indicating steady progress toward recovery. Again the exception is of peculiar significance, as will appear later.

The extent of the improvement in earnings which has taken place since 1932 is evidenced by the fact that for all five groups of stores covered in Table 1 percentage results were more favorable in 1935 than in 1930 or (with a negligible exception) in any prior year since 1930. This was true for both net profit and net gain. Almost equally impressive facts may be cited as regards dollar earnings, which, of course, are of greater moment from the point of view of stockholders. For four of the five groups of stores covered in Table 1, dollar net losses after charging interest were smaller or profits larger in 1935 than in any other year since 1929. For specialty stores and for the two groups of smaller department stores, net gain in dollars was larger in 1935 than in any other year since 1929. The large department stores, however, typically earned smaller dollar amounts of net gain in 1935 than in 1930, with the result that the general average figures for all department stores shown in the top section of Table 1 indicate the same dollar net gain for 1935 and 1930.

Stronger Position of Large Stores

In 1935, according to the results of this study, the large department stores again showed the higher percentage earnings which they commonly had reported prior to 1933. Table 1 shows clearly that department stores with sales of \$2,000,000 or more reduced their percentages of net losses by 0.8% of net sales and increased their percentages of net gain by 0.9% of net sales. Department stores with sales of \$500,000 to \$2,000,000, on the other hand, showed improvement bulking much smaller in percentage of net sales; and stores with sales of less than \$500,000 actually had larger net losses before other income in 1935 than in 1934. Thus it appears that the small department stores have lost the advantage which they had in 1933 and 1934, and again find themselves in a position inferior to that of large department stores as regards percentage earnings.

Table 1. Operating Results for Department and Specialty Stores: 1929-1935
(General Averages)

Groups and Items	1929	1930	1931	1932	1933	1934	1935
All Department Stores:							
Number of Reports	527	564	451	428	450	458	459
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Cost of Sales (total merchandise cost plus operating cost)	98.8	100.6	102.8	106.4	102.1	100.9	100.1
Net Profit or Loss	1.2%	L. 0.6%	L. 2.8%	L. 6.4%	L. 2.1%	L. 0.9%	L. 0.1%
Net Other Income (including interest on capital owned)	3.1	3.2	3.8	4.0	3.9	3.5	3.5
Net Gain before Federal Tax on Income	4.3%	2.6%	1.0%	L. 2.4%	1.8%	2.6%	3.4%
Department Stores with Net Sales of Less than \$500,000:							
Number of Reports	226	245	187	193	193	196	185
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Cost of Sales (total merchandise cost plus operating cost)	100.6	102.8	106.1	107.9	102.0	100.4	100.5
Net Profit or Loss	L. 0.6%	L. 2.8%	L. 6.1%	L. 7.9%	L. 2.0%	L. 0.4%	L. 0.5%
Net Other Income (including interest on capital owned)	2.8	2.8	3.3	3.5	3.3	2.7	2.9
Net Gain before Federal Tax on Income	2.2%	0.0%	L. 2.8%	L. 4.4%	1.3%	2.3%	2.4%
Department Stores with Net Sales of \$500,000 to \$2,000,000:							
Number of Reports	168	168	143	122	137	132	138
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Cost of Sales (total merchandise cost plus operating cost)	99.8	101.9	104.3	107.4	102.8	100.6	100.2
Net Profit or Loss	0.2%	L. 1.9%	L. 4.3%	L. 7.4%	L. 2.8%	L. 0.6%	L. 0.2%
Net Other Income (including interest on capital owned)	2.9	2.9	3.4	4.2	3.8	3.3	3.1
Net Gain before Federal Tax on Income	3.1%	1.0%	L. 0.9%	L. 3.2%	1.0%	2.7%	2.9%
Department Stores with Net Sales of \$2,000,000 or More:							
Number of Reports	133	151	121	113	120	130	136
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Cost of Sales (total merchandise cost plus operating cost)	98.5	100.2	102.4	106.2	101.9	100.9	100.1
Net Profit or Loss	1.5%	L. 0.2%	L. 2.4%	L. 6.2%	L. 1.9%	L. 0.9%	L. 0.1%
Net Other Income (including interest on capital owned)	3.2	3.2	3.8	4.0	3.9	3.5	3.6
Net Gain before Federal Tax on Income	4.7%	3.0%	1.4%	L. 2.2%	2.0%	2.6%	3.5%
All Specialty Stores:							
Number of Reports	85	85	70	73	75	86	122
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Cost of Sales (total merchandise cost plus operating cost)	98.0	100.4	102.6	105.6	100.5	100.4	99.7
Net Profit or Loss	2.0%	L. 0.4%	L. 2.6%	L. 5.6%	L. 0.5%	L. 0.4%	0.3%
Net Other Income (including interest on capital owned)	2.7	2.4	2.7	2.5	2.6	2.7	2.6
Net Gain before Federal Tax on Income	4.7%	2.0%	0.1%	L. 3.1%	2.1%	2.3%	2.9%

Rising Sales

During 1935 department store dollar sales continued their upward movement, although the rate of gain recorded in 1934 was not maintained. Percentage increases in 1935 averaged 4% or 5%. In 1935, however, prices declined somewhat with reference to 1934. The Fairchild index fell about 2%. Thus the physical volume of goods handled in 1935 was 6% or 7% larger than that handled in 1934. Estimates running back to 1930 indicate that the 1935 sales on the average represented physical quantities of merchandise not more than 9% smaller than those handled in 1930, for large department stores quantities only 4% smaller than in 1930, and for medium-size department stores quantities

no smaller than in 1930. If there has been any net tendency to trade down during this period, the physical volume of goods handled in 1935 was larger than these estimates indicate.

Margins Unchanged; Expenses Lower

The data on year-to-year trends given in Tables 6, 7, 8, and 9, and the more detailed statistics of Tables 10, 13, 18, and 24, show that gross margin rates were well maintained in 1935. Some groups of stores typically had small decreases in the margin rate and others small increases, but when it is remembered that the margin percentages of 1935 differ but little from the relatively high rates established in 1933 with the aid of the price

Table 2. Operating Results for Department Stores in 1935 According to the Form of Income Statement Approved by the Board of Directors of the National Retail Dry Goods Association

Items	Sales Volume Groups								
	\$150,000-300,000	\$300,000-500,000	\$500,000-750,000	\$750,000-1,000,000	\$1,000,000-2,000,000	\$2,000,000-4,000,000	\$4,000,000-10,000,000	\$10,000,000-20,000,000	\$20,000,000 or more
Number of Reports Giving Functional Data	15	23	25	26	52	50	51	18	9
Number of Reports Giving Other Data	61	54	43	30	65	57	52	18	9
Index of Change in Sales (1935/1934)	104.5	105.0	104.0	104.8	106.0	106.0	105.0	105.7	103.5
SALES	102.6%†	105.0%†	106.75%†	105.25%†	107.5%	109.2%	111.7%	113.0%	114.0%
Less Returns (and allowances)	2.6†	5.0†	6.75†	5.25†	7.5	9.2	11.7	13.0	14.0
NET SALES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
MERCHANDISE COSTS									
Inventory — First of Period	23.2%	19.0%	16.15%	14.7%	16.4%	13.8%	12.9%	13.0%	12.1%
Purchases (including inward freight, express, and truckage)	71.7	70.65	69.5	68.05	68.45	67.65	67.05	66.25	66.35
Less Cash Discounts	94.9%	89.65%	85.65%	82.75%	84.85%	81.45%	79.95%	79.25%	78.45%
	2.85	2.8	2.85	2.65	2.65	2.75	3.3	3.45	3.55
Workrooms (and alteration costs)	92.05%	86.85%	82.8%	80.1%	82.2%	78.7%	76.6%	75.8%	74.9%
Occupancy	0.55†	0.45†	0.3†	0.35	0.6	0.6	0.75	0.6	0.6
Buying, Receiving, and Marking	7.0	7.0	7.25	7.75	7.75	8.3	8.45	8.55	9.45
Publicity	2.5	3.65	3.7	4.35	4.2	4.3	4.6	4.55	4.3
	3.4	3.9	4.3	4.6	4.8	5.1	5.6	5.05	4.65
Less Inventory — End of Period	105.5%	101.85%	98.35%	97.15%	99.55%	97.0%	96.05%	94.55%	93.9%
	24.1	20.2	16.3	15.25	16.9	14.6	13.5	13.2	12.2
	81.4%	81.65%	82.05%	81.9%	82.65%	82.4%	82.55%	81.35%	81.7%
Net Sales less Merchandise Costs	18.6%	18.35%	17.95%	18.1%	17.35%	17.6%	17.45%	18.65%	18.3%
OPERATING COSTS									
Administrative	9.5%	8.0%	8.2%	7.4%	7.7%	7.65%	7.45%	7.1%	6.4%
Selling	9.4	10.0	9.45	9.0	9.0	8.85	9.1	9.45	9.3
Delivery	0.5	0.45	0.8	1.0	1.05	1.3	1.6	1.6	1.9
	19.4%	18.45%	18.45%	17.4%	17.75%	17.8%	18.15%	18.15%	17.6%
OPERATING INCOME OR LOSS	L. 0.8%	L. 0.1%	L. 0.5%	0.7%	L. 0.4%	L. 0.2%	L. 0.7%	0.5%	0.7%
OTHER INCOME	2.8	3.0	2.8	2.6	3.3	3.3	3.8	3.7	3.1
NET PROFIT OR LOSS (before Federal Tax on Income)	2.0%	2.9%	2.3%	3.3%	2.9%	3.1%	3.1%	4.2%	3.8%

†Figures for this item were given on less than 75% of the reports used.

rise, it is manifest that as regards gross margin department and specialty store performance in 1935 was very creditable indeed. Store executives probably should not anticipate any further important rises in mark-up or gross margin percentages, even though the level of prices makes it imperative that existing margin rates yield dollar margins lower in relation to physical units of goods handled than the margins common before the depression. In fact, this last circumstance constitutes an important obstacle to the reduction of margin rates which may well be desirable from the standpoint of effective competition.

As was true in the case of gross margin percentages, the preponderance of evidence afforded by this bulletin is that percentage expenses were lower in 1935 than in

1934. A movement in this direction, of course, is to be expected in a year of increasing dollar sales; and it clearly means that dollar expense did not rise so much as dollar sales. Since dollar sales did not rise so much as physical sales, it follows that dollar expense did not rise so much as physical sales. This evidence is not too trustworthy, but it indicates that store executives are maintaining a close control over expenses and last year reduced the cost in dollars and cents per physical unit of goods handled.

Current Problems

Under the assumption, previously mentioned, that sales in 1936 will show an increase over sales in 1935, and that the drift in the direction of improved general

Table 3. Operating Results for Specialty Stores in 1935 According to the Form of Income Statement Approved by the Board of Directors of the National Retail Dry Goods Association

Items	Sales Volume Groups			
	\$500,000- 1,000,000	\$1,000,000- 2,000,000	\$2,000,000- 4,000,000	\$4,000,000 or more
Number of Reports Giving Functional Data.....	13	12	9	5
Number of Reports Giving Other Data.....	21	13	11	5
Index of Change in Sales (1935/1934).....	110.5	106.0	106.6	106.0
SALES.....	112.6%†	113.7%†	115.5%	115.0%
Less Returns (and allowances).....	12.6†	13.7†	15.5	15.0
NET SALES.....	100.0%	100.0%	100.0%	100.0%
MERCHANDISE COSTS				
Inventory — First of Period.....	10.5%	10.25%	9.8%	8.5%
Purchases (including inward freight, express, and truckage).....	68.05	67.55	67.8	66.5
Less Cash Discounts.....	78.55%	77.8%	77.6%	75.0%
	4.25	4.1	4.4	4.1
Workrooms (and alteration costs).....	74.3%	73.7%	73.2%	70.9%
Occupancy.....	0.6	0.7	0.2	1.0
Buying, Receiving, and Marking.....	9.0	8.8	9.2	9.9
Publicity.....	3.6	5.0	4.9	4.1
	5.55	6.25	6.35	5.2
Less Inventory — End of Period.....	93.05%	94.45%	93.85%	91.1%
	11.3	11.5	11.0	9.0
	81.75%	82.95%	82.85%	82.1%
Net Sales less Merchandise Costs.....	18.25%	17.05%	17.15%	17.9%
OPERATING COSTS				
Administrative.....	8.8%	8.0%	7.4%	6.8%
Selling.....	8.3	8.25	8.3	8.85
Delivery.....	1.15	1.1	1.05	1.45
	18.25%	17.35%	16.75%	17.1%
OPERATING INCOME OR LOSS.....	0.0%	L. 0.3%	0.4%	0.8%
OTHER INCOME.....	2.9	2.0	2.3	3.0
NET PROFIT OR LOSS (before Federal Tax on Income).....	2.9%	1.7%	2.7%	3.8%

†Figures for this item were given on less than 75% of the reports used.

business will continue, perhaps the most important immediate problem for department store executives is the old familiar one of expense control.

Among other internal problems, one of the most prominent and puzzling is that regarding gross margin rates. If prices resume the upward movement which obtained in 1933 and part of 1934, it of course will be relatively easy to hold mark-downs in check and to maintain gross margin percentages at present levels. There may even be favorable opportunities to reduce mark-ups and margins. If prices continue on something like their present level, however, it will be difficult to ensure some net profit without holding percentage margins above the 1929 level, unless store functions can be revised.

Executives should bear in mind the fact that consumer demand, competition, store functions, the cost

of performing those functions in terms of money per unit of work done, the price level, expense rates, and margin rates are closely interrelated. Profitable operation is achieved relatively easily when these factors are in balance; it is achieved with difficulty or not at all when they are out of balance or when their equilibrium is disturbed. Probably changes in the price level are likely to cause the most frequent trying disturbances, but probably changes of a competitive nature are the most difficult to meet. The problems regarding gross margin rates which must shortly be solved center about the question whether the several factors listed will balance at this time at a point calling for and/or permitting existing margin rates or whether a new set of relationships among the factors, with a new level of margin, is better suited to current demand and competition.

The third problem which calls for more serious atten-

Table 4. Itemized Cost of Sales for Department Stores in 1935, by Sales Volume Groups (Net Sales = 100%)

Items	Sales Volume Groups (000 omitted)									
	Less than \$150	\$150-300	\$300-500	\$500-750	\$750-1,000	\$1,000-2,000	\$2,000-4,000	\$4,000-10,000	\$10,000-20,000	\$20,000 or more
Number of Reports	70	61	54	43	30	65	57	52	18	9
Total Merchandise Costs (Net) . . .	69.6%	68.5%	67.1%	66.8%	65.2%	65.9%	64.7%	63.9%	63.2%	63.3%
Pay Roll	16.7	17.2	17.2	17.25	17.55	17.25	17.1	18.1	18.5	18.3
Real Estate Costs (See Appendix, page 37)	3.8	3.8	3.85	3.55	4.1	4.3	4.7	4.85	5.0	6.15
Advertising	1.9	2.6	2.85	3.1	3.45	3.65	3.9	4.25	3.85	3.45
Taxes (See Appendix, page 37) . . .	0.75	0.6	0.55	0.6	0.45	0.55	0.5	0.5	0.4	0.35
Interest (except on real estate) . . .	2.8	2.5	2.35	2.05	2.0	2.1	2.1	1.95	1.95	1.65
Supplies	0.8	1.05	1.35	1.55	1.5	1.7	1.85	2.0	1.85	1.85
Service Purchased	1.05	1.0	1.1	1.1	1.15	1.05	1.15	1.1	0.75	0.7
Unclassified: Losses from Bad Debts	0.35	0.3	0.35	0.35	0.4	0.3	0.4	0.25	0.2	0.15
Other	0.75	0.7	0.75	0.75	0.65	0.65	0.7	0.7	0.85	0.8
Travelling	0.4	0.35	0.4	0.45	0.4	0.5	0.45	0.45	0.4	0.2
Communication	0.45	0.45	0.5	0.55	0.5	0.5	0.5	0.55	0.5	0.5
Repairs	0.15†	0.3	0.25	0.45	0.4	0.45	0.4	0.5	0.4	0.4
Insurance (except on real estate) . .	0.6	0.5	0.4	0.45	0.35	0.35	0.35	0.3	0.25	0.25
Depreciation (except on real estate)	0.65	0.65	0.7	0.95	0.75	0.7	0.85	0.75	0.9	0.75
Professional Services (See Appendix, page 37)	0.25†	0.3†	0.4	0.55	0.45	0.45	0.55	0.55	0.5	0.5
TOTAL COST OF SALES	101.0%	100.8%	100.1%	100.5%	99.3%	100.4%	100.2%	100.7%	99.5%	99.3%
SALES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
NET PROFIT OR LOSS	L. 1.0%	L. 0.8%	L. 0.1%	L. 0.5%	0.7%	L. 0.4%	L. 0.2%	L. 0.7%	0.5%	0.7%
Net Other Income (including interest on capital owned)	2.7	2.8	3.0	2.8	2.6	3.3	3.3	3.8	3.7	3.1
NET GAIN before Federal Tax on Income:										
Percentage of Net Sales	1.7%	2.0%	2.9%	2.3%	3.3%	2.9%	3.1%	3.1%	4.2%	3.8%
Percentage of Net Worth	3.2	3.0	6.0	5.4	9.0	5.2	7.0	6.4	8.3	*
Federal Tax on Income	0.1%†	0.2%†	0.4%†	0.35%†	0.4%†	0.4%	0.5%	0.4%	0.5%	0.4%
NET GAIN after Federal Tax on Income:										
Percentage of Net Sales	1.6%†	1.8%†	2.5%†	1.95%†	2.9%†	2.5%	2.6%	2.7%	3.7%	3.4%
Percentage of Net Worth	2.7†	2.7†	5.0†	4.5†	8.0†	4.3	5.9	5.5	7.3	*

*Data not available. †Figures for this item were given on less than 75% of the reports used.

tion is that of competition from other distributors. The department store, especially the large department store, through most of its existence has been in a relatively strong competitive position; and hence department store executives have not found it necessary to give much thought to competitors or to their costs. Now, however, there have appeared a number of distributors equal or superior to the average department store in buying power and in managerial strength. It seems, therefore, that the competition between department and specialty stores on the one hand and other strong distributors on the other is going to be more keen in the future than it has been in the past. Department and specialty store executives, if they are to meet this competition successfully, must give careful study not only to the several alternative types of retail distributor and the costs of each, but also to the analysis of consumer demand which, ultimately, determines which

type of distributor will succeed.

Along with this need for more careful, conscious study of retail distribution and of consumer demand, there has arisen important need for giving greater attention to other external forces having a bearing on store financing and merchandising policy. These forces include price trends, general business conditions, political and governmental developments, and public attitudes toward business and toward retailers. In the past, this sort of work has been done by the store owner in addition to his main responsibility for following the current operations of his store in some degree of detail, just as any general operating executive should do. It is suggested that, with competitors becoming stronger, competition more keen, and outside forces more complex, and with an increase in the rapidity of change, more careful attention will need to be given to these matters.

