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**OPERATING RESULTS  
OF DEPARTMENT AND SPECIALTY STORES  
IN 1943**

**BY  
STANLEY F. TEELE**



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**HARVARD UNIVERSITY  
GRADUATE SCHOOL OF BUSINESS ADMINISTRATION  
BUREAU OF BUSINESS RESEARCH  
SOLDIERS FIELD, BOSTON 63, MASSACHUSETTS**

## DIGEST

### OPERATING RESULTS OF DEPARTMENT AND SPECIALTY STORES IN 1943

*The following is a résumé of the report by Professor Stanley F. Teele, the twenty-fourth annual survey in a series prepared by the Harvard Bureau of Business Research.*

Store managements with a scientific approach cannot arrange at will the more ponderable inconstants in their operating environment in order to study the results. The war, however, arbitrarily has established a panorama of conditions which, while they cannot be shifted to suit the needs of the student, nevertheless fortuitously provide a vivid new set up for comparative study. The Bureau's department and specialty store figures for 1943, offered as they are with corresponding figures for previous years, thus make it possible to observe effects which before merely could be speculated about.

The impact of full war conditions was felt by department and specialty stores in 1943: high taxes; help shortages; merchandise shortages; deterioration in merchandise quality; customer transportation difficulties; increased and more widely distributed purchasing power; wide geographic differences in extent of war production activity; and government controls over expansion, collections, and pricing.

One notable showing of the 1943 figures is that department stores were able to pay the very heavy federal income and excess profits taxes while still slightly increasing their net profit rates. Most of the specialty stores included in the survey did not report on federal taxes on income. The indications, however, are that they too were able to carry the tax burden without reducing the net profit rate.

Federal income and excess profits taxes for the 367 department stores covered in 1943 were 7.7% of sales as against a figure of 5.95% for the stores reporting in 1942. The figure of 7.7%, providing the federal treasury with roughly \$155,000,000 from these stores alone, represents, of course, an unprecedented slice of sales for this purpose.

It is interesting then, both for store management and for tax specialists to consider the 1943 tax and profit figures in connection with the problem of retail sales taxes as an alternative to income taxes.

For managements themselves, acute interest must lie in consideration of the factors which made possible relatively favorable operating results

in spite of the tax burden and also in spite of other operating difficulties, such as merchandise shortages and rationing restrictions.

The explanation of the favorable net profits rates is not to be found in increased gross margins. The department stores actually showed a slight decrease in gross margin percentage in 1943: 38.4% of sales as against 38.7% in 1942. Though specialty stores showed an increase in gross margin rate in 1943, it was not large. In 1942, substantial price increases were evident but, in 1943, there was evidence of little such increase. The average gross sales for department stores in 1942 was \$2.81, and in 1943 it was \$2.85.

Thus the factor which protected net profit rate in 1943 was chiefly a decrease in the operating expense percentage. The total expense rate for department stores fell from 32.05% of sales in 1942 to 29.4% in 1943. For specialty stores, the total expense rate was 33.75% in 1942, falling to 31.15% in 1943.

In this area a potent question rises as to whether the decreases in expense percentages are of a nature which will allow their continuance, or partial continuance, in following years.

From the evidence, continued low expense rates would seem to be dependent on continuing sales increases. The Bureau's figures make it clear that there was, as shown also in previous studies, a firm relation between increases in dollar sales and the decreases in operating expense ratios. Department stores which had sales increases of 30% or more in 1943 over 1942, for example, showed a drop of 4.6% of sales in total expense rate; whereas stores with sales increases of less than 10% showed a drop in total expense rate of but 1.1% of sales. In fact, without exception, the larger the sales increase in 1943 over 1942, the greater was the reduction in total expense rate and in the principal items of expense; that is, payroll, real estate cost, and advertising.

The effect of sales increases upon expense ratios is emphasized in the experience of the smaller stores. As in the past, the total expense rate was lower for the small department stores. Unlike previous years, however, in 1943 net profit of the small stores was as favorable as that shown for the large stores. And the immediate answer lies in the fact that the small stores had distinctly higher rates of sales increase than did the larger stores. The very largest department stores, those with sales of \$30,000,000 or more, had the lowest rate of sales increase of any group, the highest total expense rate, and the lowest net profit rate. Among specialty stores likewise, highest sales increase percentages and lowest expense rates were experienced by the small stores.

As in bulletins for earlier years, the 1943 bulletin gives detailed operating comparisons of stores in different size groups.

Whether the favorable expense rates experienced in 1943 can be continued if the sales volumes reached in that year are maintained needs to be considered. The question is: are favorable expense ratios dependent on the factor of rapid sales increases or are they related to sales volume in itself? The Bureau's studies of earlier years have emphasized that expense and profit rates are influenced favorably by substantial sales increases over a short period of time.

Although the 1943 figures continue to show the major decreases in expense rates to be associated with rapid sales increases, they also show that in that year even the department stores with sales increases of less than 10% experienced a drop in total expense rate. There were, for these stores with small sales increases, declines in Payroll, Real Estate, and Advertising expense percentages, and actual dollar decreases in Advertising, Interest, Supplies, Service Purchased, Losses from Bad Debts, Communication, Repairs, and Depreciation. Number of transactions for these particular department stores actually decreased 2% in 1943 over 1942, whereas the overall picture for all stores reporting showed a marked increase in number of transactions in 1943.

Special conditions produced by the war unquestionably helped the store managements to hold down dollar expenditures; notably, help shortages, restrictions on plant expansion, and the willingness of customers to accede to a lowering of delivery and other service standards. Increased purchasing power occasioned by war production activity, of course, found its reflection in the increased sales volumes reported. The overall sales increase for 366 department stores reporting in 1943 was 16.3% over 1942.

Because war production activity was geographically spotty, the rate of sales increase varied considerably for the various groups of stores. All groups, however, whether in areas of high war production activity or not, and in spite of merchandise shortages, showed sales increases. Part of such increases can be ascribed to the ability of store managements to shift emphasis from one merchandise line or department to another.

Department stores giving figures to the Bureau in 1943 were asked to report on departments closed and new departments established. One hundred sixty seven stores answered as to departments closed. Of these, 46 had closed a total of 75 departments. Of 156 stores answering the question as to departments opened, 48 had opened during the year a total of 91 new departments. Both the departments opened and those closed varied greatly in type.

Sales by merchandise lines are reported for 1943 in detail and show, as was to be expected, a decided increase in the importance of ready-to-wear and a marked decrease in sales of home furnishings.

Basement sales of department stores, while increasing 8.9% in 1943 over 1942, lagged far behind the increase in main store sales, which was 17.8%. These figures provide an interesting contrast to the 1942 situation, when basement store sales increased at a slightly higher rate than did main store sales.

It was thought that war conditions, which led to shifts in emphasis on merchandise lines, might also have led to increased experimentation with forms of self service. Data on this aspect of department store operation are included in the 1943 bulletin. They indicate that even under the stimulus of help shortages, self service and self selection methods have not been widely used.

The marked increase shown in 1942 in percentage of total department sales made for cash continued in 1943. In that year, 58.1% of total sales were on a cash and C.O.D. basis.

The Bureau in 1943 continued its detailed comparison, begun in 1939, of operating results by size of store and size of city. It is interesting to find that the 1943 results accord with those for the earlier years. The most favorable profit position for a department store remains the one in which the store does a relatively large volume of business in a relatively small community.

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**BY**

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## FOREWORD

For the twenty-fourth consecutive year the Harvard Bureau of Business Research has collected and analyzed sales, margin, expense, and earnings data for North American department and departmentized specialty stores.

This study has been made possible by the members of the National Retail Dry Goods Association who for many years have given the program financial support. The Bureau is grateful for the continued interest of the association and for the efforts of the individual store controllers and their staffs who prepared the essential basic reports. It is gratifying to know that the executives of 495 firms were willing in a period of acute personnel shortages to allocate time to the project.

The accounting phases of the work were supervised by Miss Grace Lindfors under the direction of Professor Elizabeth A. Burnham who was in charge of the study. The program benefited greatly from the practical advice of Professor Malcolm P. McNair who has long taken an active part in the department store research. The bulletin was written by Professor Stanley F. Teele, Associate Director of Research.

MELVIN T. COPELAND  
*Director of Research*

BOSTON, MASSACHUSETTS  
August, 1944



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**Chart 1. Department Store Expenses and Profits: 1943**  
(with 1942 percentages for comparison)

Items	1943		1942 <sup>1</sup>
	Aggregate Dollar Figures for 367 Firms Operating 461 Stores	1943 Net Sales=100%	1942 Net Sales=100%
<i>The chief source of revenue for these stores, of course, was</i> <b>Net Sales</b> .....	\$2,049,895,550	100.0%	100.0%
<i>A primary charge against this revenue, and the largest single expenditure, was represented by</i> <b>Total Merchandise Costs</b> .....	\$1,261,647,523	61.5%	61.7%
Which included the cost of merchandise purchased for resale delivered at the stores, less trade and cash discounts; the production costs of goods manufactured by the store; alteration and workroom costs, net; plus or minus the amounts taken from, or added to, inventories during the year.			
<i>Other costs which had to be met were those for operating the stores, as follows:</i> <b>Total Payroll</b> .....	\$328,635,486	16.05%	16.7%
Comprising salaries, wages, and bonuses of all employees, including executives, but excluding pensions and payroll taxes;			
<b>Real Estate Costs</b> .....	\$65,927,318	3.25%	3.65%
Including rentals, taxes, and insurance paid on leased real estate; as well as taxes, insurance, depreciation, and interest on owned real estate;			
<b>Advertising</b> .....	\$49,357,222	2.4%	2.65%
<b>Taxes</b> .....	\$22,954,995	1.1%	1.1%
Not including taxes on real estate, or Federal income taxes, but embracing other taxes imposed by national, state, and local governments;			
<b>Supplies and Service Purchased</b> .....	\$44,623,160	2.2%	2.55%
Including electric power, steam, and delivery service bought;			
<b>All Other Expense (including interest)</b> .....	\$96,462,812	4.7%	5.5%
The charge for interest being 6% of the average value of accounts receivable, merchandise inventory, fixtures, and equipment. (A corresponding charge on real estate was included in real estate costs. These charges for interest were made whether the capital invested in the respective assets was owned or borrowed.)			
<i>Thus, for merchandise and store operation combined, these stores experienced a</i> <b>Total Cost of</b> .....	\$1,869,608,516	91.2%	93.85%
After meeting these costs, there remained as			
<b>Net Profit</b> .....	\$180,287,034	8.8%	6.15%
Which constituted the net profit from merchandising operations.			
<i>In addition, the stores received</i> <b>Sundry or Other Revenue, Net</b> .....	\$52,237,654	2.5%	3.2%
Including net profits from leased and manufacturing departments, carrying charges on instalment accounts, and other incidental receipts not part of merchandising revenues; any net profit or loss on real estate, whether used in the business or not; and an amount equivalent to the excess of interest charged as expense over interest actually paid (less interest received).			
<i>And, therefore,</i> <b>Total Net Business Profit Amounted to</b> .....	\$232,524,688	11.3%	9.35%
This was the earnings of these firms before Federal income taxes.			
<i>Income tax data were not reported by all firms but it is estimated that such taxes amounted to</i> .....	.....	7.7%	5.95%
<i>Thus leaving available for dividends, withdrawals, and surplus</i> .....	.....	3.6%	3.4%

<sup>1</sup>Data for 1942 are based on aggregate dollar figures for 374 firms with net sales of \$1,809,729,019, and operating 441 stores. There is always some change from year to year in the identity of the reporting firms. In making comparisons of the data for 1942 and 1943, it will be well to note that 304, or 82.8%, of the 367 firms reporting for 1943 also were included in the above data for 1942. The sales of these 304 firms accounted for 93.1% of the aggregate sales in 1943 and 90.0% in 1942. It should be noted that figures for 1 of the 367 firms were received too late for inclusion in tabulations other than Chart 1.

# OPERATING RESULTS OF DEPARTMENT AND SPECIALTY STORES IN 1943

## SECTION I

### SUMMARY

The principal features of the operating results of department stores and specialty stores in 1943 may be summarized as follows:

#### Department Stores

1. Department stores paid federal income and excess profits taxes of 7.7% of sales without increasing their gross margin rates and without suffering a decrease in net profits after federal taxes.

2. The typical gross margin percentage for department stores decreased slightly from 38.7% of sales to 38.4% of sales.

3. The net gain after federal taxes on income and excess profits was slightly higher in 1943 than in 1942. As compared with the records for manufacturing industry as tabulated by the National City Bank of New York, this is a relatively favorable showing.

4. The central explanation of the preceding observations lies in the sharp decrease in operating expenses as a percentage of sales. The total expense rate for department stores fell from 32.05% of sales in 1942 to 29.4% of sales in 1943. The decrease of 2.65% of sales in total expense was matched by an increase of 1.6% of sales in federal taxes on income and excess profits, a decrease of 0.7% of sales in other income, a decrease of 0.3% of sales in gross margin, and an increase of 0.05% of sales in net gain after federal taxes.

5. The principal cause of the sharp drop in the total expense rate was the notable increase in dollar sales. The 366 firms which reported to the Bureau recorded a 16.3% increase in sales volume. Wide sales increases characterized the operations of many types of stores in 1943, but substantial decreases were also common for those types of stores affected most directly by merchandise shortages. Sales results of department

stores showed the effects of the averaging associated with the wide range of merchandise carried. There were wide differences in department store sales results in different sections of the country and in different communities.

6. In contrast to the experience of 1942, basement sales lagged markedly behind sales for main store departments.

7. Sales of ready-to-wear increased substantially and, to a lesser extent, sales of ready-to-wear accessories increased in importance, while sales in home furnishings fell noticeably in importance. This record coincides with the very large sales increase reported by the Department of Commerce for specialized apparel stores.

8. The percentage of total sales made for cash increased further in 1943. About 51% of the total sales typically were made for cash as compared to a figure of 35% of sales which appeared to be normal in prewar years.

9. The number of transactions increased decidedly, while the average gross sale rose from \$2.81 in 1942 to \$2.85 in 1943.

10. The smaller stores showed distinctly higher rates of sales increase than did the larger stores.

11. The smaller stores showed substantially lower total expense rates than did the large stores in 1943.

12. The difference in total payroll percentage provided some of the advantage for smaller firms; a wider difference existed relatively in real estate costs and a still larger divergence relatively in advertising cost.

13. The effect of sales increases on expenses and profits for all stores was unusually clear-cut in 1943; without exception the larger the sales increase, the greater the reduction from 1942 to 1943 in the total expense rate and in the principal

individual items of expense, that is, payroll, real estate costs, and advertising.

14. In securing the direct translation of sales increases into lower expenses, department store managements were undoubtedly materially aided by external forces. The difficulties in hiring personnel undoubtedly helped to keep down total payroll expense. The prohibitions on plant expansion undoubtedly aided in keeping real estate costs low, while war conditions induced customers to accept abnormally low levels of service.

15. As a means of conserving manpower and reducing payroll cost, relatively few stores, and those principally among the larger enterprises, experimented in 1943 with self service and self selection methods in individual departments.

16. When department store results were classified both by size of store and size of community, the best profit results were shown by relatively large stores in relatively small communities. This continues the findings of earlier years.

### Specialty Stores

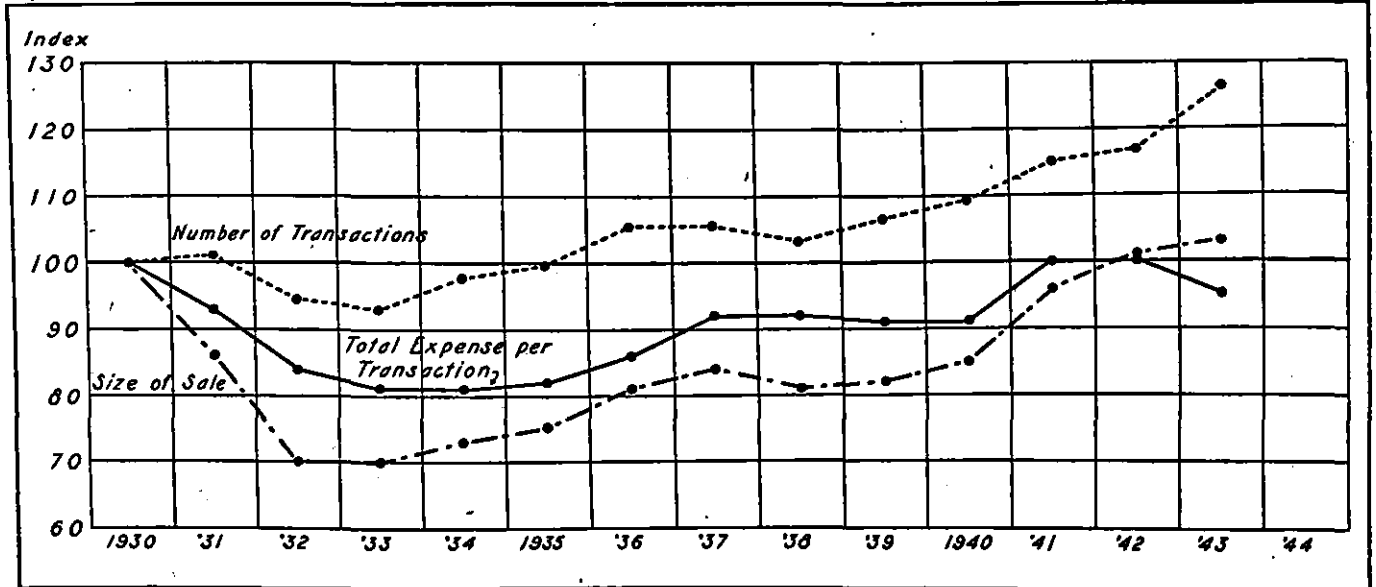
17. Specialty store profits in 1943 before taxes were at a high rate, with the smaller stores showing particularly favorable results.

18. The small specialty stores recorded very low total expense rates typically as compared both to larger specialty stores and larger department stores. A difference in favor of the small stores existed for many of the individual expense items.

19. A comparison of department store and specialty store operating figures over a period of years shows very considerable persistence in differences in expense items between the two types of stores.

20. Whereas in 1942 the gross margin rates of the two types of stores had come almost exactly together, in 1943 a divergence developed with the specialty stores figure almost 1% of sales higher, which may mark the beginning of a return to the relationship characteristic of earlier years.

**Chart 2. Transactions<sup>1</sup>, Cost per Transaction, and Size of Sale for Department Stores: 1930-1943**



<sup>1</sup>Revised Index

## SECTION II

### DEPARTMENT STORES

That department stores in 1943 were able to continue, and indeed to expand, their role as tax collectors for the Federal Government without increasing their gross margins and without a decrease in net profits after federal taxes, is the outstanding conclusion which may be drawn from the current study. In 1943, the federal income and excess profits taxes paid by the 367 firms which reported to the Bureau out of their \$2,000,000,000 sales volume, was 7.7% of sales, or in the neighborhood of \$155,000,000.

As the figures given in Table 1, page 5, show, there was no increase in the typical gross margin percentage; on the contrary, there was a slight decrease. At the same time net profits, after taxes, were slightly higher than in 1942 as a percentage of sales and, in view of the sales increase, distinctly higher in dollars.

The explanation of these facts lies in the sharp decrease in operating expenses as a percentage of sales. As is shown in Table 1, total expenses dropped from 32.05% of sales in 1942 to 29.4% of sales in 1943. This decrease of 2.65% of sales in total expense was absorbed by a 1.6% of sales increase in federal taxes on income and excess profits, an 0.7% of sales decrease in other income, and an 0.3% of sales decrease in gross margin, with a resulting 0.05% increase in the net gain after federal taxes. From the standpoint of the customers of department stores, one might say that the additional taxes paid to the Federal Government came out of a decrease in expenses which might otherwise have resulted in lower prices. This experience undoubtedly should be of interest to those tax specialists who are concerned with the relative merits of retail sales taxes and income taxes. While no tax perhaps is truly painless, it is difficult to conceive of a more painless form of taxation than the one illustrated in the record of department stores in 1943.