Table 5. Itemized Cost of Sales for Specialty Stores in 1935, by Sales Volume Groups
(Net Sales = 100%)

Items	Sales Volume Groups (000 omitted)						
	Less than \$150	\$150-300	\$300-500	\$500-1,000	\$1,000-2,000	\$2,000-4,000	\$4,000 or more
Number of Reports	40	15	17	21	13	11	5
Total Merchandise Costs (Net)	68.0%	65.2%	63.8%	63.6%	62.9%	62.4%	62.9%
Pay Roll	16.4	15.6	17.1	16.4	17.35	17.15	16.9
Real Estate Costs (See Appendix, page 37)	5.2	5.3	4.7	5.8	5.55	5.55	6.5
Advertising	2.4	3.7	4.25	4.2	4.6	4.85	3.95
Taxes (See Appendix, page 37)	0.35	0.55	0.35	0.45	0.3	0.25	0.3
Interest (except on real estate)	1.7	1.7	2.35	1.95	1.7	1.65	1.65
Supplies	1.0	1.05	1.15	1.45	1.85	1.7	1.7
Service Purchased	1.2	1.25	1.2	1.35	1.45	1.45	1.25
Unclassified: Losses from Bad Debts	0.35†	0.35	0.35	0.5	0.3	0.25	0.2
Other	0.55†	0.7	1.15	0.95	0.7	0.75	1.1
Travelling	0.9	0.85	0.7	0.6	0.6	0.7	0.45
Communication	0.5	0.5	0.7	0.65	0.75	0.6	0.5
Repairs	0.15†	0.2	0.25†	0.3	0.35	0.4	0.25
Insurance (except on real estate)	0.45	0.6	0.5	0.5	0.4	0.35	0.2
Depreciation (except on real estate)	0.75	0.95	0.9	0.9	0.65	1.0	0.9
Professional Services (See Appendix, page 37)	0.4	0.4†	0.75†	0.4	0.85	0.55	0.45
Total Cost of Sales	100.3%	98.9%	100.2%	100.0%	100.3%	99.6%	99.2%
SALES	100.0	100.0	100.0	100.0	100.0	100.0	100.0
NET PROFIT OR LOSS	L. 0.3%	1.1%	L. 0.2%	0.0%	L. 0.3%	0.4%	0.8%
Net Other Income (including interest on capital owned)	2.1	1.9	2.6	2.9	2.0	2.3	3.0
NET GAIN before Federal Tax on Income:							
Percentage of Net Sales	1.8%	3.0%	2.4%	2.9%	1.7%	2.7%	3.8%
Percentage of Net Worth	4.2†	10.0	5.5	8.9	7.0	9.6	8.0
Federal Tax on Income	*	0.3%†	*	0.4%	0.2%	0.5%†	0.5%
NET GAIN after Federal Tax on Income:							
Percentage of Net Sales	*	2.7%†	*	2.5%	1.5%	2.2%	3.3%
Percentage of Net Worth	*	*	*	8.0	*	*	7.1

*Data not available. †Figures for this item were given on less than 75% of the reports used.

YEAR-TO-YEAR TRENDS

1934-1935

In 1935, according to Tables 6, 7, 8, and 9, dollar sales amounted to 4% or 5% more than they did in 1934. This evidence is confirmed by the Federal Reserve Board's index of department store sales which shows a 5% increase in dollar sales in 1935. Since, according to the Fairchild index, the retail prices of goods sold through department stores were slightly lower (about 2%) in 1935 than in 1934, the physical volume of goods sold apparently was 6% or 7% higher.

These increases in 1935 of 4% or 5% in dollar sales, and of 6% or 7% in physical volume, were accompanied by relatively small changes in the rate of gross margin for department stores (not more than 0.2% of net sales); although specialty stores with sales of \$2,000,000 or more were able to raise the margin rate from 36.1% to 36.7%. Meanwhile percentages of total expense tended to fall.

The declines in the rate of expense were due, of course, to the fact that dollar costs in 1935 as a rule rose less than dollar sales; and it is significant that, for three of the four groups of stores covered in Tables 6,

7, 8, and 9, dollar costs in 1935 were higher by less than 70% as much, in percentage, as the physical volume of sales estimated on the basis of dollar sales and prices. If the experiences of these stores are typical, therefore, the year just closed witnessed a very slight gain (around 2%) in the efficiency of department stores with sales of \$500,000 or more, and of specialty stores with sales of \$2,000,000 or more, as measured by costs per physical unit of goods handled.

With gross margin rates tending to remain unchanged from 1934 levels or to improve slightly, and with percentage expenses lower, it is clear that earnings in percentage of sales were better in 1935 than in 1934.

By and large dollar costs for the individual items of expense in 1935 tended to be the same as in 1934 or higher for all items except taxes, losses from bad debts, and depreciation. The increases in dollar expenses for the specialty stores and large department stores, however, were not so great as the increases in dollar sales; and hence percentage expenses for the individual items showed a strong inclination to be the same or lower. For small and medium-size department stores dollar

Table 6. Trends of Expense in Percentages for 34 Department Stores with Net Sales of Less Than \$500,000 in 1930, by Natural Divisions: 1930-1935

Items	1930	1931	1932	1933	1934	1935
Aggregate Sales (in thousands)	\$11,314	\$9,447	\$7,141	\$7,285	\$8,710	\$9,234
Typical Net Sales (in thousands)	\$290	\$235	\$175	\$170	\$205	\$215
Index of Typical Net Sales (1930=100)	100.0	82.0	61.0	59.0	71.0	74.0
Total Merchandise Costs (Net)	70.8%	71.3%	72.8%	68.5%	68.6%	68.6%
Total Pay Roll	17.35%	18.7%	20.0%	18.3%	17.3%	17.4%
Real Estate Costs (See Appendix, page 37)	3.5	4.2	5.0	4.5	3.75	3.75
Advertising	2.3	2.5	2.7	2.3	2.15	2.2
Taxes (See Appendix, page 37)	0.75	0.85	0.95	1.05	0.8	0.75
Interest (except on real estate)	3.1	3.1	3.5	3.15	2.7	2.7
Supplies	0.9	0.95	1.0	0.95	1.0	1.1
Service Purchased	0.95	1.05	1.3	1.3	1.15	1.1
Unclassified: Losses from Bad Debts	0.35	0.55	0.65	0.6	0.3	0.45
Other	0.7	0.6	0.75	0.6	0.55	0.7
Travelling	0.4	0.4	0.35	0.35	0.3	0.35
Communication	0.35	0.4	0.55	0.5	0.4	0.45
Repairs	0.3	0.2	0.25	0.2	0.15	0.25
Insurance (except on real estate)	0.45	0.5	0.6	0.55	0.45	0.45
Depreciation (except on real estate)	0.55	0.75	0.9	0.75	0.6	0.55
Professional Services (See Appendix, page 37)	0.15	0.15	0.2	0.2	0.2	0.2
TOTAL EXPENSE	32.1%	34.9%	38.7%	35.3%	31.8%	32.4%
NET PROFIT OR LOSS	L. 2.9%	L. 6.2%	L. 11.5%	L. 3.8%	L. 0.4%	L. 1.0%
NET GAIN before Federal Tax on Income	0.5%	L. 3.1%	L. 8.1%	0.3%	2.2%	2.0%
Rate of Stock-turn (times a year): Based on Average of Inventories at the Beginning and End of the Year	2.4	2.3	2.1	2.1	2.6	2.6
% of Firms Earning Some Net Profit	32.4%	8.8%	2.9%	14.7%	38.2%	38.2%
% of Firms Earning Some Net Gain	57.6	24.3	6.1	63.6	76.5	75.8

expenses displayed a stronger inclination to rise, so that percentage expenses as a rule were the same as in 1934 or higher.

1930-1935

When one notes the net changes which have taken place since 1930 as disclosed by Tables 6, 7, 8, and 9, a number of interesting facts stand out:

1. Dollar sales for the several groups of stores were from 19% to 26% lower in 1935 than in 1930.

2. For large department stores, the average sale in 1935 was 25% below the average sale in 1930. Apparently this drop was due to the combined influences of a price decline amounting to about 19% (Fairchild index) and declines in the physical volume of goods per transaction, and/or in the quality of goods sold, amounting to around 7.5%.

3. When allowance is made for the fact that prices were 19% lower in 1935 than in 1930, the physical volume of goods handled in 1935 must have been not more than 9% lower than in 1930 for any group; and for department stores with sales of \$500,000 to \$2,000,000, it was at least as large as in 1930. For department stores with sales of \$2,000,000 or more, the net decline in number of transactions for the six years was less

than 1% and the decline in the estimated physical volume of goods handled was less than 4%.

These estimates assume no trading up or down on the part of either stores or customers. Since there probably was a small amount of trading down, it seems quite reasonable to assume that the declines in the physical quantity of goods sold were smaller than these estimates indicate. Since the quantity of goods sold by the typical department store, and perhaps by all department stores, apparently reached its all-time peak in 1929, 1930, or 1931, manifestly department stores in 1935 were handling an amount of merchandise very close to the maximum amount which they ever have handled.

4. According to Tables 6, 7, 8, and 9, the percentage of gross margin (the complement of total merchandise costs, net) in 1935 on the average was higher than the gross margin rate for 1930 by 2.1% to 2.5% of net sales. When allowance is made for the changes in dollar sales and in the physical volume of goods sold, it is estimated that the amount (cents) of gross margin earned per physical unit of goods sold was from 12% to 15% lower in 1935 than in 1930. To the extent that trading down took place, the amount of margin per unit of goods sold declined more than these figures indicate.

Table 7. Trends of Expense in Percentages for 37 Department Stores with Net Sales of \$500,000 to \$2,000,000 in 1930, by Natural Divisions: 1930-1935

Items	1930	1931	1932	1933	1934	1935
Aggregate Sales (in thousands)	\$42,947	\$37,977	\$29,474	\$29,560	\$33,314	\$35,043
Typical Net Sales (in thousands)	\$1,160	\$1,020	\$790	\$790	\$890	\$940
Index of Typical Net Sales (1930=100)	100.0	88.0	68.0	68.0	77.0	81.0
Total Merchandise Costs (Net)	68.8%	69.1%	69.5%	66.1%	66.4%	66.3%
Total Pay Roll	17.3%	18.1%	19.2%	17.8%	17.5%	17.6%
Real Estate Costs (See Appendix, page 37)	3.5	3.9	4.85	4.5	4.0	3.85
Advertising	3.25	3.5	3.5	3.2	3.15	3.2
Taxes (See Appendix, page 37)	0.4	0.4	0.5	0.5	0.45	0.45
Interest (except on real estate)	2.25	2.3	2.55	2.35	2.1	2.1
Supplies	1.35	1.35	1.45	1.4	1.4	1.5
Service Purchased	0.85	1.0	1.1	1.05	0.95	0.95
Unclassified: Losses from Bad Debts	0.35†	0.5	0.65	0.55	0.45	0.3
Other	0.05	0.7	0.7	0.7	0.7	0.6
Travelling	0.5	0.5	0.5	0.45	0.45	0.5
Communication	0.45	0.5	0.6	0.55	0.5	0.5
Repairs	0.3	0.3	0.3	0.3	0.35	0.4
Insurance (except on real estate)	0.4	0.4	0.45	0.4	0.4	0.4
Depreciation (except on real estate)	0.7	0.85	1.0	0.95	0.75	0.7
Professional Services (See Appendix, page 37)	0.35	0.5	0.55	0.5	0.45	0.45
TOTAL EXPENSE	32.6%†	34.8%	37.9%	35.2%	33.6%	33.5%
NET PROFIT OR LOSS	L. 1.7%	L. 3.9%	L. 7.4%	L. 1.3%	L. 0.0%	0.2%
NET GAIN before Federal Tax on Income	1.1%	L. 0.5%	L. 3.9%	1.9%	3.0%	3.3%
Rate of Stock-turn (times a year): Based on Average of Inventories at the Beginning and End of the Year	3.8	3.7	3.4	3.4	3.7	4.0
% of Firms Earning Some Net Profit	24.3%	13.5%	8.1%	32.4%	51.4%	51.4%
% of Firms Earning Some Net Gain	63.9	41.7	25.0	72.2	82.9	85.7

†Figures for this item were given on less than 75% of the reports used.

5. Percentages of total expense during the five-year period showed a net increase of from 0.3% to 2.5% of net sales. These increases in the percentages resulted from a combination of decreases in dollar sales and decreases in dollar expense, the former decreases being the larger. Since these movements were accompanied by a decline in prices which was smaller than the decline in sales, the physical volume of goods handled did not decline over the period so much as sales; and since the physical volume of sales, also, did not decline so much

as expense, there was a net decrease in the dollar expense per physical unit of goods handled. This decrease amounted to from 13% to 18% in the cases of the four groups of stores covered by Tables 6, 7, 8, and 9.

6. For all three groups of department stores, the decline in the expense per physical unit of goods sold was greater than the decline in the dollar margin per physical unit of goods sold; and, therefore, for these stores net profit in dollars per physical unit of goods sold (after charging interest as an expense) was higher

Table 8. Trends of Expense in Dollars and in Percentages for 74 Department Stores with Net Sales of \$2,000,000 or More in 1930, by Natural Divisions: 1930-1935**

Items	1930		1931		1932		1933		1934		1935	
	Index of Dollar Amounts (1930=100)	% of 1930 Net Sales	Index of Dollar Amounts (1930=100)	% of 1931 Net Sales	Index of Dollar Amounts (1930=100)	% of 1932 Net Sales	Index of Dollar Amounts (1930=100)	% of 1933 Net Sales	Index of Dollar Amounts (1930=100)	% of 1934 Net Sales	Index of Dollar Amounts (1930=100)	% of 1935 Net Sales
Aggregate Sales (in thous.)		\$674,936		\$598,341		\$461,105		\$445,387		\$498,444		\$474,651**
Typical Net Sales (in thous.)	100.0	\$5,100	88.3	\$4,500	68.0	\$3,470	66.5	\$3,390	74.0	\$3,750	78.0	\$3,950
Average Gross Sale		\$2.80†		\$2.40†		\$1.80†		\$1.75†		\$1.95†		\$2.10†
Number of Gross Sales Transactions	100.0	....	99.0†	....	92.1	....	91.1†	....	97.3†	....	99.2†	....
Total Merchandise Costs (Net)	100.0	66.3%	88.8	66.7%	68.5	66.8%	64.1	63.9%	71.6	64.1%	75.0	63.9%
Total Pay Roll	100.0	17.5%	91.5	18.1%	73.8	19.0%	69.6	18.3%	76.0	18.0%	81.5	18.3%
Real Estate Costs (See page 37)	100.0	4.25	101.5	4.9	96.0	6.0	88.0	5.6	89.0	5.1	87.0	4.75
Advertising	100.0	3.35	94.5	3.6	78.8	3.9	77.0	3.9	82.0	3.7	87.0	3.75
Taxes (See page 37)**	100.0	0.4	93.5	0.4	84.0	0.5	88.0	0.55	92.0	0.5	92.0	0.45
Interest (except on real est.)	100.0	2.2	92.5	2.3	78.0	2.55	68.5	2.25	71.0	2.1	71.0	2.0
Supplies	100.0	1.7	87.2	1.7	69.5	1.75	70.0	1.8	81.0	1.85	85.0	1.85
Service Purchased	100.0	0.75	98.5	0.85	91.0	1.0	86.0	0.95	92.0	0.95	94.0	0.9
Losses from Bad Debts	100.0	0.35	115.0	0.45	133.0	0.7	128.0	0.65	90.0	0.4	56.0	0.25
Other Unclassified	100.0	0.85	86.0	0.85	66.5	0.85	64.0	0.8	72.0	0.8	69.0	0.75
Travelling	100.0	0.45	85.5	0.45	66.5	0.45	60.0	0.4	69.5	0.4	78.0	0.45
Communication	100.0	0.4	102.0	0.45	99.0	0.6	96.0	0.6	95.0	0.5	97.5	0.5
Repairs	100.0	0.3	84.0	0.3	62.0	0.25	70.0	0.3	100.0	0.4	104.0	0.4
Insurance (except on real est.)	100.0	0.3	95.0	0.3	83.5	0.35	76.0	0.35	77.5	0.3	78.0	0.3
Depreciation (except on real est.)	100.0	0.9	98.5	1.0	93.5	1.25	90.0	1.2	82.0	1.0	69.5	0.8
Professional Services (See page 37)	100.0	0.5	99.0	0.55	87.0	0.65	80.0	0.6	82.0	0.55	86.0	0.55
Total Expense**	100.0	34.2%	93.5	36.2%	79.0	39.8%	74.4	38.25%	79.0	36.55%	82.0	36.0%
NET PROFIT OR LOSS** . . . . .	....	L. 0.5%	....	L. 2.9%	....	L. 6.6%	....	L. 2.15%	....	L. 0.65%	....	0.1%
Net Gain** . . . . .	....	3.0%	....	1.2%	....	L. 2.2%	....	1.8%	....	3.1%	....	3.7%
Rate of Stock-turn (times a year): Based on Average of Inventories at the Beginning and End of the Year . . . . .	....	4.35	....	4.35	....	4.1	....	4.2	....	4.6	....	4.7
% of Firms Earning Some Net Profit . . . . .	....	47.3%	....	20.3%	....	4.1%	....	25.7%	....	37.8%	....	53.5%
% of Firms Earning Some Net Gain . . . . .	....	86.6	....	70.1	....	32.4	....	70.6	....	85.1	....	87.7

†Figures for this item were given on less than 75% of the reports used.

**The figures for 1935 constitute a continuation of the trend data published in Table 9 of Bulletin No. 96, but are based on the reports for 72 of the 74 firms reporting for the earlier years. It is believed that the omission of figures for the two firms which failed to report for 1935 will not disturb the year-to-year comparisons. One difference between the statistics presented in Table 9 of Bulletin No. 96 and those given above should be noted. In preparing the trend figures published in Bulletin No. 96, sales taxes were not included in expense; but in Table 8 above, such taxes are included in taxes and total expense. Therefore the figures for taxes and total expense given above for 1933 (the first year of sales taxes) and 1934 differ from those published in Bulletin No. 96.

(or the loss lower) in 1935 than in 1930. In addition, for each of the three groups of department stores, percentage losses in 1930 were replaced in 1935 by percentage profits, or smaller percentage losses. In fact, for all three groups of department stores dollar net earnings after charging interest (net profit or loss) were more satisfactory in 1935 than in 1930. If earnings in dollars were more satisfactory in 1935 than in 1930, and if the physical volume of goods sold was smaller, of course the earnings per unit were more satisfactory. Among specialty stores the reverse was true.

7. As regards net gain (after crediting back interest

on capital owned and miscellaneous income), conditions were somewhat different. For all four groups of stores net gain percentages were higher, or as high, in 1935 as in 1930. For the typical specialty store represented in Table 9, however, dollar net gain in 1935 was only 25% below the 1930 level; for department stores with sales of \$2,000,000 or more, however, dollar net gain in 1935 typically was only 3% below 1930; and for smaller department stores it was two and one-half or three times as large as in 1930. For all three groups of department stores, net gain per unit of goods sold was higher in 1935 than in 1930.