From the standpoint of operating managements, the key fact is the decrease in expense rate which made absorption of the additional taxes possible. As has been shown in earlier Bulletins and is again made clear later in this Bulletin (see the discussion, page 14), sharp sales increases in a short period of time normally result in material reductions in expense rates. In 1943, for example, a group of fully comparable stores showed the following results: Those which had sales increases

of less than 10% showed a drop in the total expense rate of 1.1% of sales; those with sales increases of 10%-20%, a drop of 2.3% in total expense; those with sales increases of 20%-30%, a decline of 3.0% of sales in total expense; and those with sales increases of 30% or more, a drop of 4.6% of sales in the total expense rate. Detailed figures for particular items of expense are given in a later section, but it is sufficient to point out here that until store managements become sufficiently accustomed to higher sales volumes, apparently they do not allow dollar expenditures to rise proportionately, and therefore the current effect of substantial sales increases is a definite and immediate fall in the total expense rate.

In 1943, the 366 firms which reported to the Bureau recorded a typical increase of 16.3% in their sales volume as compared with 1942 sales. The importance of this fact in relation to operating results warrants full attention to it and to the causes for it. In the first place, the department stores were not alone among types of retail stores in recording substantial sales increases. The Department of Commerce, which in recent years has developed a considerable number of measures of retail sales, has reported the following increases and decreases for different types of stores, arranged in descending order:

Eating and Drinking Places.....	+29.0%
Apparel Stores.....	+24.1
Drug Stores.....	+19.7
Other Retail Stores.....	+19.3
Department Stores.....	+13.0
General Merchandise Stores.....	+11.2
Food Stores.....	+ 9.1
Automotive Stores.....	- 8.2
Home Furnishings.....	- 9.6
Building Materials and Hardware.....	-15.7
Filling Stations.....	-18.1

It will be noted that the Department of Commerce figure for sales increase of department stores, 13%, is somewhat lower than the Bureau figure of 16.3%, as is also the Federal Reserve Board figure of 12%.

It will also be noted that department store sales movements reflected the fact that they retailed a wide range of merchandise. They did not participate in rising volume to the full extent that apparel stores did, but on the other hand they did not suffer as did home furnishings stores and hardware dealers. In this connection, it is of interest to examine the actions of the depart-

ment stores reporting to the Harvard Bureau in regard to closing and opening departments.

### Departments Closed and Opened

In view of the continued shortages of various types of merchandise during 1943, it seemed probable that department stores had closed out a number of departments to conserve space and managerial manpower. On the other hand, in view of the substantial sales increase, it seemed equally probable that a considerable number of new departments had been established. In planning the questionnaire for 1943, therefore, the Harvard Bureau undertook to find out how many stores had opened and closed departments, and which departments were most often involved.

In regard to the closing of departments, 167 stores answered the question. Of these 167 stores, 46, or 27%, reported that they had closed one or more departments during 1943, and these 46 stores had closed a total of 75 departments.

The stores which reported having closed departments tended to include a larger proportion of large stores than of small stores. The departments closed were very widely scattered, a total of 44 different types of departments having been reported as closed down. Eight stores indicated that they had closed their radio departments, and seven stores that they no longer operated appliance departments as separate departments. Four stores had closed out their refrigerator departments. Three stores reported having closed the following departments: gifts, shoes, millinery, luggage, and vacuum cleaners. The following departments were reported as having been closed by two stores: washing machines, beauty shop, sporting goods, cameras, photographic studio, and skis. Finally, each of the following departments were reported as having been closed by one store: stoves, music, wall paper, hosiery repairs, furs, lingerie, work clothes, notions, inexpensive dresses, groceteria, coffee department, records, gloves and accessories, oriental rugs, bags, children's wear, watch repair, watch and jewelry repair, children's barber shop, small wares, coal and wood, upholstery fabrics, pianos, mending shop, fruit shop, floor coverings, lamps, wooden novelties, and dry cleaning.

It is probable that many of these closings represented individual problems and were the result of more or less normal experimentation and change. The concentration on department closings in radios and appliances and other major items is, of course, a reflection of the unavailability of such merchandise.

Out of 156 stores answering the question on the opening of new departments 48, or 31%, reported that they had opened one or more new departments during 1943. These 48 stores had opened at least 91 new departments. The most commonly opened departments were sports wear and uniforms, five stores in each case reporting that they had newly established these departments. Four stores added book departments, paint or wall paper and paint departments, and art galleries. Three stores added stationery, jewelry, records, women's work clothes, misses' and women's suits, dresses, and foods, while the following departments were reported by two stores: furs, gifts, watch repairs, farm supplies, and budget coats. The list of departments added by one store is as follows: dinner ware, men's work clothes, music, cards, pictures, hosiery and glove repairs, photographic studio, picture frames, casual dresses, Scholl Appliances, decorators' accessories, girls' wear, juniors' wear, Christmas trees, prep. shop, prescriptions, rendezvous dresses, defense clothes, ready-to-wear, lingerie, art objects, bone china, cut flowers, business and institutional furniture, overseas gift canteen, smokes, children's books, dress goods, patterns, buttons, home insulation, maternity shop, uniform alterations, and beauty salon.

It is probable, in view of this list, that many of the stores in the past have carried the merchandise involved in other departments, and the designation of a separate department reflects only increased emphasis on the goods and not an addition to the line.

In spite of rationing and in spite of merchandise shortages, the department stores were able to shift their emphasis to the available merchandise sufficiently to score marked sales increases. There were, however, very notable differences in different sections of the country and in different communities within particular sections related, of course, principally to the rates of activity in different areas on war production. The Federal Reserve Board figures for sales increases in different cities bring out the spotty character of sales changes very sharply; for example, Oklahoma City stores had sales increases for 1943 as compared to 1942 of 45%, Dallas, 43%, Fort Worth, 41%, Tucson, 41%, Tampa, 37%, Jacksonville, 37%. In contrast, Bridgeport reported a sales decrease of 6%, Albany, of 4%, and Newark, of 2%. When Federal Reserve districts, as a whole, are considered, the Boston, New York, and Philadelphia districts all reported sales increases of 6%, while in the other extreme, the Dallas Federal Reserve district reported a sales increase of 35%, and the Atlanta district, of 29%.

Table 1. General Averages for Department and Specialty Stores: 1929-1943

Groups and Items	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943
<b>DEPARTMENT STORES:</b>															
Number of Reports.....	527	564	451	428	450	458	459	394	458	430	428	429	407	368	366
Net Sales.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Year-to-Year Change in Sales.....	101.2	93.7	88.2	76.9	97.3	111.0	105.0	111.8	104.4	92.9	105.4	106.4	117.4	112.4	116.3
Gross Margin.....	33.5%	33.3%	33.1%	33.1%	36.0%	35.6%	35.9%	36.5%	36.4%	36.4%	36.9%	36.95%	38.2%	38.7%	38.4%
Total Payroll.....	16.8%	17.3%	17.9%	18.7%	18.3%	18.0%	17.95%	17.4%	17.9%	18.3%	17.8%	17.55%	17.3%	16.75%	15.7%
Real Estate Costs.....	3.9	4.3	5.1	6.5	5.85	5.4	5.05	4.65	4.55	5.0	4.7	4.45	3.95	3.6	3.15
Advertising.....	3.3	3.5	3.8	4.0	4.0	3.8	3.8	3.65	3.65	3.75	3.6	3.5	3.15	2.7	2.4
All Other Expense.....	8.3	8.8	9.1	10.3	9.95	9.3	9.1	9.2	9.9	10.35	10.3	10.2	9.9	9.0	8.15
Total Expense.....	32.3%	33.9%	35.9%	39.5%	38.1%	36.5%	35.9%	34.9%	36.0%	37.4%	36.4%	35.7%	34.3%	32.05%	29.4%
Net Profit or Loss.....	1.2%	L. 0.6%	L. 2.8%	L. 6.4%	L. 2.1%	L. 0.9%	0.0%	1.6%	0.4%	L. 1.0%	0.5%	1.25%	3.9%	6.65%	9.0%
Net Other Income.....	3.1	3.2	3.8	4.0	3.9	3.5	3.4	3.3	3.5	3.6	3.5	3.5	3.4	3.1	2.4
Net Gain or Loss before Federal Tax on Income.....	4.3%	2.6%	1.0%	L. 2.4%	1.8%	2.6%	3.4%	4.9%	3.9%	2.6%	4.0%	4.75%	7.3%	9.75%	11.4%
Federal Tax on Income and Excess Profits.....	....	....	....	....	....	....	0.45	0.8	0.65	0.45	0.65	1.1	3.2	6.1§	7.7§
Net Gain or Loss after Federal Tax on Income.....	....	....	....	....	....	....	2.95%	4.1%	3.25%	2.15%	3.35%	3.65%	4.1%	3.65%§	3.7%§
Returns and Allowances...	11.15%	11.85%	11.45%	11.85%	11.7%	11.3%	11.25%	11.8%	11.75%	11.45%	11.4%	11.75%	11.35%	9.6%	7.95%
Total Retail Reductions...	*	10.0%	10.8%	11.95%	8.9%	8.6%	8.0%	7.05%	7.35%	7.7%	7.1%	6.85%	5.9%	5.55%	5.2%
<b>SPECIALTY STORES:</b>															
Number of Reports.....	85	85	70	73	75	86	122	93	113	99	93	90	61‡	109	91
Net Sales.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross Margin.....	35.3%	34.3%	33.7%	34.0%	36.9%	36.8%	36.8%	37.1%	37.0%	37.1%	37.8%	37.5%	38.35%	38.75%	39.2%
Total Payroll.....	16.5%	16.8%	17.1%	17.6%	17.0%	17.3%	16.9%	16.75%	17.2%	17.55%	17.6%	17.8%	17.3%	16.8%	15.8%
Real Estate Costs.....	4.2	4.6	5.4	7.1	5.8	5.5	5.85	5.3	5.05	5.25	5.2	4.8	4.65	4.15	3.85
Advertising.....	4.0	4.3	4.4	4.8	4.4	4.4	4.25	4.1	4.2	4.4	4.4	4.3	4.05	3.75	3.15
All Other Expense.....	8.6	9.0	9.4	10.1	10.2	10.0	9.5	9.45	9.95	10.3	10.3	10.3	9.9	9.05	8.35
Total Expense.....	33.3%	34.7%	36.3%	39.6%	37.4%	37.2%	36.5%	35.6%	36.4%	37.5%	37.5%	37.1%	35.9%	33.75%	31.15%
Net Profit or Loss.....	2.0%	L. 0.4%	L. 2.6%	L. 5.6%	L. 0.5%	L. 0.4%	0.3%	1.5%	0.6%	L. 0.4%	0.3%	0.4%	2.45%	5.0%	8.05%
Net Other Income.....	2.7	2.4	2.7	2.5	2.6	2.7	2.6	2.75	2.6	2.75	2.7	2.8	*	2.2	2.1
Net Gain or Loss before Federal Tax on Income.....	4.7%	2.0%	0.1%	L. 3.1%	2.1%	2.3%	2.9%	4.25%	3.2%	2.35%	3.0%	3.2%	*	7.2%	10.15%

\*Comparable data not available. †Because of the difficulty in establishing common figures for specialty stores with net sales of less than \$300,000, the general averages for 1941 are based on specialty stores with net sales of \$300,000 or more. Since these averages reflect the performance of the trade as a whole, and are heavily influenced by the results of the largest firms, it is believed that the 1941 data are essentially comparable with those of the other years. ‡For the year 1943 firms were asked to report the Federal taxes on income and excess profits net of the 10% postwar rebate on excess profits taxes. For 1942, however, the firms were not requested to provide details on the rebate; hence the average tax for 1942 may reflect taxes before the deduction of such rebates. §Data on Federal tax on income are not available for a sufficient number of specialty stores to make general averages possible.



## Basement Sales Lag

Even within districts there were wide differences; in the Boston district, for example, New Haven showed a 2% increase compared with a 20% increase for Portland. In the New York district the 6% decrease of Bridgeport varied greatly from the 23% increase of Niagara Falls. In the Chicago district an increase of 2% for Lansing was in contrast to a 28% increase for Sioux City.

Table 2, below, presents sales trend data based on common figures prepared for a number of years by the Bureau. In this table are shown, for the period 1936-1943 inclusive, a comparison of basement sales with main store sales, a comparison of sales by principal merchandise lines, a comparison of sales by terms of sale, and additional pertinent data on returns and allowances, transactions, and the average size of the gross sale. This table, which is based on figures for stores of \$1,000,000 or more, repays some study.

In 1943 basement sales recorded an increase of 8.9% as compared with the figure of 17.8% for the main store. In this connection it is of interest that 15 variety chains with aggregate sales of nearly \$700,000,000 in 1943<sup>1</sup> showed an aggregate sales increase of slightly more than 6%. It is suggestive that the order of sales increase ran roughly 6% for variety chains, 9% for department store basements, and 18% for the upstairs stores. There is probably a twofold explanation. In the first place the problem of quality deterioration and actual shortages of merchandise has tended to be most acute in the lower priced lines. It is, of course, true that many major items in the household appliance catalogue have not been available at all, but in the textile and clothing fields the

<sup>1</sup>Harvard Business School, Bureau of Business Research, Bulletin No. 120, *Expenses and Profits of Limited Price Variety Stores in 1943*, by Edward C. Bursk.

**Table 2. General Averages<sup>1</sup> for Sales Data for Department Stores: 1936-1943**

(Based on Common Figures for Department Stores with Sales of \$1,000,000 or More)

Items	1936	1937	1938	1939	1940	1941	1942	1943
<b>Number of Firms:</b>								
Giving Transaction Data.....	120	129	145	156	155	157	139	143
Giving Data for Sales by Merchandise Lines.....	—	—	184	199	200	197	175	187
Submitting Statements.....	202	220	210	221	220	224	205	219
<b>Year-to-Year Change in Sales:</b>								
Main Store.....	*	*	92.5†	105.3	106.6	117.6	112.9	117.8†
Basement.....	*	*	95.5†	106.1	105.9	115.0	113.8	108.9†
Total Owned Departments.....	111.9	104.4	92.9	105.4	106.4	117.4	112.1	116.5
Average Gross Sale.....	\$2.26	\$2.34	\$2.24	\$2.28	\$2.35	\$2.67	\$2.81	\$2.85
Year-to-Year Change in Transactions.....	105.5	100.0	98.0	103.25	102.8	105.0	101.6	108.1
Main Store Sales.....	*	*	84.2%	85.0%	84.6%	85.4%	84.8%†	85.2%†
Basement Sales.....	*	*	15.8	15.0	15.4	14.6	15.2†	14.8†
<b>Sales by Merchandise Lines—Main Store Owned Depts.:</b>								
Piece Goods and Domestics.....	*	*	7.4%	7.0%	7.0%	7.2%	7.3%	7.9%
Smallwares, Toilet Goods, Notions, and Novelties.....	*	*	12.6	12.5	13.1	12.2	12.1	12.9
Women's, Misses', and Juniors' Ready-to-Wear.....	*	*	16.2	16.9	17.4	17.4	18.2	21.1
Ready-to-Wear Accessories.....	*	*	21.5	20.8	20.0	20.1	22.0	22.3
Men's and Boys' Clothing and Furnishings	*	*	11.1	11.4	11.3	11.2	11.0	10.1
Home Furnishings.....	*	*	22.2	22.4	22.8	23.2	20.5	16.7
Regular Cost Departments.....	*	*	3.2	3.3	3.1	3.2	3.2	3.2
Miscellaneous.....	*	*	5.8	5.7	5.3	5.5	5.7	5.8
<b>Total Main Store Sales.....</b>	....	....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cash Sales.....	36.9%	35.6%	36.0%	34.9%	34.9%	34.9%	43.5%	50.8%
C.O.D. Sales <sup>2</sup> .....	7.5	8.2	7.9	7.8	8.2	7.0	7.3	7.3†
Regular Charge Sales.....	47.0†	47.5†	48.4†	49.4†	48.2	49.7	43.4†	37.4†
Installment Sales.....	8.6†	8.7†	7.7†	7.9†	8.7	8.4	5.8†	4.5†
<b>Returns and Allowances:</b>								
Percentage of Net Sales.....	12.1%	12.05%	11.75%	11.65%	12.0%	11.55%	9.7%	7.85%

\*Data not available. †Usable figures for this item were reported on less than 75% of the reports.

<sup>1</sup>Based on figures for firms with sales of \$2,000,000 or more.

<sup>2</sup>Derived by weighting common figures for the several size groups by aggregate total sales of all firms submitting statements in the respective size groups.

<sup>3</sup>Includes layaway sales in 1943.

problem of having any at all available in the low priced lines has been extremely severe. The second factor which undoubtedly has been at work has been the willingness of people to buy more expensive items which develops when people have money to spend and somewhat fewer ways in which to spend it.

The lag in basement sales in 1943 was in distinct contrast to the record in 1942. In the earlier year the stores with sales of \$2,000,000 to \$10,000,000 reported identical sales increases for main stores and basements, and the stores with sales of more than \$10,000,000 showed basement sales increases at a higher rate than for main stores. The com-

ment was made in the 1942 Bulletin<sup>1</sup> that "the situation is of such a fluid and changing character that little guarantee would exist that these same tendencies would necessarily characterize 1943." The reversal in 1943 bears out this observation, and gives warning against too dogmatic an interpretation of what is happening. It is well established, however, that the decrease in the available ways of spending money was much more extreme in 1943 than in 1942. (Difficult as it is to realize, it was still possible to buy new automobiles in the

<sup>1</sup>Harvard Business School, Bureau of Business Research, Bulletin No. 117, *Operating Results of Department and Specialty Stores in 1942*, by Malcolm P. McNair, page 12.

Table 3. Common Figures for Sales Data for Department Stores: 1943

Items	Net Sales (in thousands)						
	\$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:							
Giving Transaction Data.....	5	8	21†	25†	40†	29†	28†
Giving Data for Sales by Merchandise Lines	15†	17	41†	38†	54†	27†	27†
Giving Other Data.....	30†	27	54†	46†	58†	32†	29†
Aggregate Sales (in thousands).....	\$17,428	\$22,335	\$108,496	\$126,509	\$358,662	\$396,167	\$964,103
Typical Net Sales (in thousands).....	\$575	\$820	\$1,320	\$2,700	\$5,900	\$11,600	\$27,500
Population of City (in thousands).....	20	40	55	115	240	480	1,100
Population (interquartile range <sup>1</sup> —in thousands)	13-28	26-62	37-71	67-206	150-325	302-672	635-2,698
Change in Sales (1943/1942):							
Main Store.....	*	*	*	122.5†	123.5	119.0	114.5
Basement.....	*	*	*	115.0†	118.0†	108.0	105.0
Total Owned Departments.....	128.0	125.0	117.0	122.0	122.5	117.5	113.0
Average Gross Sale.....	*	*	\$2.30	\$2.40	\$2.50	\$2.75	\$3.15
Change in Transactions (1943/1942).....	*	*	107.5	113.5	111.5	110.5	105.3
Total Basement Sales (percentage of total net sales in owned departments).....	§	§	§	6.0%†	10.5%	14.0%	17.8%
Leased Department Sales <sup>2</sup> (percentage of total store sales including leased department sales)	4.5%	6.0%	8.0%	6.0%	7.0%	3.9%	2.3%
Sales by Merchandise Lines—Main Store Owned Depts.:							
Piece Goods and Domestics.....	13.5%	13.5%	10.5%	10.5%	9.0%	7.2%	7.2%
Smallwares, Toilet Goods, Notions, and Novelties.....	8.2	8.0	10.3	10.0	12.5	14.0	13.3
Women's, Misses', and Juniors' Ready-to-Wear.....	29.0	26.5	23.8	23.0	21.5	21.5	20.3
Ready-to-Wear Accessories.....	30.5	28.0	25.0	25.3	23.0	23.0	21.0
Men's and Boys' Clothing and Furnishings	5.8	12.0	10.4	9.5	10.3	9.5	10.2
Home Furnishings.....	9.5	9.5	14.0	14.2	15.0	16.6	18.0
Regular Cost Departments.....	0.0†	0.0†	2.0†	2.0†	3.1†	3.5	3.5
Miscellaneous.....	3.5†	2.5	4.0	5.5	5.6	4.7	6.5
Total Main Store Sales.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cash Sales.....	62.0%†	60.0%†	62.0%†	54.5%	53.5%	52.0%	48.0%
C.O.D. Sales and Layaways.....	38.0†	40.0†	38.0†	6.5†	6.5†	7.6	8.0
Regular Charge Sales.....	38.0†	40.0†	38.0†	36.0†	36.0	36.0	39.0
Instalment Sales.....	38.0†	40.0†	38.0†	3.0†	4.0	4.4	5.0
Returns and Allowances:							
Percentage of Gross Sales.....	2.9%†	3.85%†	4.85%†	4.65%	6.0%	7.75%	8.15%
Percentage of Net Sales.....	3.0†	4.0†	5.1†	4.9	6.4	8.4	8.9
Transactions Delivered (percentage of total transactions):							
1943.....	*	*	*	*	7.6%†	9.8%†	15.8%†
1942.....	*	*	*	*	12.9†	16.4†	22.6

\*Data not available. †Usable figures for this item were given on less than 75% of the reports.