Table 9. Trends of Expense in Dollars and in Percentages for 14 Specialty Stores with Net Sales of \$2,000,000 or More in 1930, by Natural Divisions: 1930-1935

Items§	1930		1931		1932		1933		1934		1935	
	Index of Dollar Amounts (1930=100)	% of 1930 Net Sales	Index of Dollar Amounts (1930=100)	% of 1931 Net Sales	Index of Dollar Amounts (1930=100)	% of 1932 Net Sales	Index of Dollar Amounts (1930=100)	% of 1933 Net Sales	Index of Dollar Amounts (1930=100)	% of 1934 Net Sales	Index of Dollar Amounts (1930=100)	% of 1935 Net Sales
Aggregate Sales (in thous.)	....	\$81,320	....	\$72,544	....	\$56,227	....	\$53,959	....	\$58,986	....	\$61,730
Typical Net Sales (in thous.)	100.0	\$2,950	88.0	\$2,600	66.5	\$1,960	65.5	\$1,930	71.0	\$2,100	74.0	\$2,200
Total Merchandise Costs (Net)	100.0	65.4%	88.0	65.4%	66.2	65.1%	63.4	63.3%	69.4	63.9%	72.0	63.3%
Total Pay Roll	100.0	16.7%	91.5	17.35%	73.0	18.35%	68.2	17.4%	76.2	17.9%	77.5	17.5%
Real Estate Costs (See page 37)	100.0	4.2	100.5	4.8	91.0	5.75	81.0	5.2	82.5	4.85	85.5	4.85
Advertising	100.0	3.9	96.0	4.25	80.0	4.7	75.5	4.5	83.0	4.5	83.0	4.4
Taxes (See page 37)**	100.0	0.3	97.5	0.35	89.0	0.4	95.0	0.45	106.5	0.45	86.5	0.35
Interest (except on real est.)	100.0	1.65	95.0	1.8	79.5	1.95	71.0	1.8	70.0	1.6	74.0	1.65
Supplies	100.0	1.6	91.0	1.65	72.0	1.75	74.0	1.8	82.0	1.8	83.5	1.8
Service Purchased	100.0	0.8	100.0	0.9	87.0	1.05	86.5	1.05	95.0	1.1	106.0	1.15
Losses from Bad Debts	100.0	0.3	105.0	0.35	116.0	0.5	145.0	0.65	89.0	0.35	49.5	0.2
Other Unclassified	100.0	0.8	88.5	0.8	73.0	0.9	61.0	0.75	69.0	0.75	74.0	0.8
Travelling	100.0	0.8	89.0	0.8	68.5	0.8	65.0	0.8	70.5	0.8	74.0	0.8
Communication	100.0	0.5	102.0	0.55	91.5	0.7	89.5	0.7	93.5	0.65	96.0	0.65
Repairs	100.0	0.35	84.0	0.35	47.5	0.25	60.0	0.3	84.5	0.4	84.5	0.4
Insurance (except on real est.)	100.0	0.35	100.0	0.4	95.5	0.5	86.5	0.45	89.0	0.4	100.0	0.45
Depreciation (except on real est.)	100.0	1.0	100.5	1.15	96.0	1.45	95.0	1.45	75.0	1.0	62.0	0.8
Professional Services (See Appendix, page 37)	100.0	0.75	95.5	0.8	83.0	0.95	66.5	0.75	68.0	0.7	71.0	0.7
TOTAL EXPENSE**	100.0	34.0%	94.0	36.3%	78.0	40.0%	73.4	38.05%	78.0	37.25%	79.5	36.5%
NET PROFIT OR LOSS**	....	0.6%	....	L.1.7%	....	L.5.1%	....	L.1.35%	....	L.1.15%	....	0.2%
NET GAIN**	....	2.8%	....	0.5%	....	L.2.8%	....	1.15%	....	1.55%	....	2.8%
Rate of Stock-turn (times a year): Based on Average of Inventories at the Beginning and End of the Year	....	7.4	....	7.3	....	6.7	....	7.1	....	7.5	....	7.0
% of Firms Earning Some Net Profit	....	42.9%	....	35.7%	....	7.1%	....	35.7%	....	42.9%	....	50.0%
% of Firms Earning Some Net Gain	....	92.9	....	57.1	....	28.6	....	57.1	....	64.3	....	78.6

**The figures in this table are based on the reports of the same 14 specialty stores for which trend figures were published in Table 10 of Bulletin No. 96. One difference, however, should be noted. In preparing the trend figures presented in Bulletin No. 96, sales taxes were not included in taxes and expenses; but in Table 9 above, such taxes are included in taxes and total expense. Therefore, the figures for taxes and total expense given above for 1933 (the first year of sales taxes) and 1934 differ from those published in Bulletin No. 96.

§Items omitted in this table but found in other similar tables are omitted because of lack of data.

DEPARTMENT STORES: SALES LESS THAN \$500,000

In 1933 and 1934, the typical percentages of net profit to sales were approximately the same for department stores of all sizes. This was sharply at variance with the situations prevailing among the stores surveyed in earlier years when the data had shown unmistakable tendencies for the rate of net profit to be high-

Table 10. Merchandising Statistics and Profits for Department Stores with Net Sales of Less Than \$500,000, by Sales Volume Groups: 1935
(Net Sales = 100%, except where noted)

Items	Stores with Net Sales of less than \$150,000		Stores with Net Sales of \$150,000 to \$300,000		Stores with Net Sales of \$300,000 to \$500,000	
	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures	Goal Figures
Number of Reports.....	70	16	61	12	54	17
Aggregate Sales (in thousands).....	\$6,812	\$1,658	\$14,317	\$2,947	\$23,350	\$6,683
Typical Net Sales (in thousands).....	\$86	\$110	\$225	\$250	\$400	\$400
Index of Change in Sales (1935/1934).....	100.0	102.0	104.5	105.5	105.0	109.0
Population of City (in thousands).....	11	8	23	25	32	32
Initial Mark-up (% of original retail value) on Invoice Cost Delivered.....	33.3%†	*	35.5%†	*	36.3%†	36.7%†
Mark-downs.....	*	*	*	*	7.25%†	*
Discounts to Employees and Others.....	*	*	*	*	0.45†	*
Stock Shortages.....	*	*	*	*	1.3†	*
Total Retail Reductions.....	7.3%†	*	9.8%†	*	9.0%†	9.0%†
Inward Freight, Express, and Truckage.....	1.5%	1.5%	1.3%	1.5%	1.25%	1.35%
Alteration and Workroom Costs (Net).....	0.55†	0.6†	0.55†	*	0.45†	0.55†
Cash Discounts Received on Purchases (% of sales).....	2.55	2.6	2.85	2.9	2.8	2.8
Gross Margin.....	30.4	31.7	31.5	33.1	32.9	33.3
Total Merchandise Costs (Net).....	60.6%	68.3%	68.5%	66.0%	67.1%	66.7%
Total Expense.....	31.4	28.3	32.3	29.0	33.0	31.0
TOTAL COST.....	101.0%	96.6%	100.8%	95.0%	100.1%	97.7%
NET PROFIT OR LOSS.....	L. 1.0%	3.4%	L. 0.8%	4.1%	L. 0.1%	2.3%
Net Other Income (including interest on capital owned).....	2.7	2.3	2.8	2.1	3.0	2.8
NET GAIN before Federal Tax on Income:						
Percentage of Net Sales.....	1.7%	5.7%	2.0%	6.2%	2.9%	5.1%
Percentage of Net Worth.....	3.2	11.5	3.0	17.0	6.0	12.0
Federal Tax on Income.....	0.1%†	*	0.2%†	0.7%†	0.4%†	0.6%†
NET GAIN after Federal Tax on Income:						
Percentage of Net Sales.....	1.6%†	*	1.8%†	5.5%†	2.5%†	4.5%†
Percentage of Net Worth.....	2.7†	*	2.7†	15.7†	5.0†	10.5†
Rate of Stock-turn (times a year):						
Based on Beginning and Ending Inventories.....	2.2	2.3	2.9	3.1	3.45	3.6
Based on Monthly Inventories.....	2.1†	2.2†	2.45†	*	3.0	3.0
Returns and Allowances:						
Percentage of Gross Sales.....	2.1%†	1.55%†	2.55%†	*	4.75%†	4.4%†
Percentage of Net Sales.....	2.15†	1.6†	2.6†	*	5.0†	4.6†
% Cash and C. O. D. Sales.....	60.0%†	70.0%†	53.0%†	*	58.0%†	60.0%†
% Charge and Installment Sales.....	40.0†	30.0†	47.0†	*	42.0†	40.0†
% of Firms Earning Some Net Profit.....	32.9%	100.0%	34.4%	100.0%	50.0%	100.0%
% of Firms Earning Some Net Gain.....	77.1	100.0	83.6	100.0	88.2	100.0

*Data not available. †Figures for this item were given on less than 75% of the reports used.

est for the largest stores, to be lowest for the smallest stores, and to vary directly with size. Hence it was suggested in Bulletin No. 96 that the years 1933 and 1934 might have witnessed a definite improvement in the fortunes of the small department stores relative to those of larger stores, but that whether this was true could not be stated definitely for several years.

In view of these circumstances, the most significant fact disclosed by Table 10 is the fact that the 1935 earnings for department stores with sales of less than \$500,000 were noticeably poorer than those for medium-size and large stores. Thus, in the year 1935 there was a return to the relationships prevailing before 1933 when the rate of profit tended to be highest for the largest stores and lowest for the smallest stores. Apparently the relatively good showings of the small stores in 1933 and 1934 were due, as also was suggested in Bulletin No. 96, to some temporary tendency for the forces of

recovery to benefit the smaller stores more, or earlier, than larger stores. For instance, governmental policies, which are thought by some to have benefited agriculture rather more than industry, may have aided small stores in small cities more than large stores in large cities.

Characteristics of the Smallest Stores

Since the smallest department stores covered by this study, those with sales of less than \$150,000, in 1935 typically had the highest net losses in percentage of sales (after charging interest on capital owned) and the lowest rates of net gain on net sales, it is interesting to examine the characteristics of these stores.

For the 70 stores covered, net sales typically amounted to \$86,000. Of total sales, 60% on the average were cash or C.O.D. sales, while credit business accounted for only 40%. Owing partly to the influ-

Table 11. Expenses by Natural Divisions for Department Stores with Net Sales of Less Than \$500,000, by Sales Volume Groups: 1935
(Net Sales=100%, except where noted)

Items	Stores with Net Sales of less than \$150,000		Stores with Net Sales of \$150,000 to \$300,000		Stores with Net Sales of \$300,000 to \$500,000	
	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures	Goal Figures
Number of Reports.....	70	16	61	12	54	17
Aggregate Sales (in thousands).....	\$6,812	\$1,658	\$14,317	\$2,947	\$23,350	\$6,683
Typical Net Sales (in thousands).....	\$86	\$110	\$225	\$250	\$400	\$400
Index of Change in Sales (1935/1934).....	100.0	102.0	104.5	105.5	105.0	109.0
Population of City (in thousands).....	11	8	23	25	32	32
Total Pay Roll.....	16.7%	15.1%	17.2%	14.9%	17.2%	16.5%
Real Estate Costs (See Appendix, page 37).....	3.8	3.5	3.8	3.75	3.85	3.45
Newspaper Advertising.....	*	*	1.95†	*	2.3†	1.95†
Direct Advertising.....	*	*	0.25†	*	0.2†	0.15†
Other Advertising.....	*	*	0.4†	*	0.35†	0.25†
Total Advertising (subtotal).....	1.9	1.6	(2.6)	2.4	(2.85)	(2.35)
Taxes (See Appendix, page 37).....	0.75	0.55	0.6	0.45	0.55	0.55
Interest (except on real estate).....	2.8	2.45	2.5	2.0	2.35	2.3
Supplies.....	0.8	0.75	1.05	1.05	1.35	1.3
Service Purchased.....	1.05	0.95	1.0	1.05	1.1	1.0
Unclassified: Losses from Bad Debts						
Other.....	0.35	0.25	0.3	0.15	0.35	0.35
Travelling.....	0.75	0.65	0.7	0.75	0.75	0.65
Communication.....	0.4	0.25	0.35	0.4	0.4	0.35
Repairs.....	0.45	0.4	0.45	0.35	0.5	0.45
Insurance (except on real estate).....	0.15†	0.1†	0.3	0.2	0.25	0.35
Depreciation (except on real estate).....	0.6	0.65	0.5	0.45	0.4	0.35
Professional Services (See Appendix, page 37).....	0.65	0.85	0.65	0.65	0.7	0.7
	0.25†	0.25	0.3†	0.45†	0.4	0.35
TOTAL EXPENSE.....	31.4%	28.3%	32.3%	29.0%	33.0%	31.0%
Sales per Square Foot of Total Space.....	\$10.50†	\$12.50†	\$11.30†	*	\$11.50†	\$10.50
Real Estate Costs per Square Foot of Total Space.....	*	*	*	*	*	*
Sales/Total Number of Employees.....	\$6,100†	*	\$6,000†	*	\$6,000†	\$6,700†
Sales/Number of Selling Employees.....	8,500†	*	8,400†	*	9,000†	9,900†
Losses from Bad Debts (% of charge sales).....	0.8%†	*	0.75%†	*	0.85%†	*

*Data not available.

† Figures for this item were given on less than 75% of the reports used.

Table 12. Pay Roll and Total Expense by Functions for Department Stores with Net Sales of \$150,000 to \$500,000, by Sales Volume Groups: 1935
(Net Sales = 100%)

Items	Stores with Net Sales of		
	\$150,000 to \$300,00	\$300,000 to \$500,000	
	Common Figures	Common Figures	Goal Figures
Number of Reports	15	23	9
PAY ROLL			
Admin. and General			
Executive	*	1.75%	1.75%
Accounting Office	*	0.95	0.9
Accts Rec. and Credit	*	0.65†	0.6
Executive Office	*	} 0.45†	} 0.25
Superintendency and General Store	*		
Total Admin. and Gen..	4.6%	3.8%	3.5%
Occupancy			
Operating and Housekeeping	*	0.7	0.6
Heat, Light, and Power	*	0.0†	0.0†
Total Occupancy	0.6%	0.7%	0.6%
Publicity			
Sales Promotion and General Advertising .	*	0.4	0.35
Display	*	0.45	0.45
Total Publicity	0.85%	0.85%	0.8%
Buying and Merchandising	2.1	2.55	2.45
Direct and General Selling			
Salespeople	*	8.1	7.7
Floor Superintendents and Section Managers	*	0.6†	0.9†
Other	*	0.4†	0.4†
Total Direct and General Selling	8.8%	9.1%	9.0%
Delivery	0.25	0.2	0.15
Total Pay Roll	17.2%	17.2%	16.5%
TOTAL EXPENSE			
Administrative and Gen.			
Accounting Office, Accts Rec., and Credit	*	2.6%	2.6%
Executive and Other Admin. and General .	*	5.4	5.4
Total Admin. and Gen..	9.5%	8.0%	8.0%
Occupancy			
Operating and Housekeeping	*	1.25	1.2
Real Estate Costs (See Appendix, page 37) . .	*	3.85	3.45
Fixtures and Equipment Costs	*	0.85	1.0
Heat, Light, and Power	*	1.05	1.05
Total Occupancy	7.0%	7.0%	6.7%
Publicity			
Sales Promotion and General Advertising . .	*	3.3	2.9
Display	*	0.6	0.6
Total Publicity	3.4%	3.9%	3.5%
Buying and Merchandising	2.5	3.65	2.9
Direct and General Selling	9.4	10.0	9.55
Delivery	0.5	0.45	0.35
Total Expense	32.3%	33.0%	31.0%

*Data not available.
†Figures for this item were given on less than 75% of the reports used.

ence of the low percentage of charge business, returns and allowances were lower in percentage to sales for these stores than for any of the nine groups of larger stores. Finally, the very small stores typically were located in cities of 6,000 to 21,000 population; and in 1935, on the average, they secured no increase in sales over 1934.

The relatively large losses of these small stores occurred in spite of the fact that they had a lower percentage of total expense (31.4) than was common for any other group of department stores. Of course, their expenses typically may not have been so low in relation to sales as good management would have insured; but the evidence of Table 10 suggests that the weaknesses may have been greater on the side of merchandising than on the side of expense, for the disadvantage in margin of the smallest stores when compared with the two groups of larger stores was greater than the disadvantage in expense.

Most conspicuous among the figures for stores with sales of less than \$150,000 (in comparison to figures for the other stores covered in Table 10) is the low rate of initial mark-up (33.3%), which indicates that these stores typically paid invoice prices for their merchandise which were rather high in relation to retail prices, owing either to high cost prices or to low retail prices resulting, perhaps, from mail order and chain competition. The low mark-up was offset to some degree by relatively small retail reductions. It is noteworthy, however, that the cash discounts earned by the smallest stores were relatively low; and hence, net cost of merchandise, as well as invoice cost, was high relative to sales.

These facts appear less discouraging in the light of the experiences of the goal firms. Among the 70 firms with sales of less than \$150,000, the 16 which had highest rates of profit typically earned 3.4% net profit on net sales and 11.5% net gain on net worth (before Federal income taxes). If 23% of the firms could have average earnings of this size, obviously almost 12% of the firms had higher earnings rates than those cited. In 1935, therefore, it was quite possible for small department stores to make very satisfactory profits. Moreover, since these profitable small stores were located in smaller cities than the less profitable stores of similar size, presumably they enjoyed no advantage from large size of market served. It is significant, however, that typically the most profitable firms not only had larger average sales per store, but also increased their sales in 1935 as compared with 1934 (by 2%).

These 16 goal firms on the average enjoyed an advantage of 1.3% of sales in the rate of gross margin. In spite of the incomplete data, it is clear that this

advantage came largely from either low retail reductions or high initial mark-up, both evidences of good management, for the advantage of the goal firms as regards cash discounts was very small. The main advantage of the goal firms, however, arose from their low average rate of total expense, 28.3% as against 31.4% for all 70 firms, a difference amounting to 3.1% of sales.

Thus, small store executives who could control expenses and who could buy reasonably well, even though not so advantageously as larger stores, could and did achieve creditable percentage profits in 1935.

Costs per Transaction

One of the most striking facts noted in examining the 185 reports received from department stores with sales of less than \$500,000 was the apparent tendency for the smaller stores to keep no record of the number of transactions handled. This observation led to the tabulation of the number of firms reporting transaction data in each of the ten sales-volume groups, and to the computation of the percentage of firms in each group giving these important figures. These data are as follows:

Volume Group	Number of Firms Reporting	Number Giving Transaction Data	Percentage Giving Transaction Data
Less than \$150,000	70	7	10.0%
\$150,000 to \$300,000	61	12	19.7
\$300,000 to \$500,000	54	20	37.0
\$500,000 to \$750,000	43	18	41.9
\$750,000 to \$1,000,000	30	19	63.4
\$1,000,000 to \$2,000,000	65	40	61.6
\$2,000,000 to \$4,000,000	57	43	75.5
\$4,000,000 to \$10,000,000	52	48	92.4
\$10,000,000 to \$20,000,000	18	17	94.5
\$20,000,000 or more	9	9	100.0

For one reason or another, it was not possible to utilize all these transaction data in computing figures on costs per transaction.

Manifestly, the recording of this information has become almost universal among large stores; and the practice may be spreading downward to smaller stores. Among firms with sales of less than \$750,000 a year, however, the practice has made regrettably little progress.

Attention is directed to this condition because of the great importance, among department stores, of controlling dollar expense carefully in a time of rising dollar sales. During the depression executives directing stores of all sizes were forced by sheer necessity to cut dollar expenses to the minimum, and thus most store executives presumably put their operations on a more efficient basis than had been seen for a number of years. During the period of falling sales, percentage figures exerted a strong and wholesome influence for

expense reduction, because even with falling dollar expenses percentages tended to rise. Now, however, it is more dangerous to place reliance on percentage statistics. When sales are rising, increases in dollar expenditure which represent very real decreases in operating efficiency may be obscured by percentages which remain unchanged or which fall. In these current years, therefore, one of the most effective, readily-available aids to intelligent expense control is a record of the number of transactions handled, for the existence of statistics on number of transactions leads directly to their use in watching and controlling expense per transaction.

Precisely the same line of thought suggests the desirability of utilizing unit costs more widely in controlling the expense of non-selling functions. For instance, auditing department costs may be controlled more intelligently through study of the cost per hundred checks audited or the number of checks handled per employee-day, than through percentages of sales. Similar measures of unit cost or physical output will suggest themselves for other departments and activities.