‡Some of the reports covered the operations of more than one store. In such cases, the population of the city in which the main store was located was used in preparing the figures for population.

§The operation of basement stores was not typical of firms with sales of less than \$2,000,000. The following arithmetic averages which include zero weighting for firms having no basements may be suggestive: \$500,000-\$750,000, 0.0%; \$750,000-\$1,000,000, 1.75%; \$1,000,000-\$2,000,000, 3.85%.

<sup>1</sup>See the definition in the Appendix.

<sup>2</sup>For a discussion of the treatment of leased department sales, see the Appendix, page 31.

early months of 1942, and few major appliance items really began to disappear until late in the year.)

### **Sales by Merchandise Lines**

At an earlier point it was noted that, aside from eating and drinking places, the highest percentage increase in sales was recorded by the apparel stores. This development is matched in the department store field by the rise in importance of ready-to-wear and, to a somewhat lesser extent, ready-to-wear accessories. In 1943, ready-to-wear sales, as shown in Table 2, rose to 21.1% of total sales as compared with 18.2% in 1942 and 16% to 17% in earlier years. The principal decrease of importance was in home furnishings which fell from 20.5% of sales in 1942 to 16.7% of sales in 1943. Men's and boys' clothing recorded a distinctly lower decline, while there were few significant changes in other categories.

### **Cash Sales Increase Further**

The marked increase in the percentage of total sales made for cash, which began in 1942, continued in 1943. In the latter year 50.8% of total sales were made for cash as compared to what had come to be regarded as a normal figure of 35% of sales in earlier years. There has been little change in the percentage of C.O.D. business, but both regular charge sales and instalment sales decreased in importance in 1943. The two principal factors at work here were the disappearance of many major items customarily sold on instalments and the operation of Regulation W. More detailed information on the breakdown between cash and credit sales in 1943 is given in Table 13, page 17, where pertinent facts are assembled for each of the ten size groups.

### **Marked Increase in Transactions**

In previous years it has been customary for the Bureau to make extensive use of price indexes as a means of translating dollar sales into physical or "real" sales. In view of the marked changes in quality of merchandise, it has seemed this year that such computations would be more likely to be misleading than helpful, and they are therefore omitted. Examination of the figures for the number of transactions indicates that, in contrast to the situation in 1942, a very considerable part of the sales increase came from a large number of transactions, not solely or principally from price increases. The average gross sale increased from \$2.81 in 1942 to \$2.85 in 1943.

### **Small Stores Show Highest Sales Increases**

As is brought out in Table 3, page 7, the smaller stores recorded distinctly higher sales increases than did the larger stores. The data for the larger stores are heavily weighted by the relatively poorer showing of certain of the major eastern metropolitan areas, as pointed out earlier, and the smaller stores put heavier emphasis on merchandise which has been available and which people have been eager to buy. As is clearly brought out in the table, the smaller stores typically had a much higher proportion of their total volume in ready-to-wear and accessories than was the case with the large stores. The common figure for the \$500,000 to \$750,000 group, for instance, was 59.5% of total sales for these two merchandise lines as compared with 41.3% for stores with sales of \$20,000,000 or more. A detailed discussion of operating results, as affected by size of store and size of community, is given in a later section.

### **Results Classified by Size of Store**

For many years the Bureau has found it essential to classify the results of department stores by size of store. This practice is continued for 1943 in a series of eight tables. In the first table (No. 4, page 9) common figures for merchandising operations and profits are given for the full range of ten size classes, running from less than \$150,000 to \$20,000,000 or more. These same classes are retained in the next table in which are shown expenses by natural and functional divisions. The following three tables are limited to the stores with sales of \$750,000 or more since the detailed expenses by both functional and natural divisions were not reported in sufficient numbers by stores with sales of less than \$750,000. Finally, the remaining three tables are concerned with a subdivision of the sales volume group between stores with sales of \$20,000,000 to \$30,000,000 and stores with sales of \$30,000,000 or more.

While experience has indicated that both the size of the community and the rate of sales increase in addition to the size of store are important influences on operating results, and although a simple classification by size of store does not permit distinguishing the relative influence of these three factors, it nevertheless has seemed useful to continue relatively elaborate comparisons by sales volume groups.

Examination of the several tables indicates that, as in the past, the total expense rate in 1943 was higher for the larger firms than for the smaller firms. The lowest figure for total expense in 1943

was 22.9% of sales for those stores with sales of \$150,000 to \$300,000 as compared with 30.2% of sales for the stores doing a business of \$20,000,000 or more. In contrast to earlier years, however, on the net profit and net gain (shown in Table 4)

the small stores made a showing entirely comparable with that for larger stores; in other words, the advantage in the low total expense rate of the smaller stores has increased. The relatively high profit showing of the smaller stores is undoubtedly

**Table 4. Common Figures for Merchandising Operations and Profits for Department Stores: 1943**  
(Net Sales = 100%, except where noted)

Items	Net Sales (in thousands)									
	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.....	27†	30†	33†	30†	27	54†	46†	58†	32†	29†
Aggregate Sales (in thousands)....	\$3,473	\$6,283	\$13,045	\$17,428	\$22,335	\$108,496	\$126,509	\$358,662	\$396,167	\$964,103
Typical Net Sales (in thousands)...	\$100	\$200	\$375	\$575	\$820	\$1,320	\$2,700	\$5,900	\$11,600	\$27,500
Change in Sales (1943/1942).....	122.5†	130.0	120.0	128.0	125.0	117.0	122.0	122.5	117.5	113.0
Population of City (in thousands)...	9	12	25	20	40	55	115	240	480	1,100
Population (interquartile range <sup>1</sup> in thousands).....	5-15	6-20	17-45	13-28	26-62	37-71	67-206	150-325	302-672	635-2,698
Initial Markup (percentage of original retail value) on Invoice Cost Delivered <sup>1</sup> .....	*	*	*	*	37.75%	38.8%	39.5%	39.55%	39.8%	39.45%
Markdowns.....	*	*	*	*	3.5%†	3.5%†	4.0%†	3.4%	3.35%	3.35%
Discounts to Employees and Others	*	*	*	*	0.3†	0.5†	0.5†	0.6†	0.6	0.65
Stock Shortages.....	*	*	*	*	0.9†	0.9†	1.0†	1.0	1.25	1.2
Total Retail Reductions.....	*	*	*	*	4.7%†	4.9%†	5.5%†	5.0%	5.2%	5.2%
Inward Freight, Express, and Truckage.....	0.95%	0.85%	0.9%	0.9%	0.8%	0.75%†	0.8%	0.85%	0.75%	0.6%
Alteration and Workroom Costs (Net).....	*	*	*	0.3†	0.2	0.4	0.4	0.4	0.6	0.55
Cash Discounts Received on Purchases (percentage of sales).....	2.35	2.5	2.35	2.7	2.6	2.6	2.65	2.85	2.95	3.15
Gross Margin.....	33.1	34.9	35.0	36.4	37.2	38.0	38.4	39.0	39.0	38.9
Total Merchandise Costs (Net)....	66.9%	65.1%	65.0%	63.6%	62.8%	62.0%	61.6%	61.0%	61.0%	61.1%
Total Expense.....	24.2	22.9	26.2	26.2	27.2	27.9	28.7	28.2	28.8	30.2
TOTAL COST.....	91.1%	88.0%	91.2%	89.8%	90.0%	89.9%	90.3%	89.2%	89.8%	91.3%
NET PROFIT OR LOSS.....	8.9%	12.0%	8.8%	10.2%	10.0%	10.1%	9.7%	10.8%	10.2%	8.7%
Net Other Income (including interest on capital owned).....	1.3	1.6	2.0	2.3	2.5	2.6	2.3	2.1	2.3	2.5
NET GAIN before Federal Tax on Income:										
Percentage of Net Sales.....	10.2%	13.6%	10.8%	12.5%	12.5%	12.7%	12.0%	12.9%	12.5%	11.2%
Percentage of Net Worth.....	27.0†	36.0	34.0	*	38.5	39.0	39.0	45.0†	30.0†	30.0
Net Federal Tax on Income and Excess Profits.....	4.2%†	*	6.0%†	7.7%†	8.0%†	8.7%	8.1%†	9.0%	8.1%	7.5%
NET GAIN after Federal Tax on Income:										
Percentage of Net Sales.....	6.0%†	*	4.8%†	4.8%†	4.5%†	4.0%	3.9%†	3.9%	4.4%	3.7%
Percentage of Net Worth.....	*	*	*	*	14.0†	12.0†	12.5†	13.5†	10.5†	10.0
Percentage of Firms:										
Earning Some Net Profit....	92.6%	96.7%	97.0%	100.0%	100.0%	100.0%	100.0%	98.3%	100.0%	100.0%
Earning Some Net Gain.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Rate of Stock-turn (times a year):										
Based on Beginning and Ending Inventories.....	3.9	3.75	4.0	4.55	4.7	5.0	4.7	5.4	5.0	5.0
Based on Monthly Inventories	*	3.4†	3.4†	3.7†	4.0†	4.2	4.1	4.7	4.7	4.7

\*Data not available. †Usable figures for this item were given on less than 75% of the reports.  
<sup>1</sup>Some of the reports covered the operations of more than one store. In such cases, the population of the city in which the main store was located was used in preparing the figures for population.  
<sup>2</sup>See the definition in the Appendix.

**Table 5. Common Figures for Expense by Natural and Functional Divisions for Department Stores: 1943**

(Net Sales = 100%)

Items	Net Sales (in thousands)									
	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:										
Giving Functional Data.....	0	0	0	8	17	40†	41†	56†	32†	29†
Giving Other Data.....	27†	30†	33†	30†	27	54†	46†	58†	32†	29†
Aggregate Sales (in thousands)....	\$3,473	\$6,283	\$13,045	\$17,428	\$22,335	\$108,496	\$126,509	\$358,662	\$396,167	\$964,103
Typical Net Sales (in thousands).	\$100	\$200	\$375	\$575	\$820	\$1,320	\$2,700	\$5,900	\$11,600	\$27,500
Change in Sales (1943/1942).....	122.5†	130.0	120.0	128.0	125.0	117.0	122.0	122.5	117.5	113.0
Population of City (in thousands).	9	12	25	20	40	55	115	240	480	1,100
Population (interquartile range <sup>1</sup> in thousands).....	5-15	6-20	17-45	13-28	26-62	37-71	67-206	150-325	302-672	635-2,698
<b>NATURAL DIVISIONS</b>										
Total Payroll.....	14.3%	13.5%	14.8%	14.5%	15.0%	15.5%	15.1%	14.85%	15.45%	16.2%
Real Estate Costs <sup>1</sup> .....	2.2	2.2	2.95	2.8	2.45	2.85	3.0	3.1	3.0	3.2
Newspaper Advertising.....	*	*	*	1.2†	1.8†	1.7†	2.3	2.1	2.2	2.0
Direct Advertising.....	*	*	*	0.05†	0.1†	0.05†	0.05†	0.05	0.1	0.1
Radio Advertising.....	*	*	*	0.2†	0.1†	0.1†	0.05†	0.05†	0.05†	0.1
Other Advertising.....	*	*	*	0.15†	0.15†	0.15†	0.1	0.1	0.1	0.15
Total Advertising (subtotal).....	1.2	1.0	1.7	(1.6)	(2.15)	(2.0)	(2.5)	(2.3)	(2.45)	(2.35)
Taxes <sup>1</sup> .....	0.85	0.8	0.9	0.9	0.9	1.0	1.0	1.15	1.15	1.15
Interest <sup>2</sup> .....	1.5	1.45	1.35	1.4	1.4	1.3	1.4	1.3	1.35	1.4
Supplies.....	0.8	0.75	0.85	1.0	1.2	1.25	1.35	1.3	1.35	1.3
Service Purchased.....	0.65	0.65	0.75	0.7	0.6	0.7	0.8	0.7	0.75	0.8
Losses from Bad Debts.....	0.1†	0.15	0.1	0.1	0.1	0.1	0.1	0.05	0.0	0.05
Other Unclassified.....	0.75	0.7†	0.85	0.9	0.8	0.9	0.95	1.0	1.0	1.5
Traveling.....	0.5	0.45	0.45	0.6	0.5	0.4	0.5	0.45	0.4	0.35
Communication.....	0.2	0.25	0.3	0.3	0.35	0.3	0.3	0.3	0.35	0.35
Repairs.....	0.3†	0.15†	0.3†	0.35	0.6	0.5	0.45	0.5	0.45	0.45
Insurance <sup>2</sup> .....	0.35	0.4	0.35	0.35	0.35	0.35	0.3	0.3	0.25	0.2
Depreciation <sup>2</sup> .....	0.3	0.3	0.25	0.4	0.35	0.4	0.5	0.45	0.45	0.5
Professional Services <sup>1</sup> .....	0.2†	0.15†	0.3†	0.3	0.45	0.35	0.45	0.45	0.4	0.4
Total Expense.....	24.2%	22.9%	26.2%	26.2%	27.2%	27.9%	28.7%	28.2%	28.8%	30.2%
<b>FUNCTIONAL DIVISIONS</b>										
<b>Administrative and General:</b>										
Accounting Office, Accounts Rec., and Credit.....	*	*	*	*	*	2.05%	1.95%	1.95%	1.8%	1.85%
Executive and Other Admin. and General.....	*	*	*	*	*	5.15	5.15	5.0	4.9	5.35
Total Admin. and General..	*	*	*	*	6.95%	7.2%	7.1%	6.95%	6.7%	7.2%
<b>Occupancy:</b>										
Operating and Housekeeping	*	*	*	*	1.45%	1.55%	1.4%	1.45%	1.55%	1.7%
Real Estate Costs <sup>1</sup> .....	*	*	*	*	2.45	2.85	3.0	3.1	3.0	3.2
Fixtures and Equipment Costs	*	*	*	*	0.55	0.55	0.65	0.6	0.65	0.65
Heat, Light, and Power.....	*	*	*	*	0.65	0.65	0.6	0.5	0.5	0.5
Total Occupancy.....	*	*	*	*	5.1%	5.6%	5.65%	5.65%	5.7%	6.05%
<b>Publicity:</b>										
Sales Prom. and Gen. Adv....	*	*	*	*	2.6%†	2.35%	3.05%	2.75%	3.0%	2.85%
Display.....	*	*	*	*	0.45†	0.5	0.5	0.4	0.45	0.45
Total Publicity.....	*	*	*	*	3.05%	2.85%	3.55%	3.15%	3.45%	3.3%
<b>Buying and Merchandising:</b>										
Mdsc. Management and Buying.....	*	*	*	*	*	3.3%	3.6%	3.25%	3.65%	3.5%
Receiving and Marking.....	*	*	*	*	*	0.4	0.45	0.5	0.5	0.5
Total Buying and Mdsing....	*	*	*	*	3.6%	3.7%	4.05%	3.75%	4.15%	4.0%
Direct and General Selling.....	*	*	*	*	8.25	7.95	7.7	8.0	8.0	8.5
Delivery.....	*	*	*	*	0.25	0.6	0.65	0.7	0.8	1.15
Total Expense.....	24.2%	22.9%	26.2%	26.2%	27.2%	27.9%	28.7%	28.2%	28.8%	30.2%

\*Data not available.

†Usable figures for this item were given on less than 75% of the reports.

<sup>1</sup>Some of the reports covered the operations of more than one store. In such cases, the population of the city in which the main store was located was used in preparing the figures for population.

<sup>2</sup>See the definition in the Appendix.

<sup>3</sup>Except on real estate.

**Table 6. Detailed Expenses by Natural and Functional Divisions for Department Stores with Net Sales of \$750,000 to \$2,000,000: 1943**

(Common Figures; Net Sales = 100%)

Items	17 Firms with Net Sales of \$750,000 to \$1,000,000			305 Firms with Net Sales of \$1,000,000 to \$2,000,000				
	Accounting Office, Accounts Receivable, and Credit	Executive and Other Administrative and General	Total	Accounting Office, Accounts Receivable, and Credit	Executive and Other Administrative and General	Total		
<b>ADMINISTRATIVE AND GENERAL:</b>								
Payroll: Accounting Office.....	*	....		0.95%†	....			
Accts. Rec. and Credit.....	*	....		0.60†	....			
Executive.....	....	1.30%		....	1.35%			
Executive Office.....	....	*		....	0.05†			
Superintendency and Gen. Store..	....	*	3.30%	....	0.40	3.35%		
Taxes <sup>1</sup> .....	....	0.86	0.86	....	1.00	1.00		
Interest on Mdse. and Accts. Rec.....	....	1.25	1.25	....	1.15	1.15		
Supplies.....	*	*	0.15	*	*	0.16		
Losses from Bad Debts.....	0.10%	....	0.10	0.10	....	0.10		
Other Unclassified.....	*	*	0.40	*	*	0.58		
Traveling.....	*	*	0.00†	*	*	0.04		
Communication.....	*	*	0.34	*	*	0.29		
Insurance.....	....	0.31	0.31	....	0.33	0.33		
Professional Services.....	*	*	0.22	*	*	0.18		
<b>Total Administrative and General.....</b>	*	*	<b>6.95%‡</b>	<b>2.05%</b>	<b>5.15%</b>	<b>7.20%‡</b>		
<b>OCCUPANCY:</b>								
	Operating and House-keeping	Fixed Plant and Equipment Costs	Heat, Light, and Power	Total	Operating and House-keeping	Fixed Plant and Equipment Costs	Heat, Light, and Power	Total
Payroll.....	*	....	*	0.75%	0.80%	....	0.05%†	0.85%
Real Estate Costs <sup>1</sup> .....	....	2.45%	....	2.45	....	2.85%	....	2.85
Taxes on Fixtures and Equipment.....	....	0.02†	....	0.02†	....	0.00†	....	0.00†
Interest on Fixtures and Equipment.....	....	0.15	....	0.15	....	0.17	....	0.17
Supplies.....	*	....	*	0.20	*	....	*	0.23
Service Purchased.....	*	....	*	0.50	*	....	*	0.54
Unclassified.....	*	....	*	0.07†	*	....	*	0.10
Traveling.....	0.00%†	....	....	0.00†	0.00†	....	....	0.00†
Repairs.....	0.60	....	....	0.60	0.47	....	....	0.47
Insurance on Fixtures and Equipment.....	....	0.02†	....	0.02†	....	0.02	....	0.02
Depreciation on Fixtures and Equipment..	....	0.36	....	0.36	....	0.37	....	0.37
<b>Total Occupancy.....</b>	<b>1.45%</b>	<b>3.00%</b>	<b>0.65%</b>	<b>5.10%‡</b>	<b>1.55%</b>	<b>3.40%‡</b>	<b>0.65%</b>	<b>5.60%‡</b>
<b>PUBLICITY:</b>								
	Sales Promotion and Gen. Advt.	Display	Total	Sales Promotion and Gen. Advt.	Display	Total		
Payroll.....	0.30%†	0.30%†	0.60%	0.30%	0.30%	0.60%		
Advertising.....	2.15	....	2.15	2.00	....	2.00		
Supplies.....	*	*	0.27	*	*	0.23		
Unclassified.....	*	*	0.03†	*	*	0.04		
Traveling.....	0.00†	0.00†	0.00†	0.00†	0.00†	0.00†		
Communication.....	0.00†	....	0.00†	0.00†	....	0.00†		
Professional Services.....	0.00†	....	0.00†	0.00†	....	0.00†		
<b>Total Publicity.....</b>	<b>2.60%†</b>	<b>0.45%†</b>	<b>3.05%</b>	<b>2.35%</b>	<b>0.50%</b>	<b>2.85%‡</b>		
<b>BUYING AND MERCHANDISING:</b>								
	Mdse. Management and Buying	Receiving and Marking	Total	Mdse. Management and Buying	Receiving and Marking	Total		
Payroll: Mdse. Mgrs. and Assts.....	*	....		0.50%†	....			
Buyers and Assistants.....	*	....		2.05†	....			
Other.....	*	....		0.20†	....			
Receiving and Marking.....	....	*	2.80%	....	0.35%	3.10%		
Supplies.....	0.00†	0.02%†	0.02†	0.02†	0.05	0.07		
Unclassified.....	0.01†	0.00†	0.01†	0.01†	0.00†	0.01†		
Traveling.....	0.50	0.00†	0.50	0.35	0.00†	0.35		
Communication.....	0.02†	....	0.02†	0.02	....	0.02		
Professional Services <sup>1</sup> .....	0.25	....	0.25	0.17	....	0.17		
<b>Total Buying and Merchandising.....</b>	<b>*</b>	<b>*</b>	<b>3.60%</b>	<b>3.30%‡</b>	<b>0.40%</b>	<b>3.70%‡</b>		
<b>SELLING AND DELIVERY:</b>								
	Direct and General Selling	Delivery	Total	Direct and General Selling	Delivery	Total		
Payroll: Salespeople.....	} 7.40%	....		6.60%	....			
Floor Supts. and Sec. Mgrs.....		....		0.25†	....			
Other.....		....		0.45†	....			
Delivery.....	....	0.15%	7.55%	....	0.30%	7.60%		
Taxes.....	....	0.00†	0.00†	....	0.00†	0.00†		
Interest on Equipment.....	....	0.00†	0.00†	....	0.00†	0.00†		
Supplies.....	0.54	0.01†	0.55	0.50	0.04	0.54		
Service Purchased.....	....	0.10†	0.10†	....	0.17	0.17		
Unclassified.....	0.30†	0.00†	0.30†	0.15	0.00†	0.15		
Traveling.....	0.00†	0.00†	0.00†	0.00†	0.00	0.00		
Repairs.....	....	0.00†	0.00†	....	0.03†	0.03†		
Insurance.....	....	0.00†	0.00†	....	0.01†	0.01†		
Depreciation.....	....	0.00†	0.00†	....	0.03†	0.03†		
<b>Total Selling and Delivery.....</b>	<b>8.25%‡</b>	<b>0.25%‡</b>	<b>8.50%</b>	<b>7.95%</b>	<b>0.60%‡</b>	<b>8.55%‡</b>		
<b>TOTAL EXPENSE.....</b>	<b>27.2%</b>			<b>27.9%</b>				

\*Data not available. †Usable figures for this item were given on less than 75% of the reports. ‡Some of the reports covered the operations of more than one store. †Owing to the Bureau's practice of rounding off the common figures for functional and subfunctional totals to the nearest 0.00 or 0.05, 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. ‡See the definition in the Appendix.

**Table 7. Detailed Expenses by Natural and Functional Divisions for Department Stores with Net Sales of \$2,000,000 to \$10,000,000: 1943/**  
(Common Figures; Net Sales = 100%)

Items	41½ Firms with Net Sales of \$2,000,000 to \$4,000,000			55½ Firms with Net Sales of \$4,000,000 to \$10,000,000				
	Accounting Office, Accounts Receivable, and Credit	Executive and Other Administrative and General	Total	Accounting Office, Accounts Receivable, and Credit	Executive and Other Administrative and General	Total		
<b>ADMINISTRATIVE AND GENERAL:</b>								
Payroll: Accounting Office.....	0.85%	....		0.85%	....			
Accts. Rec. and Credit.....	0.60	....		0.65	....			
Executive.....	....	1.20%		....	0.90%			
Executive Office.....	....	0.05†		....	0.05			
Superintendency and Gen. Store.....	....	0.50	3.20%	....	0.50	2.95%		
Taxes <sup>1</sup> .....	....	0.96	0.96	....	1.10	1.10		
Interest on Mdse. and Accts. Rec.....	....	1.25	1.25	....	1.15	1.15		
Supplies.....	0.11	0.02†	0.13	0.11	0.04	0.15		
Losses from Bad Debts.....	0.10	....	0.10	0.05	....	0.05		
Other Unclassified.....	0.04	0.57	0.61	0.07	0.66	0.73		
Traveling.....	0.00†	0.05	0.05	0.00†	0.04	0.04		
Communication.....	0.15	0.15	0.30	0.13	0.16	0.29		
Insurance.....	....	0.25	0.25	....	0.28	0.28		
Professional Services.....	0.10†	0.15	0.25	0.09	0.11	0.20		
Total Administrative and General.....	1.95%	5.15%	7.10%	1.95%	5.00%‡	6.95%‡		
<b>OCCUPANCY:</b>								
	Operating and House-keeping	Fixed Plant and Equipment Costs	Heat, Light, and Power	Total	Operating and House-keeping	Fixed Plant and Equipment Costs	Heat, Light, and Power	Total
Payroll.....	0.75%	....	0.00%†	0.75%	0.80%	....	0.10%†	0.90%
Real Estate Costs <sup>1</sup> .....	....	3.00%	....	3.00	....	3.10%	....	3.10
Taxes on Fixtures and Equipment.....	....	0.02†	....	0.02†	....	0.03†	....	0.03†
Interest on Fixtures and Equipment.....	....	0.16	....	0.16	....	0.15	....	0.15
Supplies.....	0.12	....	0.11	0.23	0.10	....	0.08	0.18
Service Purchased.....	0.05†	....	0.47	0.52	0.04	....	0.34	0.38
Unclassified.....	0.03	0.00†	0.00†	0.03	0.03	0.00†	0.00†	0.03
Traveling.....	0.00†	....	....	0.00†	0.00†	....	....	0.00†
Repairs.....	0.44	....	....	0.44	....	....	....	0.48
Insurance on Fixtures and Equipment.....	....	0.02†	....	0.02†	....	0.01	....	0.01
Depreciation on Fixtures and Equipment.....	....	0.46	....	0.46	....	0.41	....	0.41
Total Occupancy.....	1.40%‡	3.65%‡	0.60%‡	5.65%‡	1.45%	3.70%	0.50%‡	5.65%‡
<b>PUBLICITY:</b>								
	Sales Promotion and Gen. Advt.	Display	Total	Sales Promotion and Gen. Advt.	Display	Total		
Payroll.....	0.30%	0.25%	0.55%	0.25%	0.20%	0.45%		
Advertising.....	2.50	....	2.50	2.30	....	2.30		
Supplies.....	0.16	0.25	0.41	0.16	0.19	0.35		
Unclassified.....	0.06	0.01	0.07	0.02	0.01†	0.03		
Traveling.....	0.01†	0.00†	0.01†	0.01†	0.00†	0.01		
Communication.....	0.01†	....	0.01	0.01	....	0.01		
Professional Services.....	0.00†	....	0.00†	0.02†	....	0.02†		
Total Publicity.....	3.05%‡	0.50%‡	3.55%	2.75%‡	0.40%‡	3.15%‡		
<b>BUYING AND MERCHANDISING:</b>								
	Mdse. Management and Buying	Receiving and Marking	Total	Mdse. Management and Buying	Receiving and Marking	Total		
Payroll: Mdse. Mgrs. and Assts.....	0.40%†	....		0.40%	....			
Buyers and Assistants.....	2.40†	....		1.95	....			
Other.....	0.15†	....		0.20	....			
Receiving and Marking.....	....	0.40%	3.35%	....	0.45%	3.00%		
Supplies.....	0.01	0.04	0.05	0.01	0.04	0.05		
Unclassified.....	0.03	0.00†	0.03	0.02	0.01†	0.03		
Traveling.....	0.42	0.00†	0.42	0.41	0.00†	0.41		
Communication.....	0.01	....	0.01	0.02	....	0.02		
Professional Services <sup>1</sup> .....	0.20	....	0.20	0.23	....	0.23		
Total Buying and Merchandising.....	3.60%‡	0.45%‡	4.05%‡	3.25%‡	0.50%‡	3.75%‡		
<b>SELLING AND DELIVERY:</b>								
	Direct and General Selling	Delivery	Total	Direct and General Selling	Delivery	Total		
Payroll: Salespeople.....	6.05%	....		6.10%	....			
Floor Supts. and Sec. Mgrs.....	0.15	....		0.20	....			
Other.....	0.80	....		1.00	....			
Delivery.....	....	0.25%	7.25%	....	0.25%	7.55%		
Taxes.....	....	0.01†	0.01†	....	0.01	0.01		
Interest on Equipment.....	....	0.00†	0.00†	....	0.00†	0.00†		
Supplies.....	0.50	0.03	0.53	0.52	0.03	0.55		
Service Purchased.....	....	0.30	0.30	....	0.32	0.32		
Unclassified.....	0.20	0.00	0.20	0.18	0.01	0.19		
Traveling.....	0.00†	0.00†	0.00†	0.00†	0.00†	0.00†		
Repairs.....	....	0.02	0.02	....	0.02	0.02		
Insurance.....	....	0.01†	0.01†	....	0.01†	0.01†		
Depreciation.....	....	0.04†	0.04†	....	0.03†	0.03†		
Total Selling and Delivery.....	7.70%	0.65%‡	8.35%‡	8.00%	0.70%‡	8.70%‡		
<b>TOTAL EXPENSE.....</b>	<b>28.70%</b>			<b>28.20%</b>				

†Usable figures for this item were given on less than 75% of the reports. §Some of the reports covered the operations of more than one store.  
 †Owing to the Bureau's practice of rounding off the common figures for functional and subfunctional totals to the nearest 0.00 or 0.05, 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.  
 ‡See the definition in the Appendix.

**Table 8. Detailed Expenses by Natural and Functional Divisions for Department Stores with Net Sales of \$10,000,000 or More: 1943**  
(Common Figures; Net Sales = 100%)

Items	324 Firms with Net Sales of \$10,000,000 to \$20,000,000			298 Firms with Net Sales of \$20,000,000 or More				
	Accounting Office, Accounts Receivable, and Credit	Executive and Other Administrative and General	Total	Accounting Office, Accounts Receivable, and Credit	Executive and Other Administrative and General	Total		
<b>ADMINISTRATIVE AND GENERAL:</b>								
Payroll: Accounting Office.....	0.80%	.....		0.80%	.....			
Accts. Rec. and Credit.....	0.60	.....		0.60	.....			
Executive.....	.....	0.70%		.....	0.55%			
Executive Office.....	.....	0.05		.....	0.05			
Superintendency and Gen. Store..	.....	0.65	2.80%	.....	0.90	2.90%		
Taxes <sup>1</sup> .....	.....	1.10	1.10	.....	1.11	1.11		
Interest on Mdse. and Accts. Rec.....	.....	1.16	1.16	.....	1.20	1.20		
Supplies.....	0.09	0.03	0.12	0.09	0.03	0.12		
Losses from Bad Debts.....	0.00	.....	0.00	0.05	.....	0.05		
Other Unclassified.....	0.08	0.64	0.72	0.10	1.00	1.10		
Traveling.....	0.00†	0.02	0.02	0.00	0.01	0.01		
Communication.....	0.13	0.18	0.31	0.13	0.20	0.33		
Insurance.....	.....	0.23	0.23	.....	0.16	0.16		
Professional Services.....	0.10	0.13	0.23	0.09	0.14	0.23		
Total Administrative and General.....	1.80%	4.90%‡	6.70%‡	1.85%‡	5.35%	7.20%‡		
<b>OCCUPANCY:</b>								
	Operating and House-keeping	Fixed Plant and Equipment Costs	Heat, Light, and Power	Total	Operating and House-keeping	Fixed Plant and Equipment Costs	Heat, Light, and Power	Total
Payroll.....	0.90%	.....	0.10%†	1.00%	1.05%	.....	0.10%	1.15%
Real Estate Costs <sup>1</sup> .....	.....	3.00%	.....	3.00	.....	3.20%	.....	3.20
Taxes on Fixtures and Equipment.....	.....	0.04†	.....	0.04†	.....	0.02†	.....	0.02†
Interest on Fixtures and Equipment.....	.....	0.17	.....	0.17	.....	0.18	.....	0.18
Supplies.....	0.10	.....	0.06	0.16	0.12	.....	0.08	0.20
Service Purchased.....	0.03	.....	0.36	0.39	0.02†	.....	0.31	0.33
Unclassified.....	0.06	0.00†	0.00†	0.06	0.07	0.00†	0.00†	0.07
Traveling.....	0.00†	.....	.....	0.00†	0.00†	.....	.....	0.00†
Repairs.....	0.45	.....	.....	0.45	0.43	.....	.....	0.43
Insurance on Fixtures and Equipment.....	.....	0.01	.....	0.01	.....	0.01	.....	0.01
Depreciation on Fixtures and Equipment...	.....	0.44	.....	0.44	.....	0.46	.....	0.46
Total Occupancy.....	1.55%‡	3.65%‡	0.50%‡	5.70%‡	1.70%‡	3.85%‡	0.50%‡	6.05%‡
<b>PUBLICITY:</b>								
	Sales Promotion and Gen. Advt.	Display	Total	Sales Promotion and Gen. Advt.	Display	Total		
Payroll.....	0.30%	0.25%	0.55%	0.35%	0.20%	0.55%		
Advertising.....	2.45	.....	2.45	2.35	.....	2.35		
Supplies.....	0.17	0.20	0.37	0.10	0.22	0.32		
Unclassified.....	0.03	0.01	0.04	0.03	0.01	0.04		
Traveling.....	0.01	0.00†	0.01	0.00	0.00†	0.00		
Communication.....	0.02	.....	0.02	0.02†	.....	0.02†		
Professional Services.....	0.00†	.....	0.00†	0.00†	.....	0.00†		
Total Publicity.....	3.00%‡	0.45%‡	3.45%‡	2.85%	0.45%‡	3.30%‡		
<b>BUYING AND MERCHANDISING:</b>								
	Mdse. Management and Buying	Receiving and Marking	Total	Mdse. Management and Buying	Receiving and Marking	Total		
Payroll: Mdse. Mgrs. and Assts.....	0.55%	.....		0.65%	.....			
Buyers and Assts.....	2.25	.....		1.95	.....			
Other.....	0.25	.....		0.35	.....			
Receiving and Marking.....	.....	0.45%	3.50%	.....	0.45%	3.40%		
Supplies.....	0.01	0.04	0.05	0.01	0.04	0.05		
Unclassified.....	0.02	0.00	0.02	0.03	0.00	0.03		
Traveling.....	0.38	0.00†	0.38	0.34	0.00†	0.34		
Communication.....	0.01	.....	0.01	0.01	.....	0.01		
Professional Services <sup>1</sup> .....	0.18	.....	0.18	0.17	.....	0.17		
Total Buying and Merchandising.....	3.65%	0.50%‡	4.15%‡	3.50%‡	0.50%‡	4.00%‡		
<b>SELLING AND DELIVERY:</b>								
	Direct and General Selling	Delivery	Total	Direct and General Selling	Delivery	Total		
Payroll: Salespeople.....	5.55%	.....		5.65%	.....			
Floor Supts. and Sec. Mgrs.....	0.25	.....		0.35	.....			
Other.....	1.50	.....		1.70	.....			
Delivery.....	.....	0.30%	7.60%	.....	0.50%	8.20%		
Taxes.....	.....	0.00	0.00	.....	0.01†	0.01†		
Interest on Equipment.....	.....	0.00†	0.00†	.....	0.01†	0.01†		
Supplies.....	0.60	0.04	0.64	0.57	0.04	0.61		
Service Purchased.....	.....	0.38	0.38	.....	0.49	0.49		
Unclassified.....	0.12	0.02	0.14	0.23	0.03	0.26		
Traveling.....	0.00†	0.00†	0.00†	0.00†	0.00†	0.00†		
Repairs.....	.....	0.01	0.01	.....	0.02	0.02		
Insurance.....	.....	0.01	0.01	.....	0.01	0.01		
Depreciation.....	.....	0.02	0.02	.....	0.05	0.05		
Total Selling and Delivery.....	8.00%‡	0.80%‡	8.80%	8.50%	1.15%‡	9.65%‡		
<b>TOTAL EXPENSE.....</b>			<b>28.8%</b>			<b>30.2%</b>		

† Usable figures for this item were given on less than 75% of the reports. § Some of the reports covered the operations of more than one store.  
 ‡ Owing to the Bureau's practice of rounding off the common figures for functional and subfunctional totals to the nearest 0.00 or 0.05, 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.  
 † See the definition in the Appendix.



closely related to the very substantial sales increases which they recorded in 1943.

Among the individual items of expense, the total payroll rate remained somewhat higher for the larger firms than for the smaller firms, running from a low of 13.5% of sales for the stores in the \$150,000 to \$300,000 group to a high of 16.2% of sales for the stores in the \$20,000,000 or more category. A much wider difference existed relatively in real estate costs where the largest stores reported a cost of 3.2% of sales as compared with 2.2% of sales for the two groups of smallest stores. The third principal item of expense, advertising, revealed a still larger divergence, with a low figure of 1.0% of sales for the stores in the \$150,000 to \$300,000 class and a high of 2.45% of sales, not this time for the larger stores, but for those with sales of \$10,000,000 to \$20,000,000. In connection with the figures for different types of advertising, it is of interest to note that radio advertising on a relative basis bulked distinctly larger in the programs of medium-size stores than it did among the larger stores; for example, the stores in the \$500,000 to \$750,000 sales category spent 0.2% of sales or 1/8 of their total advertising expenditure for radio advertising. In contrast with this 12% allocation to radio, the largest stores allotted only 0.1% of sales out of a total expenditure of 2.35%, or roughly 4% of the total advertising appropriation. This difference coincides with one found in a study of radio advertising for retailers made at the Harvard Business School by Professor C. F. Sandage,<sup>1</sup> scheduled for publication in the fall of 1944.

The expenses classified by functional divisions, as shown in Table 5, page 10, are given for only the six classes of larger stores because of the inability of the small stores to report information in this form. Examination of the figures indicates that there were no significant differences among the classes in regard to Administrative and General, Publicity, and Direct and General Selling. On the other hand expenditures for Occupancy, for Buying and Merchandising, and for Delivery were all at higher levels for the larger stores, Delivery showing a particularly wide spread. As between the group of stores with sales of \$20,000,000 or more and the group of stores with \$750,000 to \$1,000,000 sales, there was a difference in the total expense rate of 3% of sales. All six functional divisions contributed to the higher expense rate of the larger stores, as is shown by the following tabulation:

Division	Difference (% of Net Sales)
Administrative and General.....	+ .25%
Occupancy.....	+ .95
Publicity.....	+ .25
Buying and Merchandising.....	+ .40
Direct and General Selling.....	+ .25
Delivery.....	+ .90
Total.....	3.00%

### Breakdown of Results of Larger Stores

In Tables 9, 10, and 11, pages 15 and 16, are given extensive operating figures for the 17 reports covering stores with sales of \$20,000,000 to \$30,000,000 as compared with the 12 still larger stores with sales of \$30,000,000 or more. The figures for these groups of very large stores, for the most part, showed a continuation of the differences by size classes, revealed in the preceding section and tables. At 9%, the increase in sales for stores with sales of more than \$30,000,000 was the lowest for any size group; at 31.3%, the total expense rate was higher than for any other size group; at 6.0% of sales, the net profit was lower than for any other group; and this also applies to net gain before federal taxes on income.

Furthermore, the individual items of expense showed the same tendency: the total payroll was slightly higher; real estate costs were materially higher; and so were advertising expenditures. The very large metropolitan cities, in which these extremely large stores are principally located, did not in 1943 enjoy conditions permitting substantial sales increases and a resulting favorable effect on expense rates.

### Effect of Sales Increases on Expenses and Profits

As has already been emphasized, it has been found in earlier years that expense and profits rates are influenced favorably by substantial sales increases over a short period of time. To examine into the question whether this observation held true under the conditions of 1943, a group of 55 department stores, all of which reported to the Bureau in both 1942 and 1943 and had sales of \$4,000,000 to \$10,000,000 in 1942, were broken down into four categories. There were 12 firms with net sales increases of less than 10%, 16 with sales increases of 10%-20%, 13 with sales increases of 20%-30%, and 14 with sales increases of 30% or more. The distribution of these firms by cities was examined, and, in general, the firms in group one, those showing a sales increase of less than 10%, were located in those eastern districts which showed relatively low sales increases in the aggregate according to the Federal Reserve figures. On the other hand, the firms in the group

<sup>1</sup>Charles H. Sandage, *Radio Advertising for Retailers*, Cambridge, Harvard University Press, Autumn, 1944.