Goal Figures

All three tables presenting figures on the performance of department stores with sales of less than \$500,000, Tables 10, 11, and 12, include information on the typical results for the most profitable firms in each of the groups covered whenever such data were available.

Careful analysis of the differences between the results for the goal firms and the results for less profitable firms of similar size indicates that the conclusions reached in discussing the most profitable stores of medium size (sales of \$500,000 to \$2,000,000) apply equally to the small stores. Readers, therefore, are referred to the discussion of operating results for these larger stores, pages 19 and 20.

One exception to this general statement may be noted. Among department stores with sales of less than \$500,000, the two goal groups for which figures on customer returns are available typically had substantially lower rates of returns than did the less profitable stores of similar size. This was true for one, but not for both, of the groups of larger stores just mentioned for which data on returns were available. Thus the statements on page 20 apparently may be amplified by the further statement that among the more profitable firms customer returns and allowances ordinarily are smaller in percentage of sales than among less profitable stores of similar size.

Finally, attention may be called to the fact that, for one of the goal groups covered in Table 11, the lower percentage of pay roll expense was reflected in higher sales per employee.

DEPARTMENT STORES: SALES FROM \$500,000 TO \$2,000,000

Department stores with sales of \$750,000 to \$1,000,000, typically earned a net profit in 1935. Among these stores, net profit in percentage of sales (0.7) commonly was as large as for any other of the ten volume groups in Table 13, were the smallest department stores which

Table 13. Merchandising Statistics and Profits for Department Stores with Net Sales of \$500,000 to \$2,000,000, by Sales Volume Groups: 1935
(Net Sales = 100%, except where noted)

Items	Stores with Net Sales of \$500,000 to \$750,000		Stores with Net Sales of \$750,000 to \$1,000,000		Stores with Net Sales of \$1,000,000 to \$2,000,000	
	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures	Goal Figures
Number of Reports	43	8	30	7	65	15
Aggregate Sales (in thousands)	\$26,971	\$5,195	\$26,388	\$6,278	\$99,746	\$22,239
Typical Net Sales (in thousands)	\$625	\$660	\$880	\$900	\$1,470	\$1,470
Index of Change in Sales (1935/1934)	104.0	106.5	104.8	110.0	106.0	108.2
Population of City (in thousands)	55	60	70	80	110	63
Initial Mark-up (% or original retail value) on Invoice Cost Delivered	36.4%†	37.3%	37.5%	37.3%†	37.0%	36.5%
Markdowns	7.3%†	7.2%	6.3%	6.05%†	6.25%†	5.6%†
Discounts to Employees and Others	0.45†	0.45†	0.45†	0.4†	0.55†	0.45†
Stock Shortages	1.25†	0.95	1.25	1.05†	1.1	1.05
Total Retail Reductions	9.0%†	8.6%	8.0%	7.5%†	7.9%	7.1%
Inward Freight, Express, and Truckage	1.25%	1.35%	1.05%†	1.25%†	1.2%	1.0%
Alteration and Workroom Costs (Net)	0.3†	0.15	0.35	0.35	0.6	0.6
Cash Discounts Received on Purchases (% of sales)	2.85	2.85	2.65	2.85	2.65	2.7
Gross Margin	33.2	34.6	34.8	35.1	34.1	34.1
Total Merchandise Costs (Net)	66.8%	65.4%	65.2%	64.9%	65.9%	65.9%
Total Expense	33.7	30.9	34.1	30.6	34.5	30.4
TOTAL COST	100.5%	96.3%	99.3%	95.5%	100.4%	96.3%
NET PROFIT OR LOSS	L. 0.5%	3.7%	0.7%	4.5%	L. 0.4%	3.7%
Net Other Income (including interest on capital owned)	2.8	1.8	2.6	2.7†	3.3	2.7
NET GAIN before Federal Tax on Income:						
Percentage of Net Sales	2.3%	5.5%	3.3%	7.2%†	2.9%	6.4%
Percentage of Net Worth	5.4	13.0†	9.0	16.5†	5.2	14.0
Federal Tax on Income	0.35%†	1.0%†	0.4%†	*	0.4%	0.9%
NET GAIN after Federal Tax on Income:						
Percentage of Net Sales	1.95%†	4.5%†	2.9%†	*	2.5%	5.5%
Percentage of Net Worth	4.5†	10.5†	8.0†	*	4.3	13.0
Rate of Stock-turn (times a year):						
Based on Beginning and Ending Inventories	4.1	3.8	4.4	4.5	3.95	4.9
Based on Monthly Inventories	3.6	3.7	3.5	4.0†	3.4	4.0
Returns and Allowances:						
Percentage of Gross Sales	6.3%†	*	5.0%†	5.1%†	7.0%	6.1%
Percentage of Net Sales	6.75†	*	5.25†	5.4†	7.5	6.5
% Cash Sales	50.0%†	48.0%†	46.8%†	*	44.5%	46.0%
% C. O. D. Sales	2.0†	*	2.0†	*	2.6†	3.0†
% Charge Sales	50.0†	52.0†	45.0†	*	47.2†	47.0
% Installment Sales	6.2†	*	6.2†	*	5.7†	4.0†
% of Firms Earning Some Net Profit	41.9%	100.0%	56.7%	100.0%	46.2%	100.0%
% of Firms Earning Some Net Gain	82.9	100.0	80.8	100.0	82.5	100.0

*Data not available. †Figures for this item were given on less than 75% of the reports used.

represented in this study, while the percentage of net gain to net worth typically reported (9.0) was larger than that for the stores in any other group.

In 1934 the outstanding earnings record was made by stores with sales of \$500,000 to \$750,000, and the figures showed that these stores owed their good profits chiefly to low total expense which resulted in part, at least, from an unusually favorable rate of increase in sales. This being true, it is interesting to note that the stores with sales of \$750,000 to \$1,000,000, which showed the good average earnings in 1935, did not have a marked advantage in the rate of sales increase, and that their superior earnings were due not to relatively low expense rates, but to percentages of original mark-up which were relatively high for department stores of their size and which were not offset by high mark-downs. These facts are made clear by an examination of Table 13 in conjunction with Tables 10 and 18. The tables do not

disclose the manner in which these stores achieved their high mark-ups, but it is significant that of all ten size-groups of department stores only two on the average reported percentages of initial mark-up for 1935 as high as those for 1934. The stores with sales of \$750,000 to \$1,000,000 were one of these two groups.

Intermediate Position of Medium-Size Stores

As has been shown, as a rule, by these annual studies of department store operating results, the medium-size stores in 1935 occupied an intermediate position between smaller stores and larger stores with respect to many of the indexes of operating performance. The typical rates of mark-up, gross margin, total expense, net profit, net gain to net sales, net gain to net worth, and stock-turn in 1935 tended to be higher for stores larger than those represented in Tables 13, 14, and 15, and lower for smaller stores. The same was true of the

Table 14. Expenses by Natural Divisions for Department Stores with Net Sales of \$500,000 to \$2,000,000, by Sales Volume Groups: 1935
(Net Sales = 100%, except where noted)

Items	Stores with Net Sales of \$500,000 to \$750,000		Stores with Net Sales of \$750,000 to \$1,000,000		Stores with Net Sales of \$1,000,000 to \$2,000,000	
	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures	Goal Figures
Number of Reports.....	43	8	30	7	65	15
Aggregate Sales (in thousands).....	\$26,971	\$5,195	\$26,388	\$6,278	\$99,746	\$22,289
Typical Net Sales (in thousands).....	\$625	\$660	\$880	\$900	\$1,470	\$1,470
Index of Change in Sales (1935/1934).....	104.0	106.5	104.8	110.0	106.0	108.2
Population of City (in thousands).....	55	60	70	80	110	63
Total Pay Roll.....	17.25%	16.1%	17.55%	15.85%	17.25%	15.6%
Real Estate Costs (See Appendix, page 37).....	3.55	3.1	4.1	3.15	4.3	3.7
Newspaper Advertising.....	2.6†	2.25	3.1	2.85	3.2	2.75
Direct Advertising.....	0.1†	0.1†	0.1†	0.25	0.15†	0.2†
Other Advertising.....	0.4†	0.75†	0.25	0.4	0.3†	0.25†
Total Advertising (subtotal).....	(3.1)	(3.1)	(3.45)	(3.5)	(3.65)	(3.2)
Taxes (See Appendix, page 37).....	0.6	0.6	0.45	0.45	0.55	0.45
Interest (except on real estate).....	2.05	1.9	2.0	1.7	2.1	1.8
Supplies.....	1.55	1.6	1.5	1.4	1.7	1.6
Service Purchased.....	1.1	1.0	1.15	1.15	1.05	0.75
Unclassified: Losses from Bad Debts.....	0.35	0.2	0.4	0.4	0.3	0.2
Other.....	0.75	0.45	0.65	0.5	0.65	0.5
Travelling.....	0.45	0.4	0.4	0.35	0.5	0.35
Communication.....	0.55	0.45	0.5	0.45	0.5	0.45
Repairs.....	0.45	0.5	0.4	0.4	0.45	0.45
Insurance (except on real estate).....	0.45	0.35	0.35	0.3	0.35	0.25
Depreciation (except on real estate).....	0.95	0.7	0.75	0.5	0.7	0.7
Professional Services (See Appendix, page 37).....	0.55	0.45	0.45	0.5	0.45	0.4
TOTAL EXPENSE.....	33.7%	30.9%	34.1%	30.6%	34.5%	30.4%
Sales per Square Foot of Total Space.....	\$13.00†	*	\$12.30†	*	\$14.00†	\$18.40
Real Estate Costs per Square Foot of Total Space.....	0.40†	*	0.50†	*	0.60†	0.68
Sales/Total Number of Employees.....	\$5,720†	\$5,850†	\$5,150†	*	\$5,600†	\$6,700
Sales/Number of Selling Employees.....	9,200†	*	9,000†	*	10,500†	12,300
Losses from Bad Debts (% of charge sales).....	0.7%†	*	0.75%†	*	0.55%†	0.4%

*Data not available. †Figures for this item were given on less than 75% of the reports used.

Table 15. Pay Roll and Total Expense by Functions for Department Stores with Net Sales of \$500,000 to \$2,000,000, by Sales Volume Groups: 1935
(Net Sales = 100%)

Items	Stores with Net Sales of \$500,000 to \$750,000		Stores with Net Sales of \$750,000 to \$1,000,000		Stores with Net Sales of \$1,000,000 to \$2,000,000	
	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures	Goal Figures
Number of Reports.....	25	6	26	6	52	13
PAY ROLL						
Administrative and General						
Executive.....	1.25%	1.15%	1.4%	0.95%	1.25%	1.1%
Accounting Office.....	1.1	} 1.9	0.9	} 2.25	0.9	} 1.95
Accounts Receivable and Credit.....	0.75†		0.7†		0.8	
Executive Office.....	0.1†		0.05†		0.1†	
Superintendency and General Store.....	0.4†		0.5		0.55	
Total Administrative and General.....	3.6%	3.05%	3.55%	3.2%	3.6%	3.05%
Occupancy						
Operating and Housekeeping.....	0.8	*	0.95	*	0.85	*
Heat, Light, and Power.....	0.05†	*	0.05†	*	0.05†	*
Total Occupancy.....	0.85%	0.75%	1.0%	0.85%	0.9%	0.75%
Publicity						
Sales Promotion and General Advertising.....	0.4	0.35	0.4	0.4	0.35	0.3
Display.....	0.4	0.35	0.35	0.3	0.35	0.3
Total Publicity.....	0.8%	0.7%	0.75%	0.7%	0.7%	0.6%
Buying and Merchandising						
Merchandise Managers and Assistants.....	0.8	*	0.65†	*	0.6	0.55†
Buyers and Assistants.....	1.75†	*	2.45	*	2.35	2.35
Receiving and Marking.....	0.25	*	0.35	*	0.3	} 0.35
Other.....	0.1†	*	0.15†	*	0.15	
Total Buying and Merchandising.....	2.9%	2.2%	3.6%	3.55%	3.4%	3.25%
Direct and General Selling						
Salespeople.....	*	*	7.35	*	7.15	6.7
Floor Superintendents and Section Managers.....	*	*	0.2†	*	0.25	0.3†
Other.....	*	*	0.75	*	0.8	0.5†
Total Direct and General Selling.....	8.8%	9.1%	8.3%	7.2%	8.2%	7.5%
Delivery.....	0.3	0.3	0.35	0.35	0.45	0.45
Total Pay Roll.....	17.25%	16.1%	17.55%	15.85%	17.25%	15.6%
TOTAL EXPENSE						
Administrative and General						
Accounting Office, Accounts Receivable, and Credit.....	2.9%	*	2.35%	*	2.5%	2.05%
Executive and Other Administrative and General.....	5.3	*	5.05	*	5.2	4.65
Total Administrative and General.....	8.2%	6.75%	7.4%	6.8%	7.7%	6.7%
Occupancy						
Operating and Housekeeping.....	1.45	1.4	1.55	1.45	1.55	1.3
Real Estate Costs (See Appendix, page 37).....	3.55	3.1	4.1	3.15	4.3	3.7
Fixtures and Equipment Costs.....	1.25	1.6	1.15	1.0	1.0	0.9
Heat, Light, and Power.....	1.0	0.8	0.95	0.9	0.9	0.7
Total Occupancy.....	7.25%	6.9%	7.75%	6.5%	7.75%	6.6%
Publicity						
Sales Promotion and General Advertising.....	3.6	3.85	4.05	4.0	4.25	3.9
Display.....	0.7	0.55	0.55	0.5	0.55	0.55
Total Publicity.....	4.3%	4.4%	4.6%	4.5%	4.8%	4.45%
Buying and Merchandising.....	3.7	2.7	4.35	4.1	4.2	3.75
Direct and General Selling.....	9.45	9.3	9.0	7.75	9.0	8.05
Delivery.....	0.8	0.85	1.0	0.95	1.05	0.85
Total Expense.....	33.7%	30.9%	34.1%	30.6%	34.5%	30.4%

*Data not available. †Figures for this item were given on less than 75% of the reports used.

**Table 16. Expenses by Natural and Functional Divisions for Department Stores
with Net Sales of \$500,000 to \$2,000,000, by Sales Volume Groups: 1935**
(Common Figures; Net Sales=100%)

Items	21 Stores with Net Sales of \$500,000 to \$750,000		24 Stores with Net Sales of \$750,000 to \$1,000,000		41 Stores with Net Sales of \$1,000,000 to \$2,000,000	
ADMINISTRATIVE AND GENERAL:						
Pay Roll: Executive.....		1.25%		1.40%		1.25%
All Other Admin. and General		2.35		2.15		2.35
Taxes (See Appendix, page 37)		0.53		0.40		0.48
Interest on Mdse and on Accts Rec....		1.85		1.65		1.83
Supplies.....		0.21		0.17		0.18
Unclassified: Losses from Bad Debts ..		0.35		0.40		0.30
Other.....		0.44		0.24		0.31
Travelling.....		0.03†		0.03		0.04
Communication.....		0.50		0.45		0.45
Insurance.....		0.41		0.30		0.29
Professional Services.....		0.26		0.20		0.24
Total.....		8.20%†		7.40%†		7.75%†
OCCUPANCY:						
Pay Roll.....		0.85%		1.00%		0.90%
Real Estate Costs (See Appendix, p. 37)		3.55		4.10		4.30
Taxes on Fixtures and Equipment		0.08†		0.05†		0.06†
Interest on Fixtures and Equipment....		0.21		0.33		0.26
Supplies.....		0.26		0.28		0.30
Service Purchased.....		0.90		0.86		0.76
Unclassified.....		0.10		0.05		0.06
Travelling.....		0.00†		0.00†		0.00†
Repairs.....		0.41		0.36		0.41
Insurance on Fixtures and Equipment..		0.04		0.03		0.03†
Depreciation on Fixtures and Equip....		0.85		0.70		0.65
Total.....		7.25%†		7.75%†		7.75%†
PUBLICITY:						
Pay Roll: Sales Pro. and General Adv... Display.....		0.40%		0.40%		0.35%
Total Advertising.....		3.10		3.45		3.65
Supplies.....		0.33		0.24		0.34
Unclassified.....		0.04		0.14		0.07
Travelling.....		0.01†		0.01†		0.01†
Communication.....		0.03†		0.01†		0.03†
Professional Services.....		0.00†		0.00†		0.00†
Total.....		4.30%†		4.60%		4.80%
BUYING AND MERCHANDISING:						
Pay Roll: Mdse Mgrs and Assts..... Buyers and Assistants..... Receiving and Marking..... Other.....		0.80%		0.65%†		0.60%
Supplies.....		1.75†		2.45		2.35
Unclassified.....		0.25		0.35		0.30
Travelling.....		0.10†		0.15†		0.15
Communication.....		0.07		0.07		0.07
Professional Services (See Appen., p. 37)		0.02		0.06†		0.03†
Total.....		0.41		0.34		0.43
		0.03		0.03		0.03
		0.29		0.27†		0.22†
Total.....		3.70%†		4.35%†		4.20%†
SELLING:						
Pay Roll: Salespeople.....	} 8.80%	.....		7.35%	.....	7.15%
Floor Supts and Sec. Mgrs....		.....		0.20†	.....	0.25
Other.....		.....		0.75	.....	0.80
Delivery.....		0.30%	9.10%		0.35%	8.65%
Taxes.....		0.01†	0.01†		0.01†	0.01†
Interest on Equipment.....		0.01†	0.01†		0.01	0.01
Supplies.....	0.53	0.15	0.68	0.57	0.15	0.72
Service Purchased.....		0.19	0.19		0.30	0.30
Unclassified.....	0.10	0.01†	0.11	0.12	0.02†	0.14
Travelling.....	0.00†	0.00†	0.00†	0.00†	0.00†	0.00†
Repairs.....		0.04†	0.04†		0.05	0.05
Insurance.....		0.02	0.02		0.04	0.04
Depreciation.....		0.08†	0.08†		0.06	0.06
Total.....		9.45%†	10.25%†		10.00%†	10.05%†
TOTAL.....			33.70%			34.10%
						34.50%

† Figures for this item were given on less than 75% of the reports used.
‡ Owing to the Bureau's practice of rounding off the common figures for functional and subfunctional totals to the nearest .00 or .05, it is not always possible to tie the detailed expense percentages into the totals exactly. The error, however, in no case exceeds 0.02% of net sales.

percentage of credit sales to total sales and the percentages of returns to gross sales and to net sales. The percentages of mark-downs and of total retail reductions, however, were somewhat higher for small stores than for large stores in 1935. The difference was not great, but yet was discernible; an interesting observation in view of the fact that the larger stores have the higher rates of mark-up. Perhaps, as often has been suggested, the rate of mark-downs is associated with the rate of stock-turn, a high rate of turn exerting some influence in the direction of lower mark-downs. Also, there is some likelihood that the executives of the larger stores have become more definitely conscious of the mark-down problem and have instituted more effective methods of mark-down control.

Table 4, page 5, in which the natural expenses for department stores of different sizes may be compared easily, makes it manifest that percentage expenses for pay roll, real estate costs, advertising, and supplies tended to be higher for large stores, at least up to the \$4,000,000 to \$10,000,000 range; but that taxes (excluding Federal income taxes and taxes on real estate) and interest costs on the average were lower for the larger stores. According to the functional classification of operating costs reflected in Tables 12, 15, and 20, administrative and general expense usually was lower for the larger stores, while publicity and delivery costs were higher. In the cases of all these items of expense, however, the stores with sales of \$500,000 to \$2,000,000 occupied an intermediate position.

It apparently has been clearly demonstrated that, at least in the range from around \$100,000 of annual sales to around \$10,000,000, size is one of the more important factors controlling operating results; and that although the net influence of large size on percentage expenses is unfavorable, the influence on percentage earnings is favorable.

Income Taxes

Since taxes are coming to weigh heavily on department stores as upon other types of business, it is timely to present information on typical size of Federal income taxes in relation to sales. These data for 1935 for the three groups of stores with sales of \$500,000 to \$2,000,000 are given in Table 13, along with common figures for net gain after these taxes expressed both as percentages of sales and as percentages of net worth.

Sales per Salesperson

In this bulletin, also, the Bureau resumes publication of common figures for sales per salesperson (sales/number of selling employees). These statistics for medium-size department stores are presented at the

bottom of Table 14. When compared with the corresponding data for smaller and larger stores set forth in Tables 11 and 19, respectively, they exhibit the tendency for sales per salesperson to be smallest for the small stores and largest for the large stores, and for the medium-size stores to occupy an intermediate position.

This condition is in sharp contrast to that obtaining for sales per employee. According to the same three tables, the largest sales per employee were secured by the largest stores, those with sales of more than \$20,000,000; but the next largest sales per employee were obtained by the very smallest stores, which had sales of less than \$150,000. For seven of the eight groups of stores falling between these two extremes of sales volume, the range in average sales per employee typically amounted to less than \$400, or less than 10% of the average common figure for the eight groups. Manifestly size did not confer the same advantage in sales per employee as in sales per salesperson. Greater efficiency in the use of sales personnel in the large stores is offset by their larger proportions of non-selling employees.

Costs per Transaction

Table 17 presents information on the average sale and on costs per transaction for department stores with sales of \$1,000,000 to \$2,000,000, together with corresponding percentage data for the same 28 stores.

Although the Bureau's 1934 figures on costs per transaction for firms of this size also covered 28 stores, the data for the two years are not strictly comparable and do not afford reliable evidence on year-to-year changes. This results from the fact that 8 of the 28 stores which reported for 1934 did not report for 1935 and were replaced by 8 other stores. The figures for both years, however, presumably may be used as standards for appraising performance.

In connection with year-to-year changes, Table 17 does show that dollar sales increased from 1934 to 1935 substantially more than number of transactions. Since prices were slightly lower (2% according to the Fairchild index) in 1935 than in 1934, it follows that customers of these 28 stores either bought better (more costly) merchandise in 1935 than in 1934, or purchased more per average transaction.

Goal Figures

Examination of Tables 13, 14, and 15 indicates that the goal firms operating department stores of medium size commonly had larger sales than the less profitable stores in the same volume groups and higher rates of increase in sales as compared with 1934. Presumably, therefore, where these two conditions are found among

Table 17. Expenses and Profit Per Transaction, and in Percentage of Sales, for 28 Department Stores with Net Sales of \$1,000,000 to \$2,000,000: 1935

Items	Cents per Gross Sales Transaction	Net Sales = 100%
Aggregate Sales (in thousands) . . . . .	....	\$46,626
Typical Net Sales (in thousands) . . . . .	....	\$1,520
Index of Change in Sales (1935/1934) . . . . .	....	104.5
Index of Change in Number of Transactions (1935/1934)	101.7	....
Average Gross Sale	175.2¢	....
Returns and Allowances	12.2¢	7.5%
Net Sales Income	163.0	100.0
Total Merchandise Costs (Net)	106.6¢	65.4%
Pay Roll Expense		
Administrative and General	5.75¢	3.5%
Occupancy	1.65	1.0
Publicity	1.05	0.65
Buying and Merchandising	5.45	3.35
Direct and General Selling	14.2	8.7
Delivery	0.9	0.55
Total Pay Roll	29.0¢	17.75%
Real Estate Costs (See Appendix, page 37)	7.4	4.55
Advertising	5.8	3.55
Taxes (See Appendix, page 37)	0.75	0.45
Interest (except on real estate)	3.5	2.15
Supplies	2.85	1.75
Service Purchased	1.65	1.0
Unclassified: Losses from Bad Debts		
Other	0.55	0.35
Travelling	1.0	0.6
Communication	0.8	0.5
Repairs	0.8	0.5
Insurance (except on real estate)	0.55	0.35
Depreciation (except on real estate)	1.05	0.65
Professional Services (See Appendix, page 37)	0.9	0.55
TOTAL EXPENSE	57.4¢	35.2%
Functional Division of Expense		
Administrative and General	12.8¢	7.85%
Occupancy	12.9	7.9
Publicity	7.6	4.65
Buying and Merchandising	6.7	4.1
Direct and General Selling	15.6	9.6
Delivery	1.8	1.1
TOTAL EXPENSE	57.4¢	35.2%
TOTAL COST	164.0¢	100.6%
NET PROFIT OR LOSS	L. 1.0¢	L. 0.6%
Net Other Income (including interest on capital owned)	5.9	3.6
NET GAIN before Federal Tax on Income	4.9¢	3.0%
Federal Tax on Income	0.8†	0.5†
NET GAIN after Federal Tax on Income	4.1¢†	2.5%†
Number of Gross Sales Transactions/ Total Number of Employees	3,100	....
Number of Gross Sales Transactions/ Number of Selling Employees	6,000	....
Net Sales/Total Number of Employees . . . . .	....	\$5,300
Net Sales/Number of Selling Employees . . . . .	....	10,250

†Figures for this item were given on less than 75% of the reports used.

medium-size department stores there is some predisposition to better-than-average earnings; and perhaps the presence of these conditions indicates that the goal firms were fortunately situated and could take advantage of improving business more effectively than other stores. On the other hand, these characteristics may indicate merely that the sales promotion activities of these stores were conducted more aggressively and more skillfully than the corresponding activities of less profitable stores.

Observations regarding the operating results of the goal firms show that their good earnings (their advantage in net profit was of the order of 3% of net sales) were due chiefly to advantages in the rates of total expense, which were lower than the average percentages for all stores in the respective volume groups by from 2.8% to 4.1% of net sales. The lower percentage expenses of the goal firms among these medium-size department stores were not confined to one or a few expense items, but tended to be widely distributed throughout the several natural and functional classifications. It may be significant, however, that the goal firms with sales of \$500,000 to \$750,000 had relatively high percentage expenses for total direct and general selling pay roll, for sales promotion and general advertising, and for total publicity. The goal firms with sales of \$750,000 to \$1,000,000 had relatively low percentage expenditures for newspaper advertising, as did both of the other two goal groups of Table 14, but expense for other advertising was sufficiently high to make their total advertising cost somewhat above the average for all stores of similar size. Some evidence, therefore, suggests that the favorable sales figures of the goal firms may have resulted, in part at least, from promotional aggressiveness.

The statistics on merchandising operations in Table 13 reflect some net advantage in gross margin for the goal firms in two instances out of three. It is notable, however, that this advantage as a rule did not arise from high rates of initial mark-up, but came rather from relatively low percentages of mark-downs, employees' discounts, and stock shortages, as well as from somewhat better-than-average rates of cash discounts. In spite of the fact that two of the three goal groups typically reported relatively small rates of mark-up, all three groups reported an advantage, or no disadvantage, in gross margin.

Apparently, as has been observed in corresponding analyses for earlier years, the firms which earned relatively large rates of profit in 1935 did so because of all-round good management which was reflected in aggressive business-getting, good control of mark-downs, careful attention to cash discounts, and particularly effective expense control.

DEPARTMENT STORES: SALES OF \$2,000,000 OR MORE

The outstanding facts disclosed by Tables 18, 19, and 20 have to do with the operating advantages which the very large department stores enjoyed in 1935. As these tables indicate clearly, percentages of total expense to sales were at their peak among stores with sales of \$4,000,000 to \$10,000,000 and were smaller for larger

**Table 18. Merchandising Statistics and Profits for Department Stores
with Net Sales of \$2,000,000 or More, by Sales Volume Groups: 1935**
(Net Sales = 100%, except where noted)

Items	Stores with Net Sales of \$2,000,000 to \$4,000,000		Stores with Net Sales of \$4,000,000 to \$10,000,000		Stores with Net Sales of \$10,000,000 to \$20,000,000		Stores with Net Sales of \$20,000,000 or more
	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures
Number of Reports	57	13	52	16	18	5	9
Aggregate Sales (in thousands)	\$189,600	\$39,133	\$607,980	\$99,460	\$241,206	\$69,900	\$301,441
Typical Net Sales (in thousands)	\$2,650	\$3,000	\$5,600	\$6,300	\$13,100	\$13,700	\$27,000
Index of Change in Sales (1935/1934)	106.0	111.5	105.0	105.5	105.7	113.0	103.5
Population of City (in thousands)	265	150	500	300	1,100	*	3,000
Initial Mark-up (% of original retail value) on Invoice Cost Delivered	38.1%	38.9%	38.6%	38.8%	39.0%	39.7%	38.3%
Mark-downs	6.3%	6.3%†	6.45%	6.4%	6.35%	6.1%	5.45%
Discounts to Employees and Others	0.5†	0.5†	0.6	0.65	0.65	0.85	0.7
Stock Shortages	1.15	0.8	1.1	0.95	1.35	0.85	1.25
Total Retail Reductions	7.95%	7.6%	8.15%	8.0%	8.35%	7.8%	7.4%
Inward Freight, Express, and Truckage	1.1	1.25	1.0	1.15	0.75†	*	0.55†
Alteration and Workroom Costs (Net)	0.6	0.7	0.75	0.65	0.6	0.7	0.6
Cash Discounts Received on Purchases (% of sales)	2.75	2.75	3.3	3.15	3.45	3.65	3.55
Gross Margin	35.3	36.3	36.1	36.4	36.8	38.0	36.7
Total Merchandise Costs (Net)	64.7%	63.7%	63.9%	63.6%	63.2%	62.0%	63.3%
Total Expense	35.5	32.3	36.8	34.2	36.3	34.3	36.0
TOTAL COST	100.2%	96.0%	100.7%	97.8%	99.5%	96.3%	99.3%
NET PROFIT OR LOSS	L. 0.2%	4.0%	L. 0.7%	2.2%	0.5%	3.7%	0.7%
Net Other Income (including interest on capital owned)	3.3	3.7	3.8	3.7	3.7	3.5	3.1
NET GAIN before Federal Tax on Income:							
Percentage of Net Sales	3.1%	7.7%	3.1%	5.9%	4.2%	7.2%	3.8%
Percentage of Net Worth	7.0	13.3	6.4	10.3	8.3	15.3	*
Federal Tax on Income	0.5%	1.1%	0.4%	0.8%	0.5%	1.0%	0.4%
NET GAIN after Federal Tax on Income:							
Percentage of Net Sales	2.6%	6.6%	2.7%	5.1%	3.7%	6.2%	3.4%
Percentage of Net Worth	5.9	11.4	5.5†	8.9	7.2	12.5	*
Rate of Stock-turn (times a year):							
Based on Beginning and Ending Inventories	4.55	4.75	4.85	5.2	4.8	5.5	5.2
Based on Monthly Inventories	3.95	4.4	4.2	4.3	4.2	4.5	5.0
Returns and Allowances:							
Percentage of Gross Sales	8.4%	8.35%	10.5%	10.4%	11.5%	11.5%	12.3%
Percentage of Net Sales	9.2	9.1	11.7	11.6	13.0	13.0	14.0
% Cash Sales	40.5%	39.0%	37.0%	36.0%	36.0%	33.5%	37.0%
% C. O. D. Sales	4.8	2.5	5.5	4.0	7.0	6.5	13.5
% Charge Sales	47.2	52.0	50.5	55.5	48.5	60.0	43.5
% Installment Sales	7.5	6.5	7.0	4.5	8.5	}	6.0
% of Firms Earning Some Net Profit	45.6%	100.0%	40.4%	100.0%	61.1%	100.0%	66.7%
% of Firms Earning Some Net Gain	88.7	100.0	77.5	100.0	94.4	100.0	100.0

*Data not available. †Figures for this item were given on less than 75% of the reports used.

from all the individual reports in a group tend to concentrate. It is determined partly by the median, that is, the middle figure when the items are arranged in order of magnitude; and partly by the interquartile average, which is the arithmetic average of the middle half of the figures. The common figure is selected partly by judgment based on inspection of the data and partly by means of computed averages. It is designed to reflect the typical or representative performance.

The common figures published in this bulletin and in earlier bulletins have represented the experience of *the typical store* in either a limited group of stores or the entire body of reporting stores. All the common figures for department and specialty stores published prior to 1932 were compiled by assigning equal influence or weight to the experience of each reporting store regardless of size. In preparing the figures for Table 1, however, the Bureau has averaged the common figures established by the familiar method for each of a number of sales volume groups by weighting them according to the *aggregate* sales of the stores reporting for the respective groups. This procedure has given results approaching those which would have been secured if it had been practicable to arrive at the aggregate dollar sales and the aggregate dollar figure for each other aspect of performance for all stores reporting, and then to figure the various ratios and percentages from these aggregates. Thus, it may be said that the figures in Table 1, instead of representing the experience of the typical or average store, represent the experience of the trade as a whole. It is believed that they summarize trade-wide results with conciseness and fidelity.

Goal Figures

Many of the tables in this bulletin contain "goal figures" which depict the typical results for a number of the most profitable firms in the respective groups. These goal figures are intended to be used much as common figures for the "most profitable" stores might be used, but they are not here referred to as "common figures" because, owing to the small number of reports on which they have been based, it was necessary in setting them to use judgment to a somewhat greater degree than the Bureau customarily does in establishing the regular "common figures".

Transactions

In arriving at income, expense, and profit per transaction, the Bureau used only the reports for firms which gave the number of gross sales transactions, gross sales transactions being understood to mean the number of sales transactions or sales checks which produced total gross sales, without additions or deductions for returns

or credit transactions. In arriving at the common figures for average gross sale, the gross sales for each firm reporting the data were divided by the total number of gross sales transactions.

Definitions of Major Items

Net sales, as used throughout this bulletin, represent the real volume of business done (in owned department only). This figure is computed by deducting from gross sales the amount of merchandise returned by customer and the allowances granted to customers.

Gross margin is net sales less total merchandise cost (net). The Bureau defines total merchandise costs (net as the sum of three factors: (a) the difference (net decrease) in merchandise inventories at the beginning and end of the year; (b) purchases of merchandise at net cost delivered at the store or warehouse, that is, after cash discounts received have been deducted and after inward freight, express, and truckage have been added and (c) alteration and workroom costs, net (costs less receipts from customers).

Total expense, according to the Bureau's definition includes charges for interest at 6% on investment in plant and equipment used, in merchandise inventory and in accounts receivable, regardless of the source of the capital invested in these various assets or the rate paid on any capital borrowed. Also, total expense includes charges for the salaries of proprietors, active partners, and chief executives, whether or not they actually were paid. Salaries of inactive partners are considered as deductions from net gain. Total expense, therefore, represents the true long-run economic cost of conducting the merchandising or trading operations of the reporting stores.

Some of the charges which are included in total expense according to the Bureau's classification are discussed later in this Appendix. Detailed definitions of all the items are included in the Bureau's pamphlet "Explanation of Schedule for Department and Specialty Stores: 1935". Readers who wish more information on the expense classification than is contained in this bulletin should write to the Bureau, which will gladly answer their questions or mail a copy of the explanatory pamphlet.

Net profit, as the Bureau uses the term, is the amount which remains after deducting total expense from gross margin; or, stated differently, it is the amount which remains after deducting total cost, the sum of total merchandise costs (net) and total expense, from net sales. Total expense, as just defined, includes not only actual expenditures and regular charges, such as those for depreciation, but also fair compensation for managerial services and interest at 6% on selected assets.

Table 20. Pay Roll and Total Expense by Functions for Department Stores
with Net Sales of \$2,000,000 or More, by Sales Volume Groups: 1935
(Net Sales = 100%)

Items	Stores with Net Sales of \$2,000,000 to \$4,000,000		Stores with Net Sales of \$4,000,000 to \$10,000,000		Stores with Net Sales of \$10,000,000 to \$20,000,000		Stores with Net Sales of \$20,000,000 or more
	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures
Number of Reports.....	50	11	51	15	18	5	9
PAY ROLL							
Administrative and General							
Executive Office.....	1.05%	1.2%	0.8%	0.95%	0.75%	0.9%	0.7%
Accounting Office.....	0.85	0.8	0.9	0.8	0.85	0.75	0.8
Accounts Receivable and Credit.....	0.75	0.65	0.75	0.65	0.75	0.75	0.55
Executive Office.....	0.05†	0.05	0.05†	0.05	0.05	0.05	0.05
Superintendency and General Store.....	0.7	0.7	0.9	0.75	0.9	0.75	1.05
Total Administrative and General.....	3.4%	3.4%	3.4%	3.2%	3.3%	3.2%	3.15%
Occupancy							
Operating and Housekeeping.....	0.95	0.9	1.0	0.9	1.2	1.15	1.05
Heat, Light, and Power.....	0.05	0.05	0.15	0.1	0.1	0.15	0.1
Total Occupancy.....	1.0%	0.95%	1.15%	1.0%	1.3%	1.3%	1.15%
Publicity							
Sales Promotion and General Advertising.....	0.35	0.35	0.45	0.35	0.4	0.3	0.45
Display.....	0.3	0.3	0.25	0.25	0.2	0.25	0.2
Total Publicity.....	0.65%	0.65%	0.7%	0.6%	0.6%	0.55%	0.65%
Buying and Merchandising							
Merchandise Managers and Assistants.....	0.5	0.6	0.6	0.6	0.55	0.55	0.8
Buyers and Assistants.....	2.35	2.45	2.45	2.4	2.45	2.4	2.2
Receiving and Marking.....	0.45	0.45	0.45	0.45	0.45	0.45	0.45
Other.....	0.2†	0.2	0.3	0.3	0.35	0.4	0.35
Total Buying and Merchandising.....	3.5%	3.7%	3.8%	3.75%	3.8%	3.8%	3.8%
Direct and General Selling							
Salespeople.....	6.7	6.4	6.4	6.2	6.3	6.3	5.75
Floor Superintendents and Section Managers.....	0.25	0.2	0.35	0.25	0.4	0.5	0.5
Other.....	1.05	0.9	1.5	1.45	1.8	1.45	2.05
Total Direct and General Selling.....	8.0%	7.5%	8.25%	7.9%	8.5%	8.25%	8.3%
Delivery.....	0.55	0.45	0.8	0.5	1.0	0.75	1.25
Total Pay Roll.....	17.1%	16.65%	18.1%	16.95%	18.5%	17.85%	18.3%
TOTAL EXPENSE							
Administrative and General							
Accounting Office, Accounts Receivable, and Credit.....	2.6%	2.2%	2.5%	2.25%	2.35%	2.25%	2.0%
Executive and Other Administrative and General.....	5.05	5.1	4.95	4.95	4.75	4.7	4.4
Total Administrative and General.....	7.65%	7.3%	7.45%	7.2%	7.1%	6.95%	6.4%
Occupancy							
Operating and Housekeeping.....	1.5	1.4	1.7	1.4	1.75	1.8	1.65
Real Estate Costs (See Appendix, page 37).....	4.7	4.2	4.85	4.6	5.0	4.85	6.15
Fixtures and Equipment Costs.....	1.2	1.0	1.05	1.15	1.15	0.9	0.95
Heat, Light, and Power.....	0.9	0.8	0.85	0.6	0.65	0.6	0.7
Total Occupancy.....	8.3%	7.4%	8.45%	7.75%	8.55%	8.15%	9.45%
Publicity							
Sales Promotion and General Advertising.....	4.6	3.4	5.1	4.2	4.55	3.6	4.25
Display.....	0.5	0.6	0.5	0.5	0.5	0.55	0.4
Total Publicity.....	5.1%	4.0%	5.6%	4.7%	5.05%	4.15%	4.65%
Buying and Merchandising.....	4.3	4.45	4.6	4.55	4.55	4.5	4.3
Direct and General Selling.....	8.85	8.05	9.1	8.7	9.45	9.05	9.3
Delivery.....	1.3	1.1	1.6	1.3	1.6	1.5	1.9
Total Expense.....	35.5%	32.3%	36.8%	34.2%	36.3%	34.3%	36.0%

†Figures for this item were given on less than 75% of the reports used.