**Table 9. Common Figures for Merchandising Operations and Profits for Department Stores with Net Sales of \$20,000,000 or More: 1943**

(Net Sales=100%, except where noted)

Items	Net Sales (in thousands)		
	\$20,000-30,000	\$30,000 or More	All Stores with Net Sales of \$20,000 or More
Number of Reports.....	17†	12‡	29‡
Aggregate Sales (in thousands).....	\$391,430	\$572,673	\$964,103
Typical Net Sales (in thousands)....	\$22,500	\$35,000	\$27,500
Change in Sales (1943/1942).....	116.5	109.0	113.0
Population of City (in thousands)....	650	2,000	1,100
Population (interquartile range—in thousands).....	456-878	1,504-3,397	635-2,698
Initial Markup (percentage of original retail value) on Invoice Cost Delivered <sup>1</sup> .....	39.7%	38.05%	39.45%
Markdowns.....	3.25%	3.5%	3.35%
Discounts to Employees and Others..	0.65	0.65	0.65
Stock Shortages.....	1.0	1.35	1.2
Total Retail Reductions.....	4.9%	5.5%	5.2%
Inward Freight, Express, and Truckage.....	0.7%†	0.45%	0.6%
Alteration and Workroom Costs (Net)	0.4	0.55	0.55
Cash Discounts Received on Purchases (percentage of sales).....	3.15	3.2	3.15
Gross Margin.....	39.5	37.3	38.9
Total Merchandise Costs (Net).....	60.5%	62.7%	61.1%
Total Expense.....	29.6	31.3	30.2
TOTAL COST.....	90.1%	94.0%	91.3%
NET PROFIT.....	9.9%	6.0%	8.7%
Net Other Income (including interest on capital owned).....	2.5	2.5	2.5
NET GAIN before Federal Tax on Income:			
Percentage of Net Sales.....	12.4%	8.5%	11.2%
Percentage of Net Worth.....	37.0	*	30.0
Net Federal Tax on Income and Excess Profits.....	8.3%	*	7.5%
NET GAIN after Federal Tax on Income:			
Percentage of Net Sales.....	4.1%	*	3.7%
Percentage of Net Worth.....	12.0	*	10.0
Percentage of Firms:			
Earning Some Net Profit.....	100.0%	100.0%	100.0%
Earning Some Net Gain.....	100.0	100.0	100.0
Rate of Stock-turn (times a year):..			
Based on Beginning and Ending Inventories.....	5.0	5.1	5.0
Based on Monthly Inventories.....	4.8	4.6	4.7

\*Data not available.  
 †Usable figures for this item were given on less than 75% of the reports.  
 ‡Some of the reports covered the operations of more than one store. In such cases, the population of the city in which the main store was located was used in preparing the common figures for population.  
 §For the beginning and end of the year.  
 ¶See the definition in the Appendix.  
 ††Except on real estate.

**Table 10. Common Figures for Expense by Natural Divisions, Productivity of Space, and of Personnel, and Other Data for Department Stores with Net Sales of \$20,000,000 or More: 1943**

(Net Sales=100%, except where noted)

Items	Net Sales (in thousands)		
	\$20,000-30,000	\$30,000 or More	All Stores with Net Sales of \$20,000 or More
Number of Reports:			
Giving Transaction Data...	16‡	12‡	28‡
Giving Other Data.....	17‡	12‡	29‡
Aggregate Sales (in thous.)...	\$391,430	\$572,673	\$964,103
Typical Net Sales (in thous.)	\$22,500	\$35,000	\$27,500
Change in Sales (1943/1942)....	116.5	109.0	113.0
Population of City (in thous.)..	650	2,000	1,100
Population (interquartile range—in thousands) ....	456-878	1,504-3,397	635-2,698
Total Payroll.....	16.1%	16.4%	16.2%
Real Estate Costs <sup>1</sup> .....	2.8	3.7	3.2
Newspaper Advertising.....	1.85	2.3	2.0
Direct Advertising.....	0.1	0.1	0.1
Radio Advertising.....	0.1	0.1	0.1
Other Advertising.....	0.15	0.15	0.15
Total Advertising (subtotal)...	(2.2)	(2.65)	(2.35)
Taxes.....	1.1	1.2	1.15
Interest <sup>2</sup> .....	1.4	1.4	1.4
Supplies.....	1.3	1.4	1.3
Service Purchased.....	0.8	0.8	0.8
Losses from Bad Debts.....	0.05	0.05	0.05
Other Unclassified.....	1.5	1.6	1.5
Traveling.....	0.4	0.2	0.35
Communication.....	0.35	0.35	0.35
Repairs.....	0.5	0.4	0.45
Insurance <sup>3</sup> .....	0.2	0.2	0.2
Depreciation <sup>4</sup> .....	0.5	0.5	0.5
Professional Services <sup>1</sup> .....	0.4	0.45	0.4
Total Expense.....	29.6%	31.3%	30.2%
Sales/Total Employees.....	*	*	\$9,400†
Sales/Number of Salespeople..	\$23,300†	*	24,400†
Salespeople/Total Employees..	40.0%†	*	38.5%†
Real Estate Costs/Sq. Ft. of Total Space.....	\$0.75	\$1.00	\$0.84
Sales/Sq. Ft. of Total Space..	*	*	26.40
Sales/Sq. Ft. of Selling Space..	*	*	71.00
Selling Space/Total Space....	*	*	37.0%
Cash Sales.....	46.5%	50.0%	48.0%
C.O.D. and Layaway Sales..	7.3	9.0	8.0
Regular Charge Sales.....	42.0	35.5	39.0
Instalment Sales.....	4.2	5.5	5.0
Net Credit Sales=100%:			
Payroll: Accts. Rec. and Credit.....	1.25%	1.35%	1.3%
Losses from Bad Debts.....	0.05	0.1	0.1
Int. on Accts. Receivable...	0.95	1.1	1.0
Average Accts. Rec. Outst. §	15.8	18.3	16.6
Average Gross Sale.....	\$3.10	\$3.20	\$3.15
Change in Transactions (1943/1942).....	109.5	102.2	105.3

\*Data not available.  
 †Usable figures for this item were given on less than 75% of the reports.  
 ‡Some of the reports covered the operations of more than one store. In such cases, the population of the city in which the main store was located was used in preparing the common figures for population.  
 §For the beginning and end of the year.  
 ¶See the definition in the Appendix.  
 ††Except on real estate.

**Table II. Common Figures for Payroll and Total Expense by Functions for Department Stores with Net Sales of \$20,000,000 or More: 1943**

(Net Sales = 100%)

Items	Net Sales (in thousands)		
	\$20,000-30,000	\$30,000 or More	All Stores with Net Sales of \$20,000 or More
Number of Reports.....	17‡	12‡	29‡
<b>PAYROLL</b>			
Administrative and General:			
Executive.....	0.65%	0.5%	0.55%
Accounting Office.....	0.75	0.85	0.8
Accounts Receivable and Credit.....	0.6	0.55	0.6
Executive Office.....	0.05	0.05	0.05
Superintendency and General Store.....	0.85	0.95	0.9
Total Administrative and General.....	<u>2.9%</u>	<u>2.9%</u>	<u>2.9%</u>
Occupancy:			
Operating and Housekeeping.....	1.0%	1.05%	1.05%
Heat, Light, and Power.....	0.1†	0.1	0.1
Total Occupancy.....	<u>1.1%</u>	<u>1.15%</u>	<u>1.15%</u>
Publicity:			
Sales Promotion and General Advertising.....	0.3%	0.4%	0.35%
Display.....	0.2	0.2	0.2
Total Publicity.....	<u>0.5%</u>	<u>0.6%</u>	<u>0.55%</u>
Buying and Merchandising:			
Merchandise Managers and Assistants.....	0.65%	0.6%	0.65%
Buyers and Assistants.....	2.1	1.8	1.95
Other Merchandise Management and Buying.....	0.3	0.35	0.35
Total Merchandise Management and Buying.....	<u>3.05%</u>	<u>2.75%</u>	<u>2.95%</u>
Receiving and Marking.....	0.45	0.5	0.45
Total Buying and Merchandising.....	<u>3.5%</u>	<u>3.25%</u>	<u>3.4%</u>
Direct and General Selling:			
Salespeople.....	5.75%	5.6%	5.65%
Floor Superintendents and Section Managers.....	0.35	0.35	0.35
Other.....	1.6	1.9	1.7
Total Direct and General Selling.....	<u>7.7%</u>	<u>7.85%</u>	<u>7.7%</u>
Delivery.....	0.4	0.65	0.5
Total Payroll.....	<u>16.1%</u>	<u>16.4%</u>	<u>16.2%</u>
<b>TOTAL EXPENSE</b>			
Administrative and General:			
Accounting Office, Accounts Receivable, and Credit.....	1.85%	1.85%	1.85%
Executive and Other Administrative and General.....	5.35	5.35	5.35
Total Administrative and General.....	<u>7.2%</u>	<u>7.2%</u>	<u>7.2%</u>
Occupancy:			
Operating and Housekeeping.....	1.65%	1.75%	1.7%
Real Estate Costs <sup>1</sup> .....	2.8	3.7	3.2
Fixtures and Equipment Costs.....	0.7	0.55	0.65
Heat, Light, and Power.....	0.5	0.5	0.5
Total Occupancy.....	<u>5.65%</u>	<u>6.5%</u>	<u>6.05%</u>
Publicity:			
Sales Promotion and General Advertising.....	2.7%	3.25%	2.85%
Display.....	0.45	0.45	0.45
Total Publicity.....	<u>3.15%</u>	<u>3.7%</u>	<u>3.3%</u>
Buying and Merchandising:			
Merchandise Management and Buying.....	3.7%	3.2%	3.5%
Receiving and Marking.....	0.5	0.5	0.5
Total Buying and Merchandising.....	<u>4.2%</u>	<u>3.7%</u>	<u>4.0%</u>
Direct and General Selling.....			
Delivery.....	8.4	8.65	8.5
Total Expense.....	<u>29.6%</u>	<u>31.3%</u>	<u>30.2%</u>

†Usable figures for this item were given on less than 75% of the reports.  
<sup>1</sup>See the definition in the Appendix.

‡One or more of these reports covered the operations of more than one store.

**Table 12. Common Figures for Payroll, Productivity of Personnel, Real Estate Costs, and Productivity of Space for Department Stores: 1943**

Items	Net Sales (in thousands)						
	\$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
<b>Number of Reports</b>							
Giving Transaction Data.....	5	8	21†	25†	40†	29†	28†
Giving Other Data.....	30†	27	54†	46†	58†	32†	29†
Aggregate Sales (in thousands).....	\$17,428	\$22,335	\$108,496	\$126,509	\$358,662	\$396,167	\$964,103
Typical Net Sales (in thousands).....	\$575	\$820	\$1,320	\$2,700	\$5,900	\$11,600	\$27,500
Change in Sales (1943/1942).....	128.0	125.0	117.0	122.0	122.5	117.5	113.0
Population of City (in thousands).....	20	40	55	115	240	480	1,100
Population (interquartile range <sup>1</sup> —in thousands).....	13-28	26-62	37-71	67-206	150-325	302-672	635-2,698
<b>Total Payroll<sup>2</sup></b> .....	14.5%	15.0%	15.5%	15.1%	14.85%	15.45%	16.2%
Payroll of Salespeople <sup>3</sup> .....	*	*	6.6	6.05	6.1	5.55	5.65
Sales/Total Employees.....	\$9,000†	\$9,200†	\$9,100†	\$8,800†	\$9,000†	\$9,500†	\$9,400†
Sales/Number of Salespeople.....	13,300†	14,200†	16,000†	16,000†	19,000†	21,000†	24,400†
Salespeople/Total Employees.....	67.5%†	65.0%†	57.0%†	55.0%†	48.0%†	45.5%†	38.5%†
Transactions/Total Employees.....	*	*	4,200†	3,700†	3,800†	3,600†	3,200†
Transactions/Number of Salespeople.....	*	*	7,400†	6,700†	8,000†	7,900†	8,300†
Average Gross Sale.....	*	*	\$2.30	\$2.40	\$2.50	\$2.75	\$3.15
Payroll Cost per Transaction.....	*	*	33.3¢	34.75¢	34.9¢	39.1¢	47.0¢
<b>Real Estate Costs<sup>4</sup>, <sup>5</sup></b> .....	2.8%	2.45%	2.85%	3.0%	3.1%	3.0%	3.2%
Real Estate Costs/Square Feet of Total Space.....	*	\$0.60†	\$0.65†	\$0.75†	\$0.87†	\$0.86	\$0.84
Sales/Square Ft. of Total Space.....	*	\$25.00†	\$23.00†	\$26.50†	\$30.00†	\$28.00	\$26.40
Sales/Square Ft. of Selling Space.....	*	35.00†	34.00†	39.00†	51.00†	55.00	71.00
Selling Space/Total Space.....	*	72.0%†	68.0%†	63.5%†	59.0%†	50.0%	37.0%
Transactions/Square Ft. of Total Space.....	*	*	10†	10†	13†	12	10
Transactions/Square Ft. of Selling Space.....	*	*	15†	16	22†	24	25

\*Data not available. †Usable figures for this item were given on less than 75% of the reports.  
<sup>1</sup>Some of the reports covered the operations of more than one store. In such cases, the population of the city in which the main store was located was used in preparing the figures for population.  
<sup>2</sup>See the definition in the Appendix.  
<sup>3</sup>Net Sales = 100%.

**Table 13. Common Figures for Credit Data for Department Stores: 1943**  
 (Net Sales = 100%, except where noted)

Items	Net Sales (in thousands)						
	\$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
<b>Number of Reports:</b>							
Giving Transaction Data.....	5	8	21†	25†	40†	29†	28†
Giving Other Data.....	30†	27	54†	46†	58†	32†	29†
Aggregate Sales (in thousands).....	\$17,428	\$22,335	\$108,496	\$126,509	\$358,662	\$396,167	\$964,103
Typical Net Sales (in thousands).....	\$575	\$820	\$1,320	\$2,700	\$5,900	\$11,600	\$27,500
Change in Sales (1943/1942).....	128.0	125.0	117.0	122.0	122.5	117.5	113.0
Population of City (in thousands).....	20	40	55	115	240	480	1,100
Population (interquartile range <sup>1</sup> —in thousands).....	13-28	26-62	37-71	67-206	150-325	302-672	635-2,698
Cash Sales.....	62.0%†	60.0%†	62.0%†	54.5%	53.5%	52.0%	48.0%
C.O.D. Sales and Layaways.....				6.5†	6.5†	7.6	8.0
Regular Charge Sales.....	38.0†	40.0†	38.0†	36.0†	36.0	36.0	39.0
Instalment Sales.....				3.0†	4.0	4.4	5.0
Net Credit Sales = 100%:							
Payroll: Accounts Receivable and Credit ...	*	*	1.6%†	1.55%†	1.6%	1.5%	1.3%
Losses from Bad Debts.....	0.25%†	0.25%†	0.25†	0.2†	0.15	0.0	0.1
Interest on Accounts Receivable.....	0.85†	0.9†	0.9†	1.0	0.95	1.0	1.0
Average Accounts Receivable Outstanding§	13.8†	15.0†	15.0†	16.5	15.5	16.3	16.6
Returns and Allowances:							
Percentage of Gross Sales.....	2.9%†	3.85%†	4.85%†	4.65%	6.0%	7.75%	8.15%
Percentage of Net Sales.....	3.0†	4.0†	5.1†	4.9	6.4	8.4	8.9
Average Gross Sale.....	*	*	\$2.30	\$2.40	\$2.50	\$2.75	\$3.15

\*Data not available. †Usable figures for this item were given on less than 75% of the reports. §For the beginning and end of the year.  
<sup>1</sup>Some of the reports covered the operations of more than one store. In such cases, the population of the city in which the main store was located was used in preparing the figures for population.  
<sup>2</sup>See the definition in the Appendix.

**Table 14. Operating Results for 1942 and 1943 for 55 Department Stores with Net Sales of \$4,000,000 to \$10,000,000 in 1942 Classified According to the Degree of Change in Sales from 1942 to 1943**

Items	Stores with Net Sales Increases from 1942 to 1943 of					
	Less than 10% (12 firms)			10% to 20% (16 firms)		
	Typical Amount or Percentage <sup>1</sup> 1942	Index of Change in Dollar Amount or Quantity 1943/1942	Typical Amount or Percentage <sup>1</sup> 1943	Typical Amount or Percentage <sup>1</sup> 1942	Index of Change in Dollar Amount or Quantity 1943/1942	Typical Amount or Percentage <sup>1</sup> 1943
Typical Net Sales (in thousands).....	\$6,100	106.7	\$6,500	\$7,450	114.1	\$8,500
Number of Gross Sales Transactions.....	....	98.0†	....	....	106.9	....
Average Gross Sale.....	\$2.30	106.5†	\$2.45†	\$2.35	104.0†	\$2.45
Gross Margin.....	37.9%	106.5	37.9%	39.1%	115.0	39.5%
Total Payroll.....	15.55%	105.0	15.4%	16.25%	110.0	15.45%
Real Estate Costs <sup>2</sup> .....	4.3	102.0	4.2	3.75	102.0	3.3
Advertising.....	3.3	96.0	3.05	2.75	101.0	2.45
Taxes <sup>2</sup> .....	0.9	115.0	1.0	1.05	127.5	1.15
Interest <sup>3</sup> .....	1.9	86.0	1.5	1.65	90.0	1.3
Supplies.....	1.55	95.5	1.4	1.55	99.0	1.35
Service Purchased.....	1.2	93.5	1.0	1.15	99.0	1.0
Losses from Bad Debts.....	0.1	68.0	0.05	0.1	*	0.0
Other Unclassified.....	0.85	122.5	1.0	0.95	127.0	1.0
Traveling.....	0.25	142.5	0.35	0.35	141.0	0.45
Communication.....	0.4	95.5	0.35	0.4	99.0	0.35
Repairs.....	0.6	94.0	0.55	0.6	108.0	0.55
Insurance <sup>2</sup> .....	0.35	101.5	0.35	0.25	115.0	0.25
Depreciation <sup>2</sup> .....	0.35	96.0	0.3	0.5	102.0	0.45
Professional Services <sup>2</sup> .....	0.4	105.0	0.4	0.5	106.0	0.45
Total Expense.....	32.0%	102.0	30.9%	31.8%	107.0	29.5%
Net Profit.....	5.9%	122.0	7.0%	7.3%	156.0	10.0%
Net Other Income (including interest on capital owned)...	3.1	97.0	2.8	2.6	101.0	2.3
Net Gain before Federal Tax on Income.....	9.0%	116.0	9.8%	9.9%	140.0	12.3%
Total Main Store Sales (Owned Departments).....	87.2%	108.0	88.6%	87.4%†	115.5	88.4%†
Total Basement Sales (Owned Departments).....	12.8	95.0	11.4	12.6†	105.0†	11.6†
Leased Department Sales.....	5.1‡	119.0	5.7‡	4.4‡	113.0	4.35‡

\*Data not available. †Usable figures for this item were given on less than 75% of the reports. ‡Percentage of total store net sales.

<sup>1</sup>Percentage of total net sales in owned departments unless otherwise noted.

<sup>2</sup>See the definition in the Appendix.

<sup>3</sup>Except on real estate.

NOTE: Since the common figures as defined in the Appendix are not arithmetic averages of dollar figures, the mathematical relationship between the percentages and the indexes cannot always be exact. For the most part the agreement is close, however.

with the highest sales increases, with a single exception, were located in the southern and western Federal Reserve districts. It is of interest, however, that at least seven of the 14 firms in this group recorded sales increases decidedly better than the averages for the cities as reported by the Federal Reserve System. Three cities had stores in both groups one and two, and three other cities had stores in both groups two and three. The cities represented in group four, however, had no representatives in any other groups.

Typical figures for key items were set for the four sales-increase categories. These data are set forth in detail in Table 14, above. The picture may perhaps be sharply focused by listing the

change as a percentage of sales from 1942 to 1943 in each of six major items. In each case it will be noted there was a steady progression from the lower sales increase category to the higher.