Table 21. Expenses by Natural and Functional Divisions for Department Stores with Net Sales of \$2,000,000 to \$10,000,000, by Sales Volume Groups: 1935

(Common Figures; Net Sales = 100%)

Items	47 Stores with Net Sales of \$2,000,000 to \$4,000,000			48 Stores with Net Sales of \$4,000,000 to \$10,000,000			
	Accounting Office, Accounts Receivable, and Credit	Executive and Other Administrative and General		Accounting Office, Accounts Receivable, and Credit	Executive and Other Administrative and General		
ADMINISTRATIVE AND GENERAL:							
Pay Roll: Accounting Office.....	0.85%	....		0.90%	....	
Accts Rec. and Credit.....	0.75	....		0.75	....	
Executive.....	....	1.05%		....	0.80%	
Executive Office.....	....	0.05		....	0.05	
Superintendency and Gen. Store	....	0.70	3.40%	....	0.90	3.40%
Taxes (See Appendix, p. 37).....	....	0.43	0.43	....	0.44	0.44
Interest on Mdse and Accounts Rec.....	....	1.79	1.79	....	1.68	1.68
Supplies.....	0.13	0.05	0.18	0.13	0.05	0.18	
Unclassified: Losses from Bad Debts.....	0.40	....	0.40	0.25	....	0.25
Other.....	0.09	0.28	0.37	0.05	0.39	0.44	
Travelling.....	0.00†	0.04	0.04	0.00†	0.03	0.03	
Communication.....	0.22	0.22	0.44	0.22	0.27	0.49	
Insurance.....	....	0.30	0.30	....	0.24	0.24
Professional Services.....	0.16	0.15	0.31	0.19	0.11	0.30	
Total.....	2.60%	5.05%†	7.65%†	2.50%†	4.95%†	7.45%	
OCCUPANCY:							
	Operating and Housekeeping	Fixed Plant & Equipment Costs	Heat, Light, and Power		Operating and Housekeeping	Fixed Plant & Equipment Costs	Heat, Light, and Power
Pay Roll.....	0.95%	0.05%	1.00%	1.00%	0.15%
Real Estate Costs (See Appendix, p. 37).....	4.70%	4.70	4.85%
Taxes on Fixtures and Equipment.....	0.06†	0.06†	0.05†
Interest on Fixtures and Equipment.....	0.30	0.30	0.26
Supplies.....	0.14	0.12	0.26	0.14	0.16
Service Purchased.....	0.03†	0.72	0.75	0.04	0.56
Unclassified.....	0.04	0.00†	0.00†	0.04	0.06	0.00†	0.00†
Travelling.....	0.00†	0.00†	0.00†
Repairs.....	0.35	0.35	0.45
Insurance on Fixtures and Equipment.....	0.02	0.02	0.03†
Depreciation on Fixtures and Equipment.....	0.80	0.80	0.70
Total.....	1.50%†	5.90%†	0.90%†	8.30%†	1.70%†	5.90%†	0.85%†
PUBLICITY:							
	Sales Promotion and General Advertising	Display		Sales Promotion and General Advertising	Display		
Pay Roll.....	0.35%	0.30%	0.65%	0.45%	0.25%	0.70%	
Advertising.....	3.90	....	3.90	4.25	....	4.25
Supplies.....	0.25	0.20	0.45	0.29	0.23	0.52	
Unclassified.....	0.05	0.01†	0.06	0.05	0.02†	0.07	
Travelling.....	0.01†	0.00†	0.01	0.01†	0.00†	0.01	
Communication.....	0.03	....	0.03	0.04	....	0.04
Professional Services.....	0.00†	....	0.00†	0.00†	....	0.00†
Total.....	4.60%†	0.50%†	5.10%	5.10%†	0.50%	5.60%†	
BUYING AND MERCHANDISING:							
Pay Roll: Mdse Mgrs and Assts.....	....	....	0.50%	....	....	0.60%
Buyers and Assistants.....	....	....	2.35	....	....	2.45
Receiving and Marking.....	....	....	0.45	....	....	0.45
Other.....	....	....	0.20†	....	....	0.30
Supplies.....	....	....	0.09	....	....	0.09
Unclassified.....	....	....	0.04	....	....	0.04
Travelling.....	....	....	0.40	....	....	0.41
Communication.....	....	....	0.03	....	....	0.02
Prof. Services (See Appendix, p. 37).....	....	....	0.24†	....	....	0.25
Total.....	....	....	4.30%	....	....	4.60%†
SELLING:							
	Direct and General Selling	Delivery		Direct and General Selling	Delivery		
Pay Roll: Salespeople.....	6.70%	....	....	6.40%	....	....
Floor Supts and Sec. Mgrs.....	0.25	....	....	0.35	....	....
Other.....	1.05	....	....	1.50	....	....
Delivery.....	....	0.55%	8.55%	....	0.80%	9.05%
Taxes.....	....	0.01†	0.01†	....	0.01	0.01
Interest on Equipment.....	....	0.01†	0.01†	....	0.01†	0.01†
Supplies.....	0.71	0.15	0.86	0.77	0.14	0.91	
Service Purchased.....	....	0.42	0.42	....	0.50	0.50
Unclassified.....	0.15	0.02	0.17	0.08	0.01	0.09	
Travelling.....	0.00†	0.00†	0.00†	0.00†	0.00†	0.00†	
Repairs.....	....	0.05†	0.05†	....	0.05	0.05
Insurance.....	....	0.03	0.03	....	0.03	0.03
Depreciation.....	....	0.06†	0.06†	....	0.05	0.05
Total.....	8.85%†	1.30%	10.15%†	9.10%	1.60%	10.70%	
TOTAL.....	35.50%			36.80%			

† Figures for this item were given on less than 75% of the reports used.

‡ Owing to the Bureau's practice of rounding off the common figures for functional and subfunctional totals to the nearest .00 or .05, it is not always possible to tie the detailed expense percentages into the totals exactly. The error, however, in no case exceeds 0.02% of net sales.

**Table 22. Expenses by Natural and Functional Divisions for Department Stores
with Net Sales of \$10,000,000 or More, by Sales Volume Groups: 1935**
(Common Figures; Net Sales = 100%)

Items	17 Stores with Net Sales of \$10,000,000 to \$20,000,000			9 Stores with Net Sales of \$20,000,000 or more			
	Accounting Office, Accounts Receivable, and Credit	Executive and Other Administrative and General		Accounting Office, Accounts Receivable, and Credit	Executive and Other Administrative and General		
ADMINISTRATIVE AND GENERAL:							
Pay Roll: Accounting Office.....	0.85%	....		0.80%	....	
Accts Rec. and Credit.....	0.75	....		0.55	....	
Executive.....	....	0.75%		....	0.70%		
Executive Office.....	....	0.05		....	0.05		
Superintendency and Gen.Store	....	0.90	3.30%	....	1.05	3.15%	
Taxes (See Appendix, p. 37).....	....	0.36	0.36	....	0.32	0.32	
Interest on Mdse and Accts Rec.....	....	1.64	1.64	....	1.37	1.37	
Supplies.....	0.13	0.05	0.18	0.10	0.03	0.13	
Unclassified: Losses from Bad Debts	0.20	....	0.20	0.15	....	0.15	
Other.....	0.00	0.40	0.49	0.10	0.30	0.40	
Travelling.....	0.00	0.01	0.01	0.00	0.01	0.01	
Communication.....	0.19	0.26	0.45	0.17	0.25	0.42	
Insurance.....	....	0.21	0.21	....	0.18	0.18	
Professional Services.....	0.14	0.12	0.26	0.15	0.13	0.28	
Total.....	2.35%	4.75%	7.10%	2.00%†	4.40%†	6.40%†	
OCCUPANCY:							
	Operating and Housekeeping	Fixed Plant & Equipment Costs	Heat, Light, and Power		Operating and Housekeeping	Fixed Plant & Equipment Costs	Heat, Light, and Power
Pay Roll.....	1.20%	....	0.10%	1.30%	1.05%	....	0.10%
Real Estate Costs (See Appendix, p. 37)	....	5.00%	....	5.00	....	6.15%	....
Taxes on Fixtures and Equipment	....	0.04†	....	0.04†	....	0.00†	....
Interest on Fixtures and Equipment	....	0.29	....	0.29	....	0.26	....
Supplies.....	0.13	....	0.09	0.22	0.14	....	0.15
Service Purchased.....	0.01	....	0.44	0.45	0.01	....	0.45
Unclassified.....	0.05	0.00†	0.00†	0.05	0.07	0.00†	0.00†
Travelling.....	0.00†	....	....	0.00†	0.00†	....	....
Repairs.....	0.35	....	....	0.35	0.37	....	....
Insurance on Fixtures and Equipment	....	0.01	....	0.01	....	0.03	....
Depreciation on Fixtures and Equip.	....	0.82	....	0.82	....	0.66	....
Total.....	1.75%†	6.15%†	0.65%†	8.55%†	1.65%†	7.10%	0.70%
PUBLICITY:							
	Sales Promotion and General Advertising		Display		Sales Promotion and General Advertising		Display
Pay Roll.....	0.40%		0.20%	0.60%	0.45%		0.20%
Advertising.....	3.85		....	3.85	3.45		....
Supplies.....	0.20		0.25	0.45	0.19		0.18
Unclassified.....	0.05		0.03	0.08	0.07		0.03
Travelling.....	0.01		0.00	0.01	0.00		0.00†
Communication.....	0.04		....	0.04	0.08		....
Professional Services.....	0.00†		....	0.00†	0.00†		....
Total.....	4.55%		0.50%†	5.05%†	4.25%†		0.40%†
BUYING AND MERCHANDISING:							
Pay Roll: Mdse Mgrs and Assts.....	....		0.55%	....	....		0.80%
Buyers and Assistants.....	....		2.45	....	....		2.20
Receiving and Marking.....	....		0.45	....	....		0.45
Other.....	....		0.35	....	....		0.35
Supplies.....	....		0.07	....	....		0.07
Unclassified.....	....		0.05	....	....		0.02
Travelling.....	....		0.37	....	....		0.18
Communication.....	....		0.02	....	....		0.01
Prof. Services (See Appendix, p. 37).....	....		0.26	....	....		0.22
Total.....	....		4.55%†	....	....		4.30%
SELLING:							
	Direct and General Selling		Delivery		Direct and General Selling		Delivery
Pay Roll: Salespeople.....	6.30%		....	9.50%	5.75%		....
Floor Supts and Sec. Mgrs.....	0.40		....	....	0.50		....
Other.....	1.80		....	....	2.05		....
Delivery.....	....		1.00%	....	....		1.25%
Taxes.....	....		0.01	0.01	....		0.03
Interest on Equipment.....	....		0.01	0.01	....		0.01
Supplies.....	0.83		0.12	0.95	0.86		0.13
Service Purchased.....	....		0.30	0.30	....		0.25
Unclassified.....	0.12		0.04	0.16	0.14		0.06
Travelling.....	0.00†		0.00†	0.00†	0.00†		0.00†
Repairs.....	....		0.05	0.05	....		0.04
Insurance.....	....		0.02	0.02	....		0.04
Depreciation.....	....		0.07	0.07	....		0.09
Total.....	9.45%		1.60%†	11.05%†	9.30%		1.90%
TOTAL.....	36.30%			36.00%			

†Figures for this item were given on less than 75% of the reports used.

‡Owing to the Bureau's practice of rounding off the common figures for functional and subfunctional totals to the nearest .00 or .05, it is not always possible to tie the detailed expense percentages into the totals exactly. The error, however, in no case exceeds 0.02% of net sales.

largest stores were able to accept a substantially lower percentage of initial mark-up than the stores with sales of from \$4,000,000 to \$20,000,000 and still come out with practically no disadvantage in margin over the highest rate reported by any group. This favorable situation as regards merchandising operations was matched by the advantage already referred to in total expense and by advantages growing out of a higher rate of stock-turn, a lower percentage of credit sales to total sales, and higher sales per selling employee and per total store employee. The advantage in the utilization of selling personnel seems to have been associated more or less directly with size, for Table 19, as well as Tables 11 and 14, indicates progressive increases in sales per selling employee from group to group.

On the other hand, it is clear that returns and allowances tended to increase directly with size of store, so that in 1935, as in earlier years, the very largest stores typically experienced the highest rates of returns. Perhaps these returns were associated to some degree with the size of city served, for as has been noted, the largest stores did not have the highest percentages of credit business to total business but as a rule did operate in larger cities than smaller stores did. Finally, the large stores met further handicaps, also depending roughly on size of city served, in the form of their high real estate costs per square foot, which were not entirely matched by higher sales per square foot, and in the form of higher percentages of delivery expense.

For some years these studies have indicated that although the large department stores (stores with sales of more than about \$10,000,000), which commonly are located downtown in the largest cities, have operated under certain important handicaps, they as a class have been in a stronger net profit position than department stores of any other size group. This conclusion was threatened to some degree by the figures for 1933 and 1934, when small stores tended to do as well as large stores; but the improvement in the fortunes of the small stores appears to have been short lived, and it now looks as if the supremacy of the very large store from the standpoint of earnings has not been undermined.

It is equally clear, however, that the very large department store has expense control problems which result in part from the complications connected with operating a large store downtown in a large city. These problems undoubtedly require the services of exceptional executives; and thus the ability of the large stores to command the services of exceptional men is in part offset by their need for those men.

It is interesting, also, to note in these tables the size of store typically reporting the highest percentage expense for each of the functional divisions. Publicity expense, and buying and merchandising expense, on the average, were highest in percentage of sales for department stores with sales volumes of from \$4,000,000 to \$10,000,000; administrative and general expense was highest for the firms with sales of \$2,000,000 to \$4,000,000; direct and general selling costs were highest for stores with sales of \$10,000,000 to \$20,000,000; while the stores with sales of \$20,000,000 or more typically reported the largest percentage expenditures for occupancy and delivery. A possible explanation for the location for the peak expenditures for selling does not appear readily, but it is almost certain that the high operating and delivery expenses of the larger stores are connected with the size of city served. In view of the fact that the stores with sales of from \$4,000,000 to \$10,000,000 ordinarily are located downtown in large cities, it seems likely that their high publicity and merchandising expenses result from the fact that these stores are so large that they either require, or tempt management to utilize, large publicity expenditures and the most refined managerial techniques, even though their sales typically are not large enough to cover effectively the expenditures involved.

Costs per Transaction

Table 23 indicates that the stores with sales of \$10,000,000 to \$20,000,000 on the average typically achieved the largest average gross sale, \$2.34. The stores with sales of \$20,000,000 or more had a smaller average gross sale, but their higher percentage of returns resulted in their being forced to bear the same burden of returns per average transaction, 27 cents.

Total expense per transaction was highest for the stores with sales of \$10,000,000 to \$20,000,000, which also had the highest average sale. Of course, it is difficult to secure absolute comparability between the average sale and transaction data for different stores because of differences in lines of merchandise carried, in inducements offered to stimulate the buying of a large quantity of merchandise at one time, and in the quality of goods sold. Hence, one cannot be sure that total expense per transaction on the average is lower for the largest department stores than for stores with sales of \$10,000,000 to \$20,000,000. Nevertheless, when it is possible to average figures for from 17 to 40-odd stores, these difficulties are to some degree offset by the very process of averaging.

Table 23. Expenses and Profit Per Transaction, and in Percentage of Sales, for Department Stores with Net Sales of \$2,000,000 or More, by Sales Volume Groups: 1935

Items	Stores with Net Sales of \$2,000,000 to \$4,000,000		Stores with Net Sales of \$4,000,000 to \$10,000,000		Stores with Net Sales of \$10,000,000 to \$20,000,000		Stores with Net Sales of \$20,000,000 or more	
	Cents per Gross Sales Transaction	Net Sales =100%	Cents per Gross Sales Transaction	Net Sales =100%	Cents per Gross Sales Transaction	Net Sales =100%	Cents per Gross Sales Transaction	Net Sales =100%
Number of Reports	30	30	43	43	17	17	9	9
Aggregate Sales (in thousands) . . . . .	....	\$97,597	....	\$253,231	....	\$226,731	....	\$301,441
Typical Net Sales (in thousands) . . . . .	....	\$2,650	....	\$5,650	....	\$13,000	....	\$27,000
Index of Change in Sales (1935/1934) . . . . .	....	106.0	....	104.5	....	106.0	....	103.5
Index of Change in Number of Transactions (1935/1934)	102.4	....	101.7	....	103.0	....	102.0	....
Average Gross Sale	183.3¢	....	194.0¢	....	234.0¢	....	219.5¢	....
Returns and Allowances	15.3¢	9.1%	21.0¢	12.1%	27.0¢	13.0%	27.0¢	14.0%
Net Sales Income	168.0	100.0	173.0	100.0	207.0	100.0	192.5	100.0
Total Merchandise Costs (Net)	108.2¢	64.4%	110.8¢	64.0%	130.6¢	63.1%	121.9¢	63.3%
Pay Roll Expense								
Administrative and General	5.8¢	3.45%	5.8¢	3.35%	6.8¢	3.3%	6.1¢	3.15%
Occupancy	1.6	0.95	2.1	1.2	2.7	1.3	2.2	1.15
Publicity	1.05	0.6	1.2	0.7	1.35	0.65	1.2	0.65
Buying and Merchandising	6.0	3.6	6.9	4.0	8.2	3.95	7.3	3.8
Direct and General Selling	13.4	8.0	14.0	8.1	17.4	8.4	16.0	8.3
Delivery	0.85	0.5	1.4	0.8	1.85	0.9	2.4	1.25
Total Pay Roll	28.7¢	17.1%	31.4¢	18.15%	38.3¢	18.5%	35.2¢	18.3%
Real Estate Costs (See Appendix, page 37)	7.75	4.6	8.5	4.9	10.4	5.0	11.85	6.15
Advertising	6.75	4.0	7.7	4.45	7.75	3.7	6.6	3.45
Taxes (See Appendix, page 37)	0.8	0.5	0.7	0.4	0.8	0.4	0.7	0.35
Interest (except on real estate)	3.4	2.0	3.45	2.0	4.05	1.05	3.2	1.65
Supplies	3.05	1.8	3.55	2.05	3.95	1.9	3.55	1.85
Service Purchased	2.0	1.2	2.35	1.35	1.55	0.75	1.35	0.7
Unclassified: Losses from Bad Debts	0.65	0.4	0.4	0.25	0.4	0.2	0.25	0.15
Other	1.2	0.7	1.45	0.85	1.75	0.85	1.55	0.8
Travelling	0.75	0.45	0.75	0.45	0.8	0.4	0.35	0.2
Communication	0.8	0.5	1.05	0.6	1.05	0.5	1.0	0.5
Repairs	0.65	0.4	0.85	0.5	0.8	0.4	0.75	0.4
Insurance (except on real estate)	0.6	0.35	0.5	0.3	0.5	0.25	0.5	0.25
Depreciation (except on real estate)	1.5	0.9	1.3	0.75	1.85	0.9	1.45	0.75
Professional Services (See Appendix, page 37)	1.0	0.6	1.05	0.6	1.05	0.5	1.0	0.5
TOTAL EXPENSE	59.6¢	35.5%	65.0¢	37.6%	75.0¢	36.2%	69.3¢	36.0%
Functional Division of Expense								
Administrative and General	12.0¢	7.7%	12.9¢	7.45%	14.7¢	7.1%	12.3¢	6.4%
Occupancy	13.6	8.1	14.9	8.6	17.6	8.5	18.2	9.45
Publicity	8.7	5.2	10.1	5.85	10.35	5.0	9.0	4.65
Buying and Merchandising	7.4	4.4	8.1	4.7	9.5	4.6	8.2	4.3
Direct and General Selling	14.9	8.85	15.9	9.2	19.5	9.4	17.9	9.3
Delivery	2.1	1.25	3.1	1.8	3.35	1.6	3.7	1.9
TOTAL EXPENSE	59.6¢	35.5%	65.0¢	37.6%	75.0¢	36.2%	69.3¢	36.0%
TOTAL COST	167.8	99.9	175.8	101.6	205.6	99.3	191.2	99.3
NET PROFIT OR LOSS	0.2¢	0.1%	L. 2.8¢	L. 1.6%	1.4¢	0.7%	1.3¢	0.7%
Net Other Income (including interest on capital owned)	5.5	3.3	6.6	3.8	7.9	3.8	6.0	3.1
NET GAIN before Federal Tax on Income	5.7¢	3.4%	3.8¢	2.2%	9.3¢	4.5%	7.3¢	3.8%
Federal Tax on Income	0.8	0.5	0.7†	0.4†	1.2	0.6	0.7	0.4
NET GAIN after Federal Tax on Income	4.9¢	2.9%	3.1¢†	1.8%†	8.1¢	3.9%	6.6¢	3.4%
Number of Gross Sales Transactions/Total Number of Employees	3,650	....	3,350	....	2,900	....	3,500	....
Number of Gross Sales Transactions/Number of Selling Employees	7,500	....	7,400	....	7,100	....	9,200	....
Net Sales/Total Number of Employees . . . . .	....	\$6,100	....	\$5,750	....	\$6,000	....	\$6,750
Net Sales/Number of Selling Employees . . . . .	....	12,600	....	12,800	....	14,700	....	17,700

†Figures for this item were given on less than 75% of the reports used.

SPECIALTY STORES

In preparing the present bulletin, the effort to increase the quantity and representativeness of the data for specialty stores was continued and met a gratifying response. The 1933 figures for specialty stores covered 75 reports, the 1934 figures 86 reports, and the current 1935 figures, 122 reports.

This increase in the number of cooperating stores

made it possible to classify the reports into more groups by sales volume than have been used in the past. While the 1933 report gave data for only three groups of specialty stores, in the 1934 study the number was increased to five, and in the present study to seven. Also, to supplement this expansion in the number of sales volume groups for specialty stores, this year there

Table 24. Merchandising Statistics and Profits for Specialty Stores with Net Sales of Less Than \$500,000, by Sales Volume Groups: 1935
(Net Sales = 100%, except where noted)

Items§	Stores with Net Sales of less than \$150,000		Stores with Net Sales of \$150,000 to \$300,000		Stores with Net Sales of \$300,000 to \$500,000	
	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures	Goal Figures
Number of Reports.....	40	9	15	4	17	4
Aggregate Sales (in thousands).....	\$4,294	\$837	\$3,238	\$821	\$9,054	\$1,527
Typical Net Sales (in thousands).....	\$85	\$70	\$210	\$200	\$390	\$375
Index of Change in Sales (1935/1934).....	98.5†	106.5	150.5	*	104.0	*
Population of City (in thousands).....	150	250	170	500	170	150
Initial Mark-up (% of original retail value) on Invoice Cost Delivered.....	*	*	39.7%†	*	39.2%	*
Total Retail Reductions.....	*	*	12.6%†	*	11.2%†	*
Inward Freight, Express, and Truckage.....	1.05%	0.75%	1.0%	*	0.7%	*
Alteration and Workroom Costs (Net).....	0.75†	*	1.75†	*	0.7†	*
Cash Discounts Received on Purchases (% of sales).....	5.0	5.05	4.45	4.2	4.5	5.4
Gross Margin.....	32.0	31.8	34.8	38.0	36.2	35.8
Total Merchandise Costs (Net).....	68.0%	68.2%	65.2%	62.0%	63.8%	64.2%
Total Expense.....	32.3	28.8	33.7	31.5	36.4	32.4
TOTAL COST.....	100.3%	97.0%	98.9%	93.5%	100.2%	96.6%
NET PROFIT OR LOSS.....	L. 0.3%	3.0%	1.1%	6.5%	L. 0.2%	3.4%
Net Other Income (including interest on capital owned).....	2.1	2.2	1.9	0.3	2.6	2.0
NET GAIN before Federal Tax on Income:						
Percentage of Net Sales.....	1.8%	5.2%	3.0%	6.8%	2.4%	5.4%
Percentage of Net Worth.....	4.2†	9.0†	10.0	23.5	5.5	*
Federal Tax on Income.....	*	*	0.3†	*	*	*
NET GAIN after Federal Tax on Income:						
Percentage of Net Sales.....	*	*	2.7%†	*	*	*
Percentage of Net Worth.....	*	*	*	*	*	*
Rate of Stock-turn (times a year):						
Based on Beginning and Ending Inventories.....	5.3	4.9	6.25	5.4	5.4	7.2
Based on Monthly Inventories.....	4.6†	*	5.3†	*	4.2	*
% Cash Sales.....	*	*	35.0%†	*	} 27.0%†	*
% C. O. D. Sales.....	*	*	10.0†	*		*
% Charge Sales.....	*	*	55.0†	*		*
% Installment Sales.....	*	*	0.0†	*		*
% of Firms Earning Some Net Profit.....	47.5%	100.0%	66.7%	100.0%	52.9%	100.0%
% of Firms Earning Some Net Gain.....	70.0	100.0	80.0	100.0	100.0	100.0

*Data not available. †Figures for this item were given on less than 75% of the reports used.
§Items omitted in this table but found in other similar tables are omitted because of lack of data.

has been an increase in the refinement of the classification of expenses for specialty stores by functions. Tables 29 and 30 of this bulletin present these new data, while Table 28 supplies additional figures on pay roll and total expense by functions. It was not possible to

arrive at goal figures for the functional expenses of specialty stores similar to the goal figures for department stores given in Table 20, page 23.

Study of the several tables in this section of the bulletin indicates a number of interesting contrasts

Table 25. Merchandising Statistics and Profits for Specialty Stores with Net Sales of \$500,000 or More, by Sales Volume Groups: 1935
(Net Sales = 100%, except where noted)

Items	Stores with Net Sales of \$500,000 to \$1,000,000		Stores with Net Sales of \$1,000,000 to \$2,000,000		Stores with Net Sales of \$2,000,000 to \$4,000,000		Stores with Net Sales of \$4,000,000 or more
	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures
Number of Reports.....	21	4	13	4	11	4	5
Aggregate Sales (in thousands).....	\$25,960	\$13,815	\$20,068	\$5,514	\$20,721	\$11,251	\$48,544
Typical Net Sales (in thousands).....	\$695	\$645	\$1,550	\$1,350	\$2,600	\$2,900	\$7,500
Index of Change in Sales (1935/1934).....	110.5	*	106.0	107.0	106.6	115.0	106.0
Population of City (in thousands).....	500	*	700	*	900	*	4,500
Initial Mark-up (% of original retail value) on Invoice Cost Delivered.....	39.5%†	*	39.6%	*	38.8%	*	38.7%
Mark-downs.....	*	*	8.1%	*	7.5%	7.7%	6.0%
Discounts to Employees and Others.....	*	*	0.55†	*	0.6	0.35	0.6
Stock Shortages.....	*	*	1.15	*	0.7	0.65	1.15
Total Retail Reductions.....	11.1%†	*	9.8%	*	8.8%	8.7%	7.75%
Inward Freight, Express, and Truckage.....	0.75	*	0.65	*	0.4	*	*
Alteration and Workroom Costs (Net).....	0.6	*	0.7	*	0.2	*	1.0
Cash Discounts Received on Purchases (% of sales).....	4.25	4.25	4.1	3.95	4.4	3.4	4.1
Gross Margin.....	36.4	38.4	37.1	39.2	37.6	38.8	37.1
Total Merchandise Costs (Net).....	63.6%	61.6%	62.9%	60.8%	62.4%	61.2%	62.9%
Total Expense.....	36.4	34.0	37.4	35.5	37.2	35.4	36.3
TOTAL COST.....	100.0%	95.6%	100.3%	96.3%	99.6%	96.6%	99.2%
NET PROFIT OR LOSS.....	0.0%	4.4%	L. 0.3%	3.7%	0.4%	3.4%	0.8%
Net Other Income (including interest on capital owned).....	2.9	2.5	2.0	1.2	2.3	2.4	3.0
NET GAIN before Federal Tax on Income:							
Percentage of Net Sales.....	2.9%	6.9%	1.7%	4.9%	2.7%	5.8%	3.8%
Percentage of Net Worth.....	8.9	16.0	7.0	20.5	9.6	13.4	8.0
Federal Tax on Income.....	0.4%	0.9%	0.2%	0.6%	0.5%†	0.9%	0.5%
NET GAIN after Federal Tax on Income:							
Percentage of Net Sales.....	2.5%	6.0%	1.5%	4.3%	2.2%†	4.0%	3.3%
Percentage of Net Worth.....	8.0	14.0	*	*	*	12.0	7.1
Rate of Stock-turn (times a year):							
Based on Beginning and Ending Inventories.....	5.8	4.6	5.75	6.5	6.0	5.7	7.2
Based on Monthly Inventories.....	4.9	3.5	4.7	*	5.1	4.3	5.6
Returns and Allowances:							
Percentage of Gross Sales.....	11.2%†	*	12.0%†	*	13.4%	*	13.0%
Percentage of Net Sales.....	12.6†	*	13.7†	*	15.5	*	15.0
% Cash Sales.....	} 33.5%†	*	} 37.5%	*	27.5%	27.0%	40.0%
% C. O. D. Sales.....		*		*	5.0	3.0	7.5
% Charge Sales.....		*		*	} 67.5	} 70.0	} 52.5
% Installment Sales.....		66.5†		*			
% of Firms Earning Some Net Profit.....	42.9%	100.0%	38.5%	100.0%	54.5%	100.0%	80.0%
% of Firms Earning Some Net Gain.....	85.7	100.0	76.9	100.0	81.8	100.0	80.0

*Data not available. †Figures for this item were given on less than 75% of the reports used.

between the results for department stores in 1935 and those for specialty stores.

Among specialty stores the highest rate of mark-up typically was reported by small stores, those with sales of from \$150,000 to \$300,000, and the lowest percentage was reported by the largest stores. This, of course, is exactly the reverse of the situation found among department stores where mark-up tended to be highest for the largest stores and to vary directly with size. As regards retail reductions, however, the experiences of department and specialty stores were similar, reductions in general being highest for small stores and lowest for large stores. Gross margin percentages likewise varied more or less directly with size among specialty stores, although the stores with sales of more than \$4,000,000 reported margin rates slightly lower than those for stores with sales of slightly less than \$4,000,000 (\$2,000,000 to \$4,000,000), just as department stores with sales of more than \$20,000,000 typically had slightly lower percentage margins than department stores with sales of \$10,000,000 to \$20,000,000.

As regards percentages of total expense, the smallest specialty stores in 1935 had the lowest rates and those with sales of \$1,000,000 to \$2,000,000 the highest rates.

The two groups of specialty stores with sales above \$2,000,000 experienced progressively lower percentages just as did the two groups of department stores with sales above \$10,000,000.

Thus the 1935 data for both types of store point to the conclusion that exceptionally large volume is accompanied by lower percentages of both expense and margin than those experienced, on the average, by stores with sales falling short of the "exceptionally large" category. Since the relative disadvantage of the large stores in margin was not so great as their advantage in expense, the rates of net profit and net gain were at their highest or next-highest points for the very large stores of both types.

Comparison of the results for specialty stores with those for the much larger department stores typically located in cities of similar size indicates that the specialty stores tended to have somewhat higher percentages of total expense, real estate costs, total occupancy expense, advertising expense, total publicity expense, gross margin, and net profit; higher real estate costs per square foot, higher percentages of returns and allowances, and higher sales per salesperson and per employee; but lower percentages of delivery expense, sell-

Table 26. Expenses by Natural Divisions for Specialty Stores with Net Sales of Less Than \$500,000, by Sales Volume Groups: 1935
(Net Sales = 100%, except where noted)

Items§	Stores with Net Sales of less than \$150,000		Stores with Net Sales of \$150,000 to \$300,000		Stores with Net Sales of \$300,000 to \$500,000	
	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures	Goal Figures
Number of Reports.....	40	9	15	4	17	4
Aggregate Sales (in thousands).....	\$4,294	\$837	\$3,238	\$821	\$9,054	\$1,527
Typical Net Sales (in thousands).....	\$85	\$70	\$210	\$200	\$390	\$375
Index of Change in Sales (1935/1934).....	98.5†	106.5	105.5	*	104.0	*
Population of City (in thousands).....	150	250	170	500	170	150
Total Pay Roll.....	16.4%	15.0%	15.6%	13.7%	17.1%	16.0%
Real Estate Costs (See Appendix, page 37).....	5.2	6.0	5.3	4.7	4.7	4.0
Total Advertising.....	2.4	1.5	3.7	5.0	4.25	4.2
Taxes (See Appendix, page 37).....	0.35		0.55		0.35	
Interest (except on real estate).....	1.7		1.7		2.35	
Supplies.....	1.0		1.05		1.15	
Service Purchased.....	1.2		1.25		1.2	
Unclassified: Losses from Bad Debts.....	0.35†		0.35		0.35	
Other.....	0.55†		0.7		1.15	
Travelling.....	0.9	6.3	0.85	8.1	0.7	8.2
Communication.....	0.5		0.5		0.7	
Repairs.....	0.15†		0.2		0.25†	
Insurance (except on real estate).....	0.45		0.6		0.5	
Depreciation (except on real estate).....	0.75		0.95		0.9	
Professional Services (See Appendix, page 37).....	0.4†		0.4†		0.75†	
TOTAL EXPENSE.....	32.3%	28.8%	33.7%	31.5%	36.4%	32.4%
Sales/Total Number of Employees.....	*	*	\$6,000†	*	\$6,700†	*
Sales/Number of Selling Employees.....	*	*	16,000†	*	13,000†	*

*Data not available. †Figures for this item were given on less than 75% of the reports used.
§Items omitted in this table but found in other similar tables are omitted because of lack of data.

ing expense, and pay roll expense.

Examination of the goal figures for specialty stores shows that the most profitable firms in all groups had relatively low percentages of expense. There was a clear tendency (four of the six groups covered) among specialty stores, also, for the goal firms to have higher-than-average rates of gross margin; but in only two of the four instances was the advantage in margin larger than the advantage in expense. This condition, of course, is similar to that prevailing among department stores where the goal groups secured their advantage chiefly in expense, but in the case of the specialty store goal groups margin played a more important part than among department stores.

The data in Table 31 indicate the typical cost per transaction for the relatively small number of larger specialty stores which reported transaction figures. The percentage figures given in Table 31 differ in several respects from those for stores of similar size shown in

Tables 25, 27, 29, and 30 because of differences in the number of stores reporting, and should not be looked upon as reliable performance standards for specialty stores of the two size ranges indicated.

Table 31 shows that the average gross sale among large specialty stores typically is around \$5, two and one-half to three times as large as among department stores of similar size. It might be expected that this advantage in average sale would be accompanied by some advantage in the typical percentage of total expense. Comparison of Tables 31, 17, and 23, however, indicates that the specialty stores had higher percentage expenses than department stores of similar size. This may reflect differences in the character of the merchandise handled in the two types of store, in the services provided, and in the percentage of returns; but specialty store executives should make a careful survey of their methods and attitudes to ensure that opportunities for expense reduction are not being overlooked.

Table 27. Expenses by Natural Divisions for Specialty Stores with Net Sales of \$500,000 or More, by Sales Volume Groups: 1935
(Net Sales = 100%, except where noted)

Items	Stores with Net Sales of \$500,000 to \$1,000,000		Stores with Net Sales of \$1,000,000 to \$2,000,000		Stores with Net Sales of \$2,000,000 to \$3,000,000		Stores with Net Sales of \$4,000,000 or more
	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures	Goal Figures	Common Figures
Number of Reports.....	21	4	13	4	11	4	5
Aggregate Sales (in thousands).....	\$25,960	\$13,815	\$20,068	\$5,514	\$29,721	\$11,251	\$48,544
Typical Net Sales (in thousands).....	\$695	\$645	\$1,550	\$1,350	\$2,600	\$2,900	\$7,500
Index of Change in Sales (1935/1934).....	110.5	*	106.0	107.0	106.6	115.0	106.0
Population of City (in thousands).....	500	*	700	*	900	*	4,500
Total Pay Roll.....	16.4%	15.75%	17.35%	14.3%	17.15%	16.65%	16.9%
Real Estate Costs (See Appendix, page 37).....	5.8	5.55	5.55	5.55	5.55	4.5	6.5
Newspaper Advertising.....	3.6†	2.7	4.1	*	4.1	*	3.45
Direct Advertising.....	0.3†	0.2	0.35	*	0.5	*	0.2
Other Advertising.....	0.3†	0.2	0.15	*	0.25	*	0.3
Total Advertising (subtotal).....	(4.2)	(3.1)	(4.6)	4.25	(4.85)	4.2	(3.95)
Taxes (See Appendix, page 37).....	0.45	0.45	0.3	0.4	0.25	0.35	0.3
Interest (except on real estate).....	1.95	2.25	1.7	1.45	1.65	1.95	1.65
Supplies.....	1.45	1.2	1.85	2.05	1.7	1.7	1.7
Service Purchased.....	1.35	1.25	1.45	1.5	1.45	1.1	1.25
Unclassified: Losses from Bad Debts.....	0.5	0.35	0.3	0.9	0.25	0.35	0.2
Other.....	0.95	1.2	0.7	0.9	0.75	0.9	1.1
Travelling.....	0.6	0.5	0.6	0.55	0.7	0.9	0.45
Communication.....	0.65	0.7	0.75	0.75	0.6	0.6	0.5
Repairs.....	0.3	0.25	0.35	0.55	0.4	0.45	0.25
Insurance (except on real estate).....	0.5	0.55	0.4	0.4	0.35	0.4	0.2
Depreciation (except on real estate).....	0.9	0.55	0.65	0.85	1.0	0.75	0.9
Professional Services (See Appendix, page 37).....	0.4	0.35	0.85	1.1	0.55	0.6	0.45
TOTAL EXPENSE.....	36.4%	34.0%	37.4%	35.5%	37.2%	35.4%	36.3%
Sales per Square Foot of Total Space.....	*	*	\$29.50†	*	*	*	\$33.00
Real Estate Costs per Square Foot of Total Space.....	*	*	1.67†	*	*	*	2.15
Sales/Total Number of Employees.....	\$6,100†	*	\$5,850†	*	\$6,400	*	\$7,400
Sales/Number of Selling Employees.....	13,000†	*	13,700†	*	16,000	*	17,000
Losses from Bad Debts (% of charge sales).....	*	*	*	*	0.35%	*	*

*Data not available. †Figures for this item were given on less than 75% of the reports used.