	Less than 10%	10%-20%	20%-30%	30% or More
Total Expense.....	-1.1 %	-2.3 %	-3.0 %	-4.6 %
Net Profit.....	+1.1	+2.7	+3.6	+4.8
Net Gain before Federal Taxes....	+0.8	+2.4	+3.2	+4.3
Payroll.....	-0.15	-0.8	-0.8	-1.75
Real Estate Cost...	-0.10	-0.45	-0.55	-0.65
Advertising.....	-0.25	-0.30	-0.55	-0.65

It is rare indeed when a set of figures of this type shows so clear a picture. Without exception the higher the rate of sales increase, the lower the total expense rate, the lower the percentage for

**Table 14. Operating Results for 1942 and 1943 for 55 Department Stores with Net Sales of \$4,000,000 to \$10,000,000 in 1942 Classified According to the Degree of Change in Sales from 1942 to 1943 (Concluded)**

Items	Stores with Net Sales Increases from 1942 to 1943 of					
	20% to 30% (13 firms)			30% or More (14 firms)		
	Typical Amount or Percentage <sup>1</sup> 1942	Index of Change in Dollar Amount or Quantity 1943/1942	Typical Amount or Percentage <sup>1</sup> 1943	Typical Amount or Percentage <sup>1</sup> 1942	Index of Change in Dollar Amount or Quantity 1943/1942	Typical Amount or Percentage <sup>1</sup> 1943
Typical Net Sales (in thousands).....	\$5,900	125.0	\$7,380	\$5,130	136.5	\$7,000
Number of Gross Sales Transactions.....	....	113.9	....	....	127.0†	....
Average Gross Sale.....	\$2.55	108.5	\$2.75	\$2.65†	109.0†	\$2.90†
Gross Margin.....	39.7%	126.5	40.3%	39.2%	137.0	39.4%
Total Payroll.....	16.0%	116.0	15.2%	16.0%	124.0	14.25%
Real Estate Costs <sup>2</sup> .....	3.6	105.0	3.05	3.15	109.0	2.5
Advertising.....	3.05	101.5	2.5	2.75	104.5	2.1
Taxes <sup>2</sup> .....	1.25	120.0	1.2	1.25	126.0	1.15
Interest <sup>2</sup> .....	1.7	92.0	1.25	1.7	98.0	1.2
Supplies.....	1.45	109.0	1.25	1.4	113.0	1.15
Service Purchased.....	0.85	102.0	0.7	0.65	102.0	0.5
Losses from Bad Debts.....	0.2	67.0	0.1	0.2	*	0.1
Other Unclassified.....	0.8	124.0	0.8	0.8	119.0	0.7
Traveling.....	0.4	150.0	0.5	0.4	159.0	0.45
Communication.....	0.4	100.0	0.35	0.35	100.0	0.25
Repairs.....	0.65	105.0	0.55	0.4	130.0	0.35
Insurance <sup>2</sup> .....	0.2	113.0	0.2	0.3	118.0	0.25
Depreciation <sup>2</sup> .....	0.5	104.0	0.45	0.5	100.0	0.35
Professional Services <sup>2</sup> .....	0.55	116.0	0.5	0.45	126.0	0.4
Total Expense.....	31.6%	113.0	28.6%	30.3%	119.0	25.7%
Net Profit.....	8.1%	180.0	11.7%	8.9%	210.0	13.7%
Net Other Income (including interest on capital owned)...	2.4	106.0	2.0	2.5	109.0	2.0
Net Gain before Federal Tax on Income.....	10.5%	165.0	13.7%	11.4%	188.0	15.7%
Total Main Store Sales (Owned Departments).....	87.8%	126.0	88.6%	88.2%†	137.5	88.9%†
Total Basement Sales (Owned Departments).....	12.2	117.0	11.4	11.8†	128.5†	11.1†
Leased Department Sales.....	5.8†	116.5	5.4†	7.6†	136.0	7.6†

\*Data not available. †Usable figures for this item were given on less than 75% of the reports. ‡Percentage of total store net sales.

<sup>1</sup>Percentage of total net sales in owned departments unless otherwise noted.

<sup>2</sup>See the definition in the Appendix.

<sup>3</sup>Except on real estate.

NOTE: Since the common figures as defined in the Appendix are not arithmetic averages of dollar figures, the mathematical relationship between the percentages and the indexes cannot always be exact. For the most part the agreement is close, however.

each of the principal items of expense, and the higher the percentage for net profit and net gain. It is because of the clear-cut and emphatic picture that great stress is laid in the Bureau Bulletins on the rate of sales increase as affecting operating results.

The effect of a rapid sales increase on expense and profit rates probably depends in part on the particular situation of the individual store. On some occasions, for the individual store, a sales increase may come at a time when there is substantial unused capacity, in plant, in personnel, or in executive capacity. If this is the case, the full benefit of the sales increase is likely, for a time, to be secured in the expense rate. On the other

hand, if the store has little available capacity the response to higher sales in an increased expense rate may perforce be rapid. All this assumes that the store managements are in full control of their situations. During the last few years, and particularly in 1943, this has not been the case. The efforts of store managements to keep down dollar expenses have been reinforced strongly by external factors; the shortage of manpower reflected both in government restrictions and in difficulties in hiring have undoubtedly tended to keep down payroll expenditures; similarly, the prohibitions on plant extensions have aided store managements with their real estate costs; and finally, under the pressure of the war, customers have accepted a

lower level of service in deliveries and elsewhere throughout store operations than they would be likely to tolerate under normal conditions.

In connection with the effects of sales increases, it is useful to look at the figures in Table 14 for the index of change in dollar amount. Whereas the percentage of sales figures are affected by the sales increase, the index of change in dollar amounts shows the actual change in the number of dollars devoted to a particular purpose; for example, real estate costs for both groups one and two actually increased in dollars by 2% between

1942 and 1943, but because of the greater sales increase in group two, real estate costs as a percentage of sales of that group dropped from 3.75% to 3.3%, whereas for the first group the drop was only from 4.3% to 4.2%.

Among the expense items there is one account which stands out in every group as having increased sharply in dollars from 1942 to 1943. This item is Traveling, undoubtedly a reflection of more and longer visits to market in search of merchandise and higher transportation and hotel costs. Another expense item which stands out is

**Table 15. Operating Results for Department and Specialty Stores in 1943 According to the Form of Income Statement Approved by the Board of Directors of the National Retail Dry Goods Association: 1943**  
(Common Figures)

Items	Department Stores with Net Sales (in thousands) of							Specialty Stores with Net Sales (in thousands) of	
	\$750-1,000	\$1,000-2,000	\$2,000-4,000	\$4,000-10,000	\$10,000-20,000	\$20,000-30,000	\$30,000 or More	\$2,000-4,000	\$4,000 or More
Number of Reports:									
Giving Functional Data.....	17	40†	41†	56†	32†	17†	12†	8†	19†
Giving Other Data.....	27	54†	46†	58†	32†	17†	12†	8†	19†
Change in Sales (1943/1942)....	125.0	117.0	122.0	122.5	117.5	116.5	109.0	117.0	120.0
SALES.....	104.0%†	105.1%†	104.9%	106.4%	108.4%	108.3%	109.9%	*	112.2%
Less Returns (and allowances)	4.0†	5.1†	4.9	6.4	8.4	8.3	9.9	*	12.2
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....	13.5%	12.0%	12.7%	10.9%	11.5%	11.6%	12.7%	9.65%	8.7%
Purchases (including inward freight, express, and truckage)	65.2	64.4	64.65	64.35	64.35	64.25	64.55	65.15	64.8
	78.7%	76.4%	77.35%	75.25%	75.85%	75.85%	77.25%	74.80%	73.5%
Less Cash Discounts.....	2.6	2.6	2.65	2.85	2.95	3.15	3.2	4.05	4.2
	76.1%	73.8%	74.7%	72.4%	72.9%	72.7%	74.05%	70.75%	69.3%
Workroom (and alteration costs)	0.2	0.4	0.4	0.4	0.6	0.4	0.55	0.3	0.7
Occupancy.....	5.1	5.6	5.65	5.65	5.7	5.65	6.5	6.65	6.95
Buying, Receiving, and Marking	3.6	3.7	4.05	3.75	4.15	4.2	3.7	4.65	4.0
Publicity.....	3.05	2.85	3.55	3.15	3.45	3.15	3.7	5.0	4.4
	88.05%	86.35%	88.35%	85.35%	86.8%	86.1%	88.5%	87.35%	85.35%
Less Inventory—End of Period..	13.5	12.2	13.5	11.8	12.5	12.6	11.9	10.15	9.3
	74.55%	74.15%	74.85%	73.55%	74.3%	73.5%	76.6%	77.2%	76.05%
Net Sales less Merchandise Costs	25.45%	25.85%	25.15%	26.45%	25.7%	26.5%	23.4%	22.8%	23.95%
OPERATING COSTS									
Administrative.....	6.95%	7.2%	7.1%	6.95%	6.7%	7.2%	7.2%	8.45%	7.35%
Selling.....	8.25	7.95	7.7	8.0	8.0	8.4	8.65	7.75	7.95
Delivery.....	0.25	0.6	0.65	0.7	0.8	1.0	1.55	0.5	0.65
	15.45%	15.75%	15.45%	15.65%	15.5%	16.6%	17.4%	16.7%	15.95%
OPERATING INCOME.....	10.0%	10.1%	9.7%	10.8%	10.2%	9.9%	6.0%	6.1%	8.0%
OTHER INCOME.....	2.5	2.6	2.3	2.1	2.3	2.5	2.5	1.8	2.2
NET PROFIT (before Federal tax on income) .....	12.5%	12.7%	12.0%	12.9%	12.5%	12.4%	8.5%	7.9%	10.2%

\*Data not available. †Usable figures for this item were given on less than 75% of the reports.  
‡Some of the reports covered the operations of more than one store.

that for Other Unclassified. In this account is included the cost for pensions and donations. In the department store trade as in other industries there has been in recent years a growing interest in pension systems, a reflection, in part at least, of the limitations on salaries. Donations also have risen sharply for obvious reasons.

*Significance of Group One.* It is of some importance to look particularly at the operating results of those firms which, in the period of generally rising sales, recorded only relatively small increases. In eight items of expense, Advertising, Interest, Supplies, Service Purchased, Losses from Bad Debts, Communication, Repairs, and Depreciation, dollar expenditures typically were less in 1943 than they were in 1942. In part, this success in reducing expenses is a result of special circumstances. The reduction in the losses from bad debts is a reflection of the decrease in the proportion of sales made on credit, in turn resulting in large measure from government regulations. On the other hand, it may be significant that the number of transactions for the firms in this group actually decreased 2% between 1942 and 1943, suggesting that much, if not all, the increase of 6.5% in sales typical of this group stems from price advances and changes in the average size of sale. It may well be that the managements of these firms, sensing the relative stability of transactions, exerted very considerable pressure on the dollar expenditures, with the result that they were kept very well in line. One qualification must be made on this observation. In this group of firms with less than 10% of sales increases Leased Department sales increased very much more than did sales in Owned Departments. In each of the other groups Leased Department sales increases were not so out of line. It may be, therefore, that in the first group there were some significant transfers of departments from the Owned to the Leased status, and this may have affected some of the expense items.

### Self Service and Self Selection

In view of the interest expressed by a number of department store executives in recent years in the possibilities of self service and self selection for many departments of department stores, the Harvard Bureau undertook to find out how extensively store executives were experimenting with self service and self selection and what their plans were for the future.

In 1943, 29 of the 170 stores which answered

the question had used self service or self selection methods in one or more departments; that is to say, 141, or 83%, of the stores replying had not carried on experiments in this area in 1943 of sufficient extent so that they reported having used these methods. The stores which were carrying on such activities were predominantly the larger stores.

In regard to plans for the future, 114 stores provided information. Of these 114, ten stated that they planned to extend self service or self selection in the future, and 104 stated that they did not have such plans. Seven of the ten firms reporting plans for the future were included in the 29 firms which reported having departments on this basis in 1943; that is to say, only three firms, not using self service or self selection methods, planned to establish them in the future.

Twenty-two of the 29 stores using self service or self selection methods in 1943 indicated the departments in which such methods were used. Nine stores reported the use of such methods in the sale of groceries. Seven stores reported using these methods in selling men's furnishings. Four stores reported the use of such methods for boys' wear and underwear, while three stores had applied them to infants' wear, children's wear, and sports wear. Two stores used these methods in toy departments, notions departments, linens, curtains, and greeting cards. The following departments were reported by one store: juniors' wear, tea room, accessory basement, domestic rugs, drugs, shoes, dresses, soda grill, towels, china and glass wares, millinery, house wares, garden shop, and wash goods.

In addition, of the remaining seven stores which did not list departments, one reported that the entire store was on a self selection basis, one reported that 75% of the departments were so handled, and a third that 50% of the departments used self service or self selection methods. The remaining four stores gave no details.

Of the ten stores which reported plans for the future, only six indicated the particular departments with which their plans were concerned; there were three reports on boys' furnishings and one each on men's work clothes, toys, bags, accessories, men's furnishings, notions, blouses, house wares, and lingerie.

The net impression conveyed by these figures is that the department store trade has not yet embarked extensively on self service and self selection methods, even under the stimulus of manpower shortages.



## SECTION III

# OPERATING RESULTS OF DEPARTMENT STORES AS AFFECTED BY SIZE OF STORE AND SIZE OF CITY

Throughout the years of the Harvard Bureau's studies on department and specialty stores, the important influence of the scale of operations has continuously been evident. For many years, however, it was not possible to distinguish clearly between the effects of the size of store measured in sales volume and the size of the community in which the store operated. Beginning in 1939 a type of comparison was initiated which is continued in the current Bulletin through Tables 16 and 17, pages 23 and 24. For these comparisons the 219 stores with sales of \$1,000,000 or more, which reported to the Bureau were used. The stores were separated into six volume classes (\$1,000,000- \$2,000,000 to \$30,000,000 or more), and these groups were in turn subdivided into six population groups (ranging from 25,000-50,000 to 1,000,000 or more). Of the total of 219 stores with sales of more than \$1,000,000, 169 were found to fall into sales volume-population classes in sufficient numbers to justify setting typical figures for the individual classes. The remaining stores fell into sales volume-population classes in no one of which were there enough reports to permit establishment of typical figures. Some of the most interesting and unusual situations, of course, were thus eliminated from consideration as, for example, a few very large stores in relatively small communities and some very small stores in large communities. The figures given in Tables 16 and 17 may be taken as representative of the majority of stores operating in the United States and Canada.

### Larger Stores in Smaller Communities Continue Most Profitable

The highest net gains, either before or after federal income tax, in all 12 groups commonly were made by the stores with sales of \$4,000,000- \$10,000,000 in communities of 100,000-250,000 population and stores with sales of \$10,000,000- \$20,000,000 in cities of 250,000-500,000 population. Throughout the table it will be noted that, within each sales volume class, the stores in the smaller communities rang up higher profits than those in larger communities. This record accords entirely with that of previous years. It may be taken as thoroughly demonstrated that the most

favorable position is one in which a department store does a relatively large volume of business in a relatively small community. There are undoubtedly advantages derived from occupying a dominating position in a market or, to put it another way, from securing a relatively large percentage of the trade in the area served; but even more important perhaps is the combining of those expense advantages which come from larger volume with the expense advantages characteristic of smaller communities.

That it is primarily on the expense side that the advantage of the larger stores in smaller communities is achieved is borne out, on the one hand, by an examination of the merchandising figures and, on the other hand, by an examination of the expense figures. With the exception of the stores in the \$2,000,000- \$4,000,000 group, there were no significant advantages to the stores in smaller communities in the gross margin figures. On the contrary, in several sales volume groups a slight advantage went to the stores in larger cities. Similarly, stores in smaller communities had little, if any, advantage in the rate of stock-turn.

On the expense side, however, there is a different story. With the exception of the stores in the \$1,000,000- \$2,000,000 class, the stores in each sales volume class located in smaller communities had a definite advantage in the total expense rate. Study of Table 17, which shows figures for the principal items of expense, indicates that in general total payroll percentages were slightly higher for the stores in the larger cities, but that the major disadvantage for large city stores was found in real estate costs and advertising expense. It is of some significance that the highest figure for real estate cost was recorded by the medium-size stores (those with sales of \$4,000,000- \$10,000,000) located in cities with populations of 500,000- 1,000,000.

Two other figures given in Table 16 throw some light on the reasons for the less advantageous position of stores in large cities. Returns and allowances were high in large cities and so was the average gross sale. The high average gross sale probably means that in metropolitan districts customers tend to limit their department store purchases to relatively important items and to buy the smaller items in stores nearer to their homes.

**Table 16. Common Figures for Margin, Expense, and Profit for Department Stores with Net Sales of \$1,000,000 or More Classified According to Net Sales Volume and Size of City: 1943**  
(Net Sales = 100%, except where noted)

Net Sales (in thousands)	Items	Population Groups (in thousands)					
		25-50	50-100	100-250	250-500	500-1,000	1,000 or More
\$1,000-2,000	Number of Reports.....	18‡	22	....	....	....	....
	Gross Margin.....	38.1%	38.3%	....	....	....	....
	Total Expense.....	29.3	27.6	....	....	....	....
	Net Gain before Federal Tax on Income.....	13.1	12.1	....	....	....	....
	Net Gain after Federal Tax on Income.....	4.0	3.4	....	....	....	....
	Rate of Stock-turn.....	4.6	5.2	....	....	....	....
Returns and Allowances.....	5.4%†	5.2%†	....	....	....	....	
Average Gross Sale.....	\$2.10†	\$2.50†	....	....	....	....	
\$2,000-4,000	Number of Reports.....	....	17	13‡	....	....	....
	Gross Margin.....	....	39.0%	37.5%	....	....	....
	Total Expense.....	....	28.0	28.2	....	....	....
	Net Gain before Federal Tax on Income.....	....	13.5	11.5	....	....	....
	Net Gain after Federal Tax on Income.....	....	4.1	3.8	....	....	....
	Rate of Stock-turn.....	....	4.9	5.0	....	....	....
Returns and Allowances.....	....	4.4%†	4.4%†	....	....	....	
Average Gross Sale.....	....	\$2.15†	\$2.65†	....	....	....	
\$4,000-10,000	Number of Reports.....	....	....	23‡	20	9‡	....
	Gross Margin.....	....	....	39.6%	39.0%	39.0%	....
	Total Expense.....	....	....	26.7	29.0	31.5	....
	Net Gain before Federal Tax on Income.....	....	....	14.5	12.0	10.7	....
	Net Gain after Federal Tax on Income.....	....	....	4.2	3.9	3.1	....
	Rate of Stock-turn.....	....	....	5.7	5.5	4.6	....
Returns and Allowances.....	....	....	5.4%	7.1%	7.3%	....	
Average Gross Sale.....	....	....	\$2.65†	\$2.60†	\$2.90	....	
\$10,000-20,000	Number of Reports.....	....	....	....	14‡	10	....
	Gross Margin.....	....	....	....	39.4%	38.7%	....
	Total Expense.....	....	....	....	27.2	31.1	....
	Net Gain before Federal Tax on Income.....	....	....	....	14.5	10.0	....
	Net Gain after Federal Tax on Income.....	....	....	....	5.0	3.3	....
	Rate of Stock-turn.....	....	....	....	5.3	4.8	....
Returns and Allowances.....	....	....	....	7.5%	9.6%	....	
Average Gross Sale.....	....	....	....	\$2.70	\$3.10	....	
\$20,000-30,000	Number of Reports.....	....	....	....	6‡	8	....
	Gross Margin.....	....	....	....	38.6%	40.2%	....
	Total Expense.....	....	....	....	27.5	30.0	....
	Net Gain before Federal Tax on Income.....	....	....	....	13.6	12.4	....
	Net Gain after Federal Tax on Income.....	....	....	....	4.1	4.2	....
	Rate of Stock-turn.....	....	....	....	5.0	5.3	....
Returns and Allowances.....	....	....	....	7.7%	8.5%	....	
Average Gross Sale.....	....	....	....	\$2.65	\$3.55	....	
\$30,000 or More	Number of Reports.....	....	....	....	....	....	9‡
	Gross Margin.....	....	....	....	....	....	37.3%
	Total Expense.....	....	....	....	....	....	30.8
	Net Gain before Federal Tax on Income.....	....	....	....	....	....	9.0
	Net Gain after Federal Tax on Income.....	....	....	....	....	....	*
	Rate of Stock-turn.....	....	....	....	....	....	5.1
Returns and Allowances.....	....	....	....	....	....	9.5%	
Average Gross Sale.....	....	....	....	....	....	\$3.25	

\*Data not available. †Usable figures for this item were given on less than 75% of the reports.  
‡Some of the reports covered the operations of more than one store.