Table 28. Pay Roll and Total Expense by Functions for Specialty Stores with Net Sales of \$500,000 to \$2,000,000, by Sales Volume Groups: 1935

(Common Figures; Net Sales = 100%)

Items	Stores with Net Sales of	
	\$500,000 to \$1,000,000	\$1,000,000 to \$2,000,000
Number of Reports.....	13	12
PAY ROLL		
Administrative and General		
Executive.....	1.45%	1.65%
Accounting Office.....	0.8†	0.9
Accounts Receivable and Credit.....	0.9†	0.8
Executive Office.....	0.0†	0.05†
Superintendency and General Store.....	0.6†	0.55
Total Administrative and General.....	3.75%	3.95%
Occupancy		
Operating and Housekeeping.....	0.85	1.0
Heat, Light, and Power.....	0.0†	0.05
Total Occupancy.....	0.85%	1.05%
Publicity		
Sales Promotion and General		
Advertising.....	0.4	0.45
Display.....	0.35	0.35
Total Publicity.....	0.75%	0.8%
Buying and Merchandising		
Merchandise Managers and Assistants.....		
Buyers and Assistants.....	*	*
Receiving and Marking.....	*	*
Other.....	*	*
Total Buying and Merchandising.....	3.0%	3.8%
Direct and General Selling		
Salespeople.....	6.4	6.1
Floor Superintendents and Section Managers.....	0.35†	0.25
Other.....	0.9	1.15
Total Direct and General Selling.....	7.65%	7.5%
Delivery.....	0.4	0.25
Total Pay Roll.....	16.4%	17.35%
TOTAL EXPENSE		
Administrative and General		
Accounting Office, Accounts Receivable, and Credit.....	3.1%	2.85%
Executive and Other Administrative and General.....	5.7	5.15
Total Administrative and General.....	8.8%	8.0%
Occupancy		
Operating and Housekeeping.....	1.35	1.55
Real Estate Costs (See Appendix, page 37).....	5.8	5.55
Fixtures and Equipment Costs.....	1.1	0.9
Heat, Light, and Power.....	0.75	0.8
Total Occupancy.....	9.0%	8.8%
Publicity		
Sales Promotion and General		
Advertising.....	4.95	5.7
Display.....	0.6	0.55
Total Publicity.....	5.55%	6.25%
Buying and Merchandising.....		
Direct and General Selling.....		
Delivery.....	1.15	1.1
Total Expense.....	36.4%	37.4%

*Data not available. †Figures for this item were given on less than 75% of the reports used.

Table 29. Expenses by Natural and Functional Divisions for 11 Specialty Stores with Net Sales of \$1,000,000 to \$2,000,000: 1935

(Net Sales = 100%)

Items	Common Figures		
	Direct and General Selling	Delivery	
ADMINISTRATIVE AND GENERAL:			
Pay Roll:			
Executive.....			1.65%
All Other Admin. and Gen.....			2.30
Taxes (See page 37).....			0.26
Interest on Mdse and on Accts Rec.....			
Supplies.....			1.50
Losses from Bad Debts.....			0.20
Other Unclassified.....			0.30
Travelling.....			0.47
Communication.....			0.05
Insurance.....			0.51
Professional Services.....			0.35
Total.....			8.00%†
OCCUPANCY:			
Pay Roll.....			
Real Estate Costs (See p. 37).....			1.05%
Taxes on Fixtures and Equip.....			5.55
Interest on Fixtures and Equipment.....			0.04†
Supplies.....			0.20
Service Purchased.....			0.22
Unclassified.....			0.65
Travelling.....			0.07
Repairs.....			0.00†
Insurance on Fixtures and Equipment.....			0.35
Depreciation on Fixtures and Equipment.....			0.03
Total.....			8.80%
PUBLICITY:			
Pay Roll:			
Sales Pro. and Gen. Adv.....			0.45%
Display.....			0.35
Total Advertising.....			4.60
Supplies.....			0.59
Unclassified.....			0.06
Travelling.....			0.01†
Communication.....			0.18
Professional Services.....			0.00†
Total.....			6.25%†
BUYING AND MERCHANDISING:			
Pay Roll.....			
Supplies.....			3.80%
Unclassified.....			0.11
Travelling.....			0.05
Communication.....			0.56
Professional Services (See p.37).....			0.06
Total.....			5.00%†
SELLING:			
Pay Roll:			
Salespeople.....	6.10%		
Floor Supts and Sec. Mgrs.....	0.25		
Other.....	1.15		
Delivery.....		0.25%	7.75%
Taxes.....		0.00†	0.00†
Interest on Equipment.....		0.00†	0.00†
Supplies.....	0.70	0.03	0.73
Service Purchased.....		0.80	0.80
Unclassified.....	0.04	0.01	0.05
Travelling.....	0.00†	0.00†	0.00†
Repairs.....		0.00†	0.00†
Insurance.....		0.00†	0.00†
Depreciation.....		0.00†	0.00†
Total.....	8.25%†	1.10%†	9.35%†
TOTAL.....			37.40%

† Figures for this item were given on less than 75% of the reports used. ‡ See footnote †, Table 30, p. 33.

APPENDIX

Materials

The information and conclusions contained in this bulletin are based on profit and loss statements, balance sheets, and other materials received on 637 separate schedules covering the operations of more than 794 stores in 1935. Of these 637 schedules, 26 arrived too late to be used, and 30 were not complete or were in such form that they could not be made comparable with the data for the other stores. As a result, the common figures published in this bulletin are based on data taken from 581 statements. These statements came from firms located in all parts of the United States, Canada, and Hawaii.

The form on which the cooperating stores reported their figures and other information was developed by the Bureau out of its experience in conducting fifteen preceding studies for this trade, and from personal contact with store executives. Copies of the form and information regarding it may be secured by writing to the Bureau.

Size of Sample

The total sales volume of the 637 firms which sent reports somewhat exceeded \$1,708,000,000; and the total sales of the 581 firms for which data were actually used in setting common figures was \$1,678,699,000.

It is estimated that this latter amount is more than 40% of the total sales of department and specialty stores in the United States in 1935. According to the Census of American Business, United States Summary of the Retail Census for 1933, page 7, sales of department stores, specialty stores, and related stores in 1933 were:

Department stores	\$2,545,000,000
Dry goods stores	150,000,000
Specialty stores (apparel and accessories)	568,000,000
Women's accessories stores (estimated)	167,000,000
Total	<u>\$3,430,000,000</u>

On the basis of the Federal Reserve Board's index, sales of department stores in 1935 amounted to roughly 118% of their sales in 1933, so that the figure for 1935 corresponding to the total above was about \$4,047,000,000. The sales of the 581 stores for which data actually were used in this study amount to approximately 41.5% of \$4,047,000,000.

Classification of Reports

By Kind of Store

In classifying the reports, the first step was to separate them according to type of store, department store reports being distinguished from specialty store reports. In making this classification the Bureau defined a department store as one handling a number of lines of merchandise, including yard goods and, usually, home furnishings. As a rule, these stores were subdivided into departments for operating purposes. Specialty stores were defined as stores specializing in women's wearing apparel, often handling such accessories as costume jewelry, bags, and toilet goods, but generally not handling either yard goods or home furnishings, and for the most part operated by means of a departmental form of organization similar to that employed by department stores.

By Sales Volume

Having divided the reports into two major groups by kind of store, the next step was to classify the reports in each group by sales volume. This resulted in ten volume groups for department stores and seven volume groups for specialty stores.

The limits of the volume groups for department stores have remained unchanged since the 1929 study, and they dovetail with the group limits used in earlier years. Similarly, the limits of the new volume groups for specialty stores established last year and this year in going from three to seven groups dovetail with the limits used heretofore. Of course, there has been considerable change in the firms assigned to the several groups in recent years owing to the changes in dollar sales volume. Some of the disadvantages of retaining the same class limits have been eliminated by the introduction of the year-to-year trend data based on reports from identical firms given in Tables 6, 7, 8 and 9.

Common Figures

In this bulletin common figures and goal figures are given for each of the several volume groups, except where the data received imposed limitations.

The term "common figure" is used by the Bureau to mean the most representative figure in any series or array. It is the figure around which the percentages

from all the individual reports in a group tend to concentrate. It is determined partly by the median, that is, the middle figure when the items are arranged in order of magnitude; and partly by the interquartile average, which is the arithmetic average of the middle half of the figures. The common figure is selected partly by judgment based on inspection of the data and partly by means of computed averages. It is designed to reflect the typical or representative performance.

The common figures published in this bulletin and in earlier bulletins have represented the experience of *the typical store* in either a limited group of stores or the entire body of reporting stores. All the common figures for department and specialty stores published prior to 1932 were compiled by assigning equal influence or weight to the experience of each reporting store regardless of size. In preparing the figures for Table 1, however, the Bureau has averaged the common figures established by the familiar method for each of a number of sales volume groups by weighting them according to the *aggregate* sales of the stores reporting for the respective groups. This procedure has given results approaching those which would have been secured if it had been practicable to arrive at the aggregate dollar sales and the aggregate dollar figure for each other aspect of performance for all stores reporting, and then to figure the various ratios and percentages from these aggregates. Thus, it may be said that the figures in Table 1, instead of representing the experience of the typical or average store, represent the experience of the trade as a whole. It is believed that they summarize trade-wide results with conciseness and fidelity.

Goal Figures

Many of the tables in this bulletin contain "goal figures" which depict the typical results for a number of the most profitable firms in the respective groups. These goal figures are intended to be used much as common figures for the "most profitable" stores might be used, but they are not here referred to as "common figures" because, owing to the small number of reports on which they have been based, it was necessary in setting them to use judgment to a somewhat greater degree than the Bureau customarily does in establishing the regular "common figures".

Transactions

In arriving at income, expense, and profit per transaction, the Bureau used only the reports for firms which gave the number of gross sales transactions, gross sales transactions being understood to mean the number of sales transactions or sales checks which produced total gross sales, without additions or deductions for returns

or credit transactions. In arriving at the common figures for average gross sale, the gross sales for each firm reporting the data were divided by the total number of gross sales transactions.

Definitions of Major Items

Net sales, as used throughout this bulletin, represent the real volume of business done (in owned department only). This figure is computed by deducting from gross sales the amount of merchandise returned by customer and the allowances granted to customers.

Gross margin is net sales less total merchandise cost (net). The Bureau defines total merchandise costs (net as the sum of three factors: (a) the difference (net decrease) in merchandise inventories at the beginning and end of the year; (b) purchases of merchandise at net cost delivered at the store or warehouse, that is, after cash discounts received have been deducted and after inward freight, express, and truckage have been added and (c) alteration and workroom costs, net (costs less receipts from customers).

Total expense, according to the Bureau's definition includes charges for interest at 6% on investment in plant and equipment used, in merchandise inventory and in accounts receivable, regardless of the source of the capital invested in these various assets or the rate paid on any capital borrowed. Also, total expense includes charges for the salaries of proprietors, active partners, and chief executives, whether or not they actually were paid. Salaries of inactive partners are considered as deductions from net gain. Total expense, therefore, represents the true long-run economic cost of conducting the merchandising or trading operations of the reporting stores.

Some of the charges which are included in total expense according to the Bureau's classification are discussed later in this Appendix. Detailed definitions of all the items are included in the Bureau's pamphlet "Explanation of Schedule for Department and Specialty Stores: 1935". Readers who wish more information on the expense classification than is contained in this bulletin should write to the Bureau, which will gladly answer their questions or mail a copy of the explanatory pamphlet.

Net profit, as the Bureau uses the term, is the amount which remains after deducting total expense from gross margin; or, stated differently, it is the amount which remains after deducting total cost, the sum of total merchandise costs (net) and total expense, from net sales. Total expense, as just defined, includes not only actual expenditures and regular charges, such as those for depreciation, but also fair compensation for managerial services and interest at 6% on selected assets.

RECEIVED
NOV 20 1928

including the firm's equity in those assets. Thus, net profit is the profit after charges for capital, including that invested in real estate, and for management; it reflects the efficiency of a firm in the conduct of its merchandising operations and the profitableness of a concern as a merchandising enterprise. The Bureau's net profit figure, however, is not the net business profit *before interest* which many business men customarily look upon as net profit and which the Bureau calls net gain. Net profit, as defined by the Bureau, affords a better basis for comparing the results of different firms, and provides a more accurate measure of operating efficiency than does net gain.

Net other income includes any net profit or loss on real estate operations after charging interest at 6% on the average depreciated value of real estate used; interest at 6% on such part of the capital used in the business as represented the firm's equity, including the equity in real estate; and, as regards borrowed capital used in the business, any difference between interest at 6% and interest actually paid. These interest credits are made to offset imputed interest charged as expense. In addition, net other income includes the amount of interest actually received, receipts from leased departments, and net income from any non-merchandising operations.

Net gain before Federal tax on income is the total of net profit and net other income. It is the net earnings including return on investment after considering all miscellaneous income or deductions other than Federal income taxes. Net gain is the figure which many merchants, bankers, and accountants have in mind when they speak of net profit, net business profit, or net earnings. In using the net gain figures, allowance must be made for the desired rate of return on invested capital. The Bureau's treatment of cash discounts and interest in no way affects the net gain figure.

Classification of Expense

The Bureau's classification of expense agrees substantially with that set up by the Controllers' Congress of the National Retail Dry Goods Association in its Expense Manual published in 1928. There are, however, three important differences, those in the handling of (a) rentals and related items, (b) interest, and (c) professional services.

Real Estate Costs

In order to secure as great a degree of comparability as possible between the figures for firms owning their real estate and the figures for firms leasing all or part of their real estate, the Bureau's classification includes no item for rentals but has, instead, an item called "real estate costs". *Real estate costs* includes (for properties

used in the business *only*) rentals, taxes, and insurance paid on leased real estate; and a fair rental charge for owned real estate. This latter amount, of course, reflects taxes, interest, insurance, depreciation, and any other landlord charges, except repairs, on owned real estate. Thus, the figures given in this bulletin for taxes, interest, insurance, and depreciation do not represent the *total* expenditures or charges for these items. They exclude all expenditures or charges related to real estate, but they include the respective expenditures or charges on equipment.

This treatment of real estate costs yields, in some cases, a profit or loss on owned real estate. This profit or loss is carried to other income, along with the profit or loss on real estate not used in the business.

Interest

Interest includes interest at 6%¹ on the average merchandise inventory, the average amount of accounts receivable outstanding, and the average investment in equipment. Interest on the average investment in real estate is included in real estate costs. In all four cases, averages of the asset figures, usually as of the beginning and end of the fiscal year, were used in computing interest charges. Interest paid on borrowed capital and interest received were not considered in arriving at the interest charges in the expense statement, but were considered in arriving at the amount of net other income.

Professional Services

Professional services includes expenses, memberships, dues, and fees for buying or research organizations, and for domestic and foreign buying offices. In order to secure comparability between firms that own their offices and those which use the services of other agencies, tenancy charges on buying offices are included in professional services rather than in real estate costs. The central office expense for stores in ownership groups also is included in professional services.

Taxes

Taxes do not include taxes on real estate, which are included in real estate costs, or Federal income taxes; but do include such taxes on sales or gross income as the stores were unable to collect directly from their customers and hence were forced to absorb as expense.

¹ There has been some discussion of the advisability of changing the rate used in computing interest on invested capital periodically to reflect changes in the cost of money. In the decision to hold to the 6% rate there have been two compelling arguments: (1) that if the 6% rate were abandoned there would be no general agreement upon a method for choosing the rate to be substituted; and (2) that, since the rate is used in arriving at an imputed charge, on the whole it is more important to use a fixed rate year after year than to attempt to find the correct rate for each year and thus to force users of the figures to make a separate set of mental adjustments in interpreting each year's data.

CHECKED
2003-04

Stock-turn

The stock-turn figures given in this report and based upon beginning and ending inventories were computed by dividing total merchandise costs (net) as defined under gross margin on page 36 by the average inventory as shown by the profit and loss statement; that is, at cost. The stock-turn figures based on average monthly inventories were computed through the use of cost or retail inventory figures, whichever were furnished. In each individual case either total merchandise costs or net sales were used as the dividend, depending upon circumstances.

Undoubtedly the rate of stock-turn based on monthly inventories provides a more reliable index of the turnover of physical merchandise than does the rate of stock-turn based on beginning and ending inventories; but since the figures computed on the latter basis are somewhat more representative, they are the ones, unless otherwise noted, referred to in the text.

Initial Mark-up

Of the other items given in the tables, initial mark-up requires special explanation. The figures for initial mark-up were not based on initial mark-up percentages reported by, or computed for, the individual firms; but rather were prepared through the use of the common figures for gross margin, alteration and workroom costs, total retail reductions, and cash discounts received.

In calculating the percentage of mark-up, of course, the original retail value before retail reductions had to be secured. For this purpose the figure 100%, representing net sales, plus the common figure for total retail reductions as a percentage of net sales, was taken as original retail value expressed in terms of net sales. To secure the percentage of initial mark-up on invoice cost delivered, this original retail value was divided into the sum of the common figures for gross margin, alteration and workroom costs, and total retail reductions, less the amount of cash discounts received, all expressed as percentages of net sales. This dividend represented the difference between original retail price of merchandise sold and delivered invoice cost of merchandise sold, expressed as percentages of net sales.

This definition may be put into the form of an equation as follows, all figures to the right of the equality sign being percentages of net sales:

$$\text{Initial Mark-up (on invoice cost delivered)} = \frac{\text{Gross Margin + Alteration and Workroom Costs + Total Retail Reductions - Cash Discounts Received}}{100 + \text{Total Retail Reductions}}$$

Using figures for department stores with \$2,000,000 to \$4,000,000 sales from Table 18, the computation of the rate of initial mark-up based on invoice cost delivered is as follows:

$$\frac{35.3 + 0.6 + 7.95 - 2.75}{100 + 7.95} = \frac{41.1}{107.95} = 38.1.$$

Number of Reports

Each table contains data regarding the number of reports used. Since some reports included the figures for branches, or for more than one unit of an ownership group, the number of stores involved often was larger than the number of reports used. Consolidated reports for ownership groups were classified according to average sales per store.

Leased Departments

This year the Bureau continued its attempt to eliminate the effects of leased departments so that its common figures might reflect the operations of owned departments only, and so that the figures for different stores would be essentially comparable regardless of differences in practice regarding leasing. The coöperating stores were asked to report the sales of their leased departments, the amount of commissions or rentals received from lessees, and the portion of the stores' indirect expenses properly chargeable to leased departments. It was indicated that the sales of leased departments should be excluded from sales; that direct expenses paid by the stores for the account of lessees should be excluded from expense; and that the indirect expenses chargeable to leased sections similarly should be excluded. The amounts of gain or loss from leased department operations were included in other income.

In many instances, the reporting firms made all these adjustments and thus practically eliminated the effects of their leased department operations. Where the firms themselves did not do this, and where the sales of leased departments amounted to 10% or more of total sales, the Bureau made the appropriate adjustments. Where this could not be done, and where leased department sales amounted to 10% or more of total sales, the percentages which were most likely to be distorted by leased section operations (real estate costs, service purchased, total expense, net profit, and other income) were considered not comparable and were not used in arriving at the common figures published in this bulletin. There were a few cases where all expenses apparently were distorted as a result of leased department operations. In such cases the entire statement was omitted in setting common figures.