**Table 17. Common Figures for Selected Expenses for Department Stores with Net Sales of \$1,000,000 or More Classified According to Net Sales Volume and Size of City: 1943**

(Net Sales = 100%)

Net Sales (in thousands)	Items	Population Groups (in thousands)					
		25-50	50-100	100-250	250-500	500-1000	1,000 or More
\$1,000-2,000	Number of Reports.....	18‡	22	....	....	....	....
	Total Payroll.....	15.6%	15.6%	....	....	....	....
	Real Estate Costs <sup>1</sup> .....	2.8	2.7	....	....	....	....
	Advertising.....	2.1	1.9	....	....	....	....
	All Other Expense <sup>2</sup> .....	8.8	7.4	....	....	....	....
	Total Expense.....	29.3%	27.6%	....	....	....	....
\$2,000-4,000	Number of Reports.....	....	17	13‡	....	....	....
	Total Payroll.....	....	14.6%	14.4%	....	....	....
	Real Estate Costs <sup>1</sup> .....	....	2.7	3.1	....	....	....
	Advertising.....	....	2.1	2.7	....	....	....
	All Other Expense <sup>2</sup> .....	....	8.6	8.0	....	....	....
	Total Expense.....	....	28.0%	28.2%	....	....	....
\$4,000-10,000	Number of Reports.....	....	....	23‡	20	9‡	....
	Total Payroll.....	....	....	14.6%	14.55%	15.55%	....
	Real Estate Costs <sup>1</sup> .....	....	....	2.6	3.3	4.0	....
	Advertising.....	....	....	1.9	2.5	2.9	....
	All Other Expense <sup>2</sup> .....	....	....	7.6	8.65	9.05	....
	Total Expense.....	....	....	26.7%	29.0%	31.5%	....
\$10,000-20,000	Number of Reports.....	....	....	....	14‡	10	....
	Total Payroll.....	....	....	....	14.9%	15.7%	....
	Real Estate Costs <sup>1</sup> .....	....	....	....	2.6	3.8	....
	Advertising.....	....	....	....	2.4	2.9	....
	All Other Expense <sup>2</sup> .....	....	....	....	7.3	8.7	....
	Total Expense.....	....	....	....	27.2%	31.1%	....
\$20,000-30,000	Number of Reports.....	....	....	....	6‡	8	....
	Total Payroll.....	....	....	....	15.0%	16.4%	....
	Real Estate Costs <sup>1</sup> .....	....	....	....	2.3	2.8	....
	Advertising.....	....	....	....	1.9	2.2	....
	All Other Expense <sup>2</sup> .....	....	....	....	8.3	8.6	....
	Total Expense.....	....	....	....	27.5%	30.0%	....
\$30,000 or more	Number of Reports.....	....	....	....	....	....	9‡
	Total Payroll.....	....	....	....	....	....	16.5%
	Real Estate Costs <sup>1</sup> .....	....	....	....	....	....	3.6
	Advertising.....	....	....	....	....	....	2.7
	All Other Expense <sup>2</sup> .....	....	....	....	....	....	8.0
	Total Expense.....	....	....	....	....	....	30.8%

<sup>1</sup>Some of the reports covered the operations of more than one store.

<sup>2</sup>See the definition in the Appendix.

<sup>3</sup>Including interest on selected assets.

This is undoubtedly in part a reflection of the difficulty in most large cities of reaching the department stores. Similarly, the high rate of returns and allowances probably reflects such factors as the difficulty of taking children to the store to be fitted, with a resultant large number of purchases on approval, and a relatively large amount of ordering by mail and telephone. In addition, the tendency in 1943 for a concentration of sales in large city stores on items of relatively high unit value suggests that the merchandise

involved might have been of such importance to the customers that they were rather particular about the quality of the goods provided; this might lead to extensive returns.

Stores in smaller communities, on the other hand, had the opportunity to sell to their customers a higher proportion of their usual needs and, where department store management was competent to take advantage of the opportunity, relatively large sales and relatively high profits resulted.

## SECTION IV

### SPECIALTY STORES

Reports on 1943 operations were received from 91 specialty stores as compared with the 109 stores covered by reports for the preceding year. In view of the heavy burdens laid upon controllers and accounting departments and the manpower shortage with which they have had to contend, this record is gratifying indeed. As in previous years, specialty stores for the purpose of these surveys were defined as stores having a departmental form of organization, specializing in the sale of women's wearing apparel and related accessories, and generally handling neither yard goods nor home furnishings.

In Table 18, page 26, are given common figures for merchandising operations and profits of these 91 specialty stores, classified in seven size groups. These are the same size groupings which have been used for some years. The same warning given in connection with the department store figures should, however, be repeated here. Because of the very substantial increases in sales volume during recent years, there has been a notable shift of firms from class to class. It is, therefore, by no means to be assumed that the actual make-up of each class is the same as it was in earlier years.<sup>1</sup>

As examination of Table 18 will show, the percentage sales increases in 1943 as compared with 1942 were most pronounced among the smaller stores, and the percentage increases of the larger stores, although still substantial by any standard, were less by a considerable margin. This fact parallels the situation among the department stores where the small stores had notably larger sales increases, albeit not so large as those shown by the small specialty stores as compared with the larger department stores. It should of course be observed that among both specialty stores and department stores the smaller units tend to be concentrated in communities of smaller population.

#### Profits before Taxes at High Level

Specialty stores of all sizes earned very substantial profits before taxes in 1943. As is shown in Table 18, the highest rate of net profit and also of net gain (profit as usually understood by businessmen) was shown by the smaller firms. Those

stores with sales of less than \$150,000 had a net gain, for example, of 15.4% of their net sales and 34.5% of their net worth. It is regrettable that so few stores, except in the largest size class, reported information on federal taxes on income and that no common figures could be established. Study of the figures for the stores with sales of \$4,000,000 or more (that is, federal taxes on income of 6.8% of sales, which reduced the net gain from 10.2% of net sales before federal taxes on income to 3.4% after such taxes), suggests that it is probable that throughout the size categories federal taxes on income reduced profits available for dividends and reinvestment to figures comparable both to those of specialty stores in earlier years and to department store data in 1943.

In view of the large proportions which have been assumed by federal taxes on income, including both normal taxes and excess profits taxes, it is to be hoped that in future years more complete and more detailed information will be available on this subject. Federal taxes on income now absorb more of the sales dollar than any outlay except payroll, and presumably specialty store managements are giving careful attention to the position of their stores with respect to the various provisions of the Revenue Act having to do with postwar credits and carry-backs. Some attention to these matters in future surveys of operating costs might well be worth while.

Except in the case of the smaller stores, the gross margin figures for the several size classes of specialty stores did not differ markedly, and even as between the smallest stores with the lowest typical gross margins and the group with the highest gross margin there was a difference of only 3.6% of sales. It is of interest to note that the differences in gross margin between department stores and specialty stores were widest at the level of the smaller store categories. At the level of the larger stores, the typical gross margin figure for specialty stores was much closer to that for department stores. Both specialty stores and department stores were favored in 1943 by very low retail reductions, principally markdowns. In view of the somewhat higher percentage of the total sales of specialty stores secured from merchandise in which fashion changes are important, it would not have been surprising if specialty store markdowns had been higher, relative to

<sup>1</sup>See the Appendix, pages 31 and 32.

**Table 18. Common Figures for Merchandising Operations and Profits for Specialty Stores: 1943**

(Net Sales = 100%, except where noted)

Items	Net Sales (in thousands)						
	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.....	11	22†	10	11	10†	8†	19†
Aggregate Sales (in thousands).....	\$958	\$5,476	\$3,542	\$6,422	\$21,122	\$19,021	\$169,703
Typical Net Sales (in thousands).....	\$85	\$205	\$345	\$575	\$1,100	\$2,300	\$5,900
Change in Sales (1943/1942).....	135.0	132.0	123.5	122.5	128.5	117.0	120.0
Population (interquartile range <sup>1</sup> —in thousands)	7-35	30-164	61-663	66-771	105-635	206-587	663-1,931
Initial Markup (percentage of original retail value) on Invoice Cost Delivered <sup>1</sup> .....	*	*	*	*	39.7%	39.6%	39.1%
Markdowns.....	*	*	*	*	}4.6%	5.6%	}4.5%
Discounts to Employees and Others.....	*	*	*	*		0.8	
Stock Shortages.....	*	*	*	*		0.7	
Total Retail Reductions.....	*	*	*	*	5.15%	7.1%	5.4%
Inward Freight, Express, and Truckage.....	0.9%	0.8%	0.6%	0.4%	0.6%†	0.45%	0.35%
Alteration and Workroom Costs (Net).....	*	0.8†	0.45	0.35	0.6	0.3	0.7
Cash Discounts Received on Purchases (percentage of sales).....	4.55	4.55	4.2	4.35	4.1	4.05	4.2
Gross Margin.....	36.5	37.9	39.5	37.3	40.1	39.1	39.3
Total Merchandise Costs (Net).....	63.5%	62.1%	60.5%	62.7%	59.9%	60.9%	60.7%
Total Expense.....	22.5	28.4	32.0	29.9	30.0	33.0	31.3
TOTAL COST.....	86.0%	90.5%	92.5%	92.6%	89.9%	93.9%	92.0%
NET PROFIT OR LOSS.....	14.0%	9.5%	7.5%	7.4%	10.1%	6.1%	8.0%
Net Other Income (including interest on capital owned).....	1.4	2.0	2.0	2.5	1.5	1.8	2.2
NET GAIN before Federal Tax on Income:							
Percentage of Net Sales.....	15.4%	11.5%	9.5%	9.9%	11.6%	7.9%	10.2%
Percentage of Net Worth.....	34.5	39.0	36.0	38.5	48.0	33.5	42.0
Net Federal Tax on Income and Excess Profits	*	*	*	*	*	*	6.8%
NET GAIN after Federal Tax on Income:							
Percentage of Net Sales.....	*	*	*	*	*	*	3.4%
Percentage of Net Worth.....	*	*	*	*	*	*	14.0
Percentage of Firms:							
Earning Some Net Profit.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Earning Some Net Gain.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Rate of Stock-turn (times a year):							
Based on Beginning and Ending Inventories	5.6	5.3	6.3	6.75	5.9	6.15	6.8
Based on Monthly Inventories.....	*	*	*	*	4.7†	5.3	5.8

\*Data not available.

†Usable figures for this item were given on less than 75% of the reports.

<sup>1</sup>Some of the reports covered the operations of more than one store. In such cases, the population of the city in which the main store was located was used in preparing the figures for population.

<sup>2</sup>See the definition in the Appendix.

those of department stores, than they were. It is interesting to speculate whether specialty stores in some future year will show markdown percentages even lower than those of department stores because they have found it necessary to stock less substitute merchandise than has been required in many departments of department stores. It is certainly true that specialty stores generally have been less hampered by merchandise shortages than have been department stores, and the large sales increases in 1943 in wearing apparel were favorable to low markdowns. One figure of some interest is the high cash discounts received by the specialty stores of all sizes as compared with department stores. Perhaps the relatively high discounts traditional in the apparel

trades are the principal cause of this continuing difference in gross margin.

#### Small Specialty Stores Show Very Low Expense Rate

As is shown in Table 18, there was a sharp break in the total expense rate between those stores which had sales of less than \$150,000 and those stores which had sales of \$150,000 to \$300,000. The smaller stores had a total expense rate of 22.5% of sales; the latter, an expense rate of 28.4% of sales. Among department stores on the other hand, the break, which was less pronounced, came between the next two higher volume groups; that is, between those stores which had sales of \$150,000 to \$300,000 and those

which had sales of \$300,000 to \$500,000. It seems highly probable that those specialty stores which had sales of less than \$150,000 are distinctly different, both as to type of merchandise empha-

sized and as to degree of departmental organization, than the larger specialty stores.

The breakdown of expenses given in Table 19, below, shows that the very low total expense

**Table 19. Common Figures for Expense by Natural and Functional Divisions for Specialty Stores: 1943**

(Net Sales = 100%)

Items	Net Sales (in thousands)						
	Less than \$150	\$150-300	\$300-500	\$500-1,000	\$1,000-2,000	\$2,000-4,000	\$4,000 or More
<b>Number of Reports:</b>							
Giving Functional Data.....	0	0	0	5	8†	8†	19†
Giving Other Data.....	11	22†	10	11	10†	8†	19†
Aggregate Sales (in thousands).....	\$958	\$5,476	\$3,542	\$6,422	\$21,122	\$19,021	\$169,703
Typical Net Sales (in thousands).....	\$85	\$205	\$345	\$575	\$1,100	\$2,300	\$5,900
Change in Sales (1943/1942).....	135.0	132.0	123.5	122.5	128.5	117.0	120.0
Population (interquartile range <sup>1</sup> —in thousands)	7-35	30-164	61-663	66-771	105-635	206-587	663-1,931
<b>NATURAL DIVISIONS</b>							
Total Payroll.....	12.3%	15.1%	16.0%	15.0%	16.3%	16.2%	15.7%
Real Estate Costs <sup>1</sup> .....	2.2	3.2	4.4	3.5	3.15	3.5	4.25
Newspaper Advertising.....	*	*	*	2.8	*	3.6	2.85
Direct Advertising.....	*	*	*		*	0.15	0.15
Radio Advertising.....	*	*	*		*		0.1†
Other Advertising.....	*	*	*	0.6†	*	0.25†	0.25
Total Advertising (subtotal).....	0.85	2.0	3.0	(3.4)	3.5	(4.0)	(3.95)
Taxes <sup>1</sup> .....	0.45	1.0	0.95	0.8	0.85	1.0	0.85
Interest <sup>2</sup> .....	1.2	1.45	1.5	1.3	1.2	1.25	1.25
Supplies.....	1.05	0.85	1.0	1.1	1.0	1.45	1.3
Service Purchased.....	0.75	0.65	0.9	0.7	0.65	0.7	0.8
Losses from Bad Debts.....	0.1†	0.25	0.1	0.2	0.15	0.15	0.1
Other Unclassified.....	0.85†	0.9	1.05	0.7	0.85	1.55	1.15
Traveling.....	0.9	1.15	0.7	0.7	0.65	0.55	0.45
Communication.....	0.3	0.3	0.35	0.45	0.35	0.4	0.4
Repairs.....	0.2†	0.3†	0.6†	0.35	0.35	0.85	0.45
Insurance <sup>2</sup> .....	0.3	0.4	0.55	0.35	0.35	0.3	0.25
Depreciation <sup>2</sup> .....	0.75	0.5	0.5	0.55	0.25	0.5	0.5
Professional Services <sup>1</sup> .....	0.3†	0.35†	0.4	0.8	0.4	0.6	0.5
<b>Total Expense.....</b>	<b>22.5%</b>	<b>28.4%</b>	<b>32.0%</b>	<b>29.9%</b>	<b>30.0%</b>	<b>33.0%</b>	<b>31.3%</b>
<b>FUNCTIONAL DIVISIONS</b>							
<b>Administrative and General:</b>							
Accounting Office, Accts. Rec. and Credit	*	*	*	*	*	2.6%	2.05%
Executive and Other Admin. and General	*	*	*	*	*	5.85	5.3
<b>Total Administrative and General.....</b>	*	*	*	*	*	<b>8.45%</b>	<b>7.35%</b>
<b>Occupancy:</b>							
Operating and Housekeeping.....	*	*	*	*	*	1.95%	1.6%
Real Estate Costs <sup>1</sup> .....	*	*	*	*	*	3.5	4.25
Fixtures and Equipment Costs.....	*	*	*	*	*	0.7	0.65
Heat, Light, and Power.....	*	*	*	*	*	0.5	0.45
<b>Total Occupancy.....</b>	*	*	*	*	*	<b>6.65%</b>	<b>6.95%</b>
<b>Publicity:</b>							
Sales Promotion and General Advertising...	*	*	*	*	*	4.5%	3.95%
Display.....	*	*	*	*	*	0.5	0.45
<b>Total Publicity.....</b>	*	*	*	*	*	<b>5.0%</b>	<b>4.4%</b>
<b>Buying and Merchandising:</b>							
Merchandise Management and Buying.....	*	*	*	*	*	4.2%	3.55%
Receiving and Marking.....	*	*	*	*	*	0.45	0.45
<b>Total Buying and Merchandising.....</b>	*	*	*	*	*	<b>4.65%</b>	<b>4.0%</b>
<b>Direct and General Selling.....</b>	*	*	*	*	*	<b>7.75</b>	<b>7.95</b>
<b>Delivery.....</b>	*	*	*	*	*	<b>0.5</b>	<b>0.65</b>
<b>Total Expense.....</b>	<b>22.5%</b>	<b>28.4%</b>	<b>32.0%</b>	<b>29.9%</b>	<b>30.0%</b>	<b>33.0%</b>	<b>31.3%</b>

\*Data not available.

†Usable figures for this item were given on less than 75% of the reports.

<sup>1</sup>Some of the reports covered the operations of more than one store. In such cases, the population of the city in which the main store was located was used in preparing the figures for population.

<sup>2</sup>See the definition in the Appendix.

<sup>3</sup>Except on real estate.

**Table 20. Detailed Expenses by Natural and Functional Divisions for Specialty Stores with Net Sales of \$2,000,000 or More: 1943**  
(Common Figures; Net Sales = 100%)

Items	88 Firms with Net Sales of \$2,000,000 to \$4,000,000			198 Firms with Net Sales of \$4,000,000 or More				
	Accounting Office, Accounts Receivable and Credit	Executive and Other Administrative and General	Total	Accounting Office, Accounts Receivable and Credit	Executive and Other Administrative and General	Total		
<b>ADMINISTRATIVE AND GENERAL:</b>								
Payroll: Accounting Office.....	0.95%	....		0.80%	....			
Accts. Rec. and Credit.....	0.90	....		0.70	....			
Executive.....	....	1.60%		....	1.05%			
Executive Office.....	....	0.55		....	0.10			
Superintendency and Gen. Store...	....	1.00	4.00%	....	0.80	3.45%		
Taxes <sup>1</sup> .....	....	1.10	1.00	....	0.85	0.85		
Interest on Mdse. and Accts. Rec.....	....	1.10	1.10	....	1.10	1.10		
Supplies.....	0.15†	0.03	0.18	0.09	0.04	0.13		
Losses from Bad Debts.....	0.15	....	0.15	0.10	....	0.10		
Other Unclassified.....	0.15†	0.95	1.10	0.08	0.72	0.80		
Traveling.....	0.01†	0.04†	0.05	0.00†	0.02	0.02		
Communication.....	0.17	0.17	0.34	0.13	0.21	0.34		
Insurance.....	....	0.25	0.25	....	0.23	0.23		
Professional Services.....	0.13	0.15	0.28	0.13	0.19	0.32		
<b>Total Administrative and General.....</b>	<b>2.60%†</b>	<b>5.85%†</b>	<b>8.45%</b>	<b>2.05%†</b>	<b>5.30%†</b>	<b>7.35%†</b>		
<b>OCCUPANCY:</b>								
	Operating and House-keeping	Fixed Plant and Equipment Costs	Heat, Light, and Power	Total	Operating and House-keeping	Fixed Plant and Equipment Costs	Heat, Light, and Power	Total
Payroll.....	0.90%	....	0.00%†	0.90%	0.90%	....	0.05%	0.95%
Real Estate Costs <sup>1</sup> .....	....	3.50%	....	3.50	....	4.25%	....	4.25
Taxes on Fixtures and Equipment.....	....	0.00†	....	0.00†	....	0.02†	....	0.02†
Interest on Fixtures and Equipment.....	....	0.15	....	0.15	....	0.14	....	0.14
Supplies.....	0.14	....	0.07†	0.21	0.13	....	0.04†	0.17
Service Purchased.....	0.04†	....	0.42	0.46	0.03	....	0.38	0.41
Unclassified.....	0.03	0.00†	0.00†	0.03	0.07	0.00†	0.00†	0.07
Traveling.....	0.00†	....	....	0.00†	0.00†	....	....	0.00†
Repairs.....	0.85	....	....	0.85	0.45	....	....	0.45
Insurance on Fixtures and Equipment.....	....	0.05	....	0.05	....	0.02	....	0.02
Depreciation on Fixtures and Equipment.....	....	0.50	....	0.50	....	0.48	....	0.48
<b>Total Occupancy.....</b>	<b>1.95%†</b>	<b>4.20%</b>	<b>0.50%†</b>	<b>6.65%</b>	<b>1.60%†</b>	<b>4.90%†</b>	<b>0.45%†</b>	<b>6.95%†</b>
<b>PUBLICITY:</b>								
	Sales Promotion and Gen. Advt.	Display	Total	Sales Promotion and Gen. Advt.	Display	Total		
Payroll.....	0.40%	0.25%	0.65%	0.35%	0.25%	0.60%		
Advertising.....	4.00	....	4.00	3.35	....	3.35		
Supplies.....	0.08	0.23	0.31	0.14	0.20	0.34		
Unclassified.....	0.02†	0.02	0.04	0.03	0.02†	0.05		
Traveling.....	0.00†	0.00†	0.00†	0.01†	0.00†	0.01†		
Communication.....	0.00†	....	0.00†	0.04†	....	0.04†		
Professional Services.....	0.00†	....	0.00†	0.02†	....	0.02†		
<b>Total Publicity.....</b>	<b>4.50%</b>	<b>0.50%</b>	<b>5.00%</b>	<b>3.95%†</b>	<b>0.45%†</b>	<b>4.40%†</b>		
<b>BUYING AND MERCHANDISING:</b>								
	Mdse. Management and Buying	Receiving and Marking	Total	Mdse. Management and Buying	Receiving and Marking	Total		
Payroll: Mdse. Mgrs. and Assts.....	....	....	....	0.00%	....	....		
Buyers and Assistants.....	3.25%	....	....	2.05	....	....		
Other.....	....	....	....	0.25	....	....		
Receiving and Marking.....	....	0.40%	3.65%	....	0.40%	3.30%		
Supplies.....	0.02	0.06	0.08	0.02	0.04	0.06		
Unclassified.....	0.05†	0.00	0.05	0.05	0.01	0.06		
Traveling.....	0.50	0.00†	0.50	0.42	0.00†	0.42		
Communication.....	0.05	....	0.05	0.02	....	0.02		
Professional Services <sup>1</sup> .....	0.32	....	0.32	0.15	....	0.15		
<b>Total Buying and Merchandising.....</b>	<b>4.20%†</b>	<b>0.45%†</b>	<b>4.65%</b>	<b>3.55%†</b>	<b>0.45%</b>	<b>4.00%†</b>		
<b>SELLING AND DELIVERY:</b>								
	Direct and General Selling	Delivery	Total	Direct and General Selling	Delivery	Total		
Payroll: Salespeople.....	5.75%	....	....	5.65%	....	....		
Floor Supts. and Sec. Mgrs.....	0.20	....	....	0.25	....	....		
Other.....	0.85	....	....	1.30	....	....		
Delivery.....	....	0.20%	7.00%	....	0.20%	7.40%		
Taxes.....	....	0.00†	0.00†	....	0.00†	0.00†		
Interest on Equipment.....	....	0.00†	0.00†	....	0.00†	0.00†		
Supplies.....	0.65	0.02	0.67	0.60	0.02	0.62		
Service Purchased.....	....	0.25	0.25	....	0.39	0.39		
Unclassified.....	0.32	0.01	0.33	0.15	0.01	0.16		
Traveling.....	0.00†	0.00†	0.00†	0.00†	0.00†	0.00†		
Repairs.....	....	0.00†	0.00†	....	0.00†	0.00†		
Insurance.....	....	0.00†	0.00†	....	0.01†	0.01†		
Depreciation.....	....	0.00†	0.00†	....	0.00†	0.00†		
<b>Total Selling and Delivery.....</b>	<b>7.75%†</b>	<b>0.50%†</b>	<b>8.25%</b>	<b>7.95%</b>	<b>0.65%†</b>	<b>8.60%†</b>		
<b>TOTAL EXPENSE.....</b>	<b>33.0%</b>			<b>31.3%</b>				

† Usable figures for this item were given on less than 75% of the reports.      § Some of the reports covered the operations of more than one store.  
 † Owing to the Bureau's practice of rounding off the common figures for functional and subfunctional totals to the nearest 0.00 or 0.05, 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.  
 † See the definition in the Appendix.

rate of the smallest stores resulted from lower levels in most of the important expense categories. Small stores are very seldom able to provide figures for expenses classified by functional divisions, but the natural divisions given in the table show small store figures for payroll, real estate costs, and advertising far below the comparable figures for larger stores. The advertising percentage of 0.8% of sales is particularly notable, emphasizing the extent to which such small stores appeal to a local clientele or rely on window display to bring their wares to the attention of prospective customers. Because of the inability of smaller specialty stores to provide detailed expense figures classified by functional divisions, such material presented in Table 20, page 28, is limited to those stores with net sales of \$2,000,000 or more. Examination of these figures, together with those for the natural classifications shown in the preceding table, indicates that, as in the past, specialty store expenses ran somewhat higher than those for department stores for outlays incurred in connection with occupancy, publicity, and administration. The composition of the total expense figure for both department stores and specialty stores was much the same although specialty stores in 1943 continued to show somewhat higher real estate costs and advertising expenditures.

### Trends in Specialty Store Operating Results

In Table 1, page 5, are presented figures for the major operating percentages for all reporting specialty stores from 1929 through 1943. The purpose of this table is to set the results of 1943 against the background of earlier years and to highlight significant changes.

The first set of figures to which attention might be directed is that for gross margin. In 1943 specialty stores showed a slight increase in gross margin as compared with 1942, reaching a figure of 39.2%, the highest level for the period covered. This development was in contrast to the situation of department stores which recorded a drop of slightly smaller proportions; that is, from 38.7% of sales to 38.4% of sales. It is of some interest to compare department store and specialty store gross margin figures for certain selected years.

	Department Stores	Specialty Stores	Difference
1929.....	33.5%	35.3%	+1.8 %
1932.....	33.1	34.0	+0.9
1939.....	36.9	37.8	+0.9
1940.....	36.95	37.5	+0.55
1941.....	38.2	38.35	+0.15
1942.....	38.7	38.75	+0.05
1943.....	38.4	39.2	+0.8

It will be noted from an examination of these figures that in 1929 specialty stores reported a distinctly higher rate of gross margin than that achieved by department stores. In 1932, at the bottom of the depression, the specialty stores retained some advantage in gross margin although the difference had been cut in half. In 1939 the relationship was virtually the same as it had been in 1932, but during the war years the two sets of figures came very close together, being practically identical in 1942. One might perhaps reason that the similarity resulted in part from a decrease in the difference in the merchandise making up the bulk of the sales of the two classes of stores (i.e., the disappearance of many of the hard lines normally carried by department stores but not by specialty stores) and in part from the unifying force of government price regulations. But the beginning of a new divergence in 1943, in which year both of these factors were even more powerful than in preceding years, does not seem to accord with this hypothesis. It may be that 1943 marked the beginning of an emergence of a new difference in margin rates between the two types of stores.

The total expense rate for the 91 specialty stores was 31.15% of sales, lower by at least 2% of sales than the figure for any other year of the period covered. A comparison of total expense rates for specialty stores with those for department stores similar to the preceding summary of margin data is presented below:

	Department Stores	Specialty Stores	Difference
1929.....	32.3%	33.3%	+1.0 %
1932.....	39.5	39.6	+0.1
1939.....	36.4	37.5	+1.1
1940.....	35.7	37.1	+1.4
1941.....	34.3	35.9	+1.6
1942.....	32.05	33.75	+1.7
1943.....	29.4	31.15	+1.75

These figures indicate that, with the exception of 1932, specialty store expenses constantly ran 1 to 2% of sales higher than the total expenses of department stores. In 1932, to be sure, the impact of the depression was evidently such that the two expense rates were practically identical, but since that time the differences have once more become marked.

The interaction of gross margin and total expense rates provides the series for profits. It is unfortunate that it is not possible to show figures for specialty stores for net gain after federal tax on



income. The following comparison is for net gain or loss before federal tax on income.

	<i>Department Stores</i>	<i>Specialty Stores</i>	<i>Difference</i>
1929.....	4.3%	4.7%	+0.4 %
1932.....	4.4	5.1	-0.7
1939.....	4.0	3.0	-1.0
1940.....	4.75	3.2	-1.55
1941.....	7.3	*	
1942.....	9.75	7.2	-2.55
1943.....	11.4	10.15	-1.25

\*Not Available

These figures indicate that, whereas in 1929 specialty stores tended to be slightly more profitable than department stores (and this tendency was rather general throughout the 20's), the specialty stores suffered somewhat more severely at the depth of the depression in 1932, did not recover so satisfactorily thereafter, and have not been able to profit from the war boom to quite the extent characteristic of the department stores. In 1943, however, the difference was not pronounced.

Examination of the principal items of expense throws a little light on the comparative trends of the two types of stores. Payroll percentages have moved in a very similar fashion for the two groups of stores, particularly during the last five years. The following figures show that whereas in 1932 the difference was about 1% of sales, in none of the last five years has the difference exceeded 0.25% of sales.

	<i>Department Stores</i>	<i>Specialty Stores</i>	<i>Difference</i>
1929.....	16.8%	16.5%	-0.3 %
1932.....	18.7	17.6	-1.1
1939.....	17.8	17.6	-0.2
1940.....	17.55	17.8	+0.25
1941.....	17.3	17.3	0.0
1942.....	16.75	16.8	+0.05
1943.....	15.7	15.8	+0.1

Similarly, the differences between the two types of stores in regard to the rates of expenditure for advertising have remained uniform, as is shown in the tabulation below.

	<i>Department Stores</i>	<i>Specialty Stores</i>	<i>Difference</i>
1929.....	3.3%	4.0%	+0.7 %
1932.....	4.0	4.8	+0.8
1939.....	3.6	4.4	+0.8
1940.....	3.5	4.2	+0.7
1941.....	3.15	4.05	+0.9
1942.....	2.7	3.75	+1.05
1943.....	2.4	3.15	+0.75

Real estate costs also have maintained a relatively uniform difference between the two types of stores. This fact is brought out in the tabulation below.

	<i>Department Stores</i>	<i>Specialty Stores</i>	<i>Difference</i>
1929.....	3.9%	4.2%	+0.3 %
1932.....	6.5	7.1	+0.6
1939.....	4.7	5.2	+0.5
1940.....	4.45	4.8	+0.35
1941.....	3.95	4.65	+0.70
1942.....	3.6	4.15	+0.55
1943.....	3.15	3.85	+0.70

These three major items of expense show remarkably persistent relationships between specialty stores and department stores. The persistence of these uniform differences probably reflects the fact that during the 30's and the war years there were few important innovations either in merchandise carried or in operating methods which characterized one group and did not characterize the other.

## APPENDIX

### Materials

The information and conclusions contained in this bulletin are based on profit and loss statements, balance sheets, and other materials received on 494 separate schedules covering the operations of 647 stores in 1943. Of these 494 schedules, 20 arrived too late to be used (1 of these 20 was used in Chart 1 only) and 17 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 457 statements.

The form on which the cooperating stores reported their figures and other information was developed by the Bureau out of its experience in conducting 23 preceding studies for this trade and from contact with store executives. Copies of the form may be secured by writing to the Bureau.

### Size of Sample

The total store sales volume of the 494 firms which sent reports was slightly more than \$2,400,000,000, and the total store sales (including leased department sales) of the 457 firms for which data were actually used in setting common figures was \$2,351,002,000.

It is estimated that this latter amount is more than 33.5% of the total sales of department and specialty stores in the United States in 1943. According to the Census of Business: 1939, Retail Distribution, Preliminary United States Summary, the sales of department stores and women's ready-to-wear specialty stores (including independents and chains) in 1939 were in excess of \$4,460,000,000. On the basis of the Federal Reserve Board's index, sales of department stores in 1943 amounted to roughly 156.5% of their sales in 1939, so that the figure for 1943 corresponding to the total above was about \$7,000,000,000. The sales of the 457 firms for which data actually were used in this study amount to somewhat more than 33.5% of \$7,000,000,000.

### Classification of Reports by Kind of Store

In classifying the reports, the first step was to separate those for department stores from those for specialty stores. The Bureau defined a department store as one handling a number of lines of merchandise, including yard goods and, usually,

home furnishings. 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.

### By Sales Volume

After the division of the reports into two major groups by kind of store, the next step was to classify the reports in each group by total store net sales volume. In this work, consolidated reports for a main store and its branches were classified according to the main store's volume, but consolidated reports for groups of stores similar in volume and not strictly in the relationship of a main store and branches were classified according to sales per store.

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. Since 1939, however, the groups have been established on the basis of total store net sales rather than on the basis of net sales in owned departments only, as in earlier years, and thus the classification of some firms has been affected. Moreover, from year to year there has been considerable change in the identity of the firms assigned to the several groups owing to changes in individual store volume.

As indicated in Table A, the changes between 1942 and 1943 were substantial. Partly this was because of increases in sales volume which moved some firms out of the lower groups and into the next higher groups, and partly it was because of a change in the identity of the reporting firms, the latter explanation applying particularly among the smaller volume groups. Furthermore, a number of reports were received from new cooperators. The changes in the make-up of the several volume groups which have occurred for these various reasons render year-to-year comparisons between corresponding volume groups somewhat hazardous. Especially is this true among the smaller volume groups; among the stores in the larger volume classifications there was a somewhat stronger tendency toward continuity in the same groups, and hence these groups afford a better basis for year-to-year comparisons.

### Common Figures

In this bulletin common figures are given for each of the several volume groups of department stores.

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 lowest and highest figures, respectively, of those occurring in the middle half of the series mark the interquartile range. 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 performance.

The common figures published in this bulletin and in earlier bulletins have represented the typical experience of a 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 firm regardless of size. In preparing the department store figures for Table 1, however, the Bureau has averaged the common figures established by the method described above for each of a number of sales volume groups by weighting them according to the aggregate sales of the stores reporting for the

**Table A. Distribution of Reporting Stores by Sales Volume Groups for 1942 and 1943—  
Changes in Sample**

DEPARTMENT STORES							
Volume Group (Net Sales in Thousands)	Number of Firms for Which Reports Were Available		Changes in Sample			In Same Group in Both 1942 and 1943	
	1942	1943	Number in Preceding Volume Groups in 1942	Number Available for 1943 but Not for 1942	Number Available for 1942 but not for 1943	Number	Percentage of Total Number of Firms Classified in This Group in 1943
Less than \$150.....	41	27	...	10	15	17	63.0%
\$150-300.....	33	30	9	9	11	12	40.0
\$300-500.....	41	33	10	9	12	14	42.4
\$500-750.....	28	30	15	5	4	10	33.3
\$750-1,000.....	20	27	12	6	4	9	33.3
\$1,000-2,000.....	47	54	9	10	6	35	64.8
\$2,000-4,000.....	49	46	6	9	7	31	67.4
\$4,000-10,000.....	63	58	11	4	6	43	74.1
\$10,000-20,000.....	27	32	14	1	2	17	53.1
\$20,000 or More.....	19	29	8	2	-	19	65.5
Total.....	368	366	94	65	67	207	56.6%
Total Number of Firms for Which Reports Were Available for Both 1942 and 1943.....						301	
Percentage of Firms Reporting for 1942 and 1943 to Total Firms Reporting for 1943.....							82.2%
SPECIALTY STORES							
Volume Group (Net Sales in Thousands)	Number of Firms for Which Reports Were Available		Changes in Sample			In Same Group in Both 1942 and 1943	
	1942	1943	Number in Preceding Volume Groups in 1942	Number Available for 1943 but Not for 1942	Number Available for 1942 but not for 1943	Number	Percentage of Total Number of Firms Classified in This Group in 1943
Less than \$150.....	31	11	...	4	21	7	63.6%
\$150-300.....	16	22	3	12	5	7	31.8
\$300-500.....	15	10	4	2	7	4	40.0
\$500-1,000.....	14	11	4	2	3	5	45.5
\$1,000-2,000.....	10	10	6	1	4	3	30.0
\$2,000-4,000.....	11	8	3	0	0	5	62.5
\$4,000 or More.....	12	19	6	2	1	11	57.9
Total.....	109	91	26	23	41	42	46.2%
Total Number of Firms for Which Reports Were Available for Both 1942 and 1943.....						68	
Percentage of Firms Reporting for 1942 and 1943 to Total Firms Reporting for 1943.....							74.7%

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, the department store figures in Table 1, instead of representing the experience of the typical or average store, represent the experience of the trade as a whole.

For the past six years it has been possible to prepare, also, average percentages for all reporting department stores based directly on the aggregate dollar amounts entered by these firms for several of the items in the profit and loss and expense statements. Figures for the past two years are presented in Chart 1.

### Transactions

In arriving at the figures for average gross sale, 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. The average gross sale results from dividing gross sales by the total number of gross sales transactions.

### Definitions of Major Items

*Net sales*, as used throughout this bulletin, represents the volume of business done in owned departments only. This figure is computed by deducting from gross sales the amount of merchandise returned by customers and the allowances granted to customers.

*Gross margin* is net sales less total merchandise costs (net). The Bureau defines total merchandise costs (net) as the sum of three factors: (a) the difference 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 not only actual expenditures and regular charges, such as those for depreciation, but also 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 rates 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: 1943." Readers who wish more information should write to the Bureau.

*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, as defined above, from net sales. 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. This figure, however, is *not* the net business profit *before interest on owned capital* which many businessmen 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 a more accurate index of operating efficiency than net gain.

*Net other income* includes interest at 6% on such part of the capital used in the business as represents the firms' 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 nonmerchandising 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.

*Net federal tax on income and excess profits* is the provision for taxes on 1943 earnings, net of the 10% credit on the excess profits tax for the taxable year. For purposes of the study the full deduction is taken currently whether it is actually allowed as a postwar credit or taken for debt retirement during the taxable year.

### 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 and revised in 1937 and 1942. There are, however, three important differences: those in the handling of (a) rentals and related items, (b) interest, and (c) professional services. These are discussed below.

#### 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 plus depreciation on leasehold improvements and leasehold valuation; in addition, it includes taxes, interest, insurance, and depreciation 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 include expenditures or charges on equipment.

#### Interest

*Interest* includes interest at 6%<sup>1</sup> on the following assets: 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. Interest paid on borrowed capital and interest received are not

<sup>1</sup>The use of the 6% rate in 1943 may have resulted in the overstatement of interest expense, particularly for large firms. Data on interest rates on borrowed capital reported by a few department stores serve as a basis for the median figures given below. An insufficient number of firms with sales of less than \$500,000 reported data for 1943 to make the preparation of medians possible.

considered in arriving at the interest charges in the expense statement, but are considered in arriving at net other income.

### Professional Services

*Professional services* include 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 here.

### Payroll

Largely as a result of the federal and state social security legislation, the Controllers' Congress, in February, 1936, recommended that pensions and retirement allowances, unemployment insurance privately provided, and supper money be included in unclassified rather than in payroll. The Bureau adopted these revisions in the Controllers' Congress classifications and, as a result, introduced some lack of comparability between the figures for payroll and unclassified for 1936 through 1943, on the one hand, and those for earlier years.

### Taxes

*Taxes* do not include taxes on real estate, which are included in real estate costs, or federal income taxes but do include payroll taxes and such taxes on sales or gross income as the stores were unable to collect directly from their customers.

### Stock-turn

The stock-turn figures given in this report, based upon beginning and ending inventories, were computed by dividing total merchandise costs (net) as defined under gross margin on page 33 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

Interest Rates on Borrowed Capital: 1943

Department Stores with Net Sales (in thousands)	Short-Term Loans		Long-Term Loans	
	Number of Reporting Firms	Rate	Number of Reporting Firms	Rate
\$500-750.....	9	5	5	5
\$750-1,000.....	11	5	10	4½
\$1,000-2,000.....	16	4	14	4
\$2,000-4,000.....	11	3	11	4
\$4,000-10,000.....	16	1½	18	4
\$10,000-20,000.....	7	1½	12	4
\$20,000 or More.....	6	1½	13	2½

inventory figures, whichever were furnished, total merchandise costs or net sales being used as dividends.

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, from the standpoint of the number of firms reporting the necessary data, they usually are the ones mentioned in the text.

### Initial Markup

Of the other items given in the tables, initial markup requires special explanation. The figures for initial markup were not based on initial markup 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 markup, 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 markup 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:

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

Using figures for department stores with \$4,000,000 to \$10,000,000 sales from Table 4, the computation of the rate of initial markup based on invoice cost delivered is as follows:

$$\frac{39.0 + 0.4 + 5.0 - 2.85}{100 + 5.0} = \frac{41.55}{105.0} = 39.55$$

### 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 cooperating 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, supplies, 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. In the few cases where all expenses apparently were distorted as a result of leased department operations, the entire statement was omitted.