

Oil & Soap

Editorial

Soap in the Chain Store

THERE has been recently reported the submission to the United States Senate of a report from the Federal Trade Commission covering the activities of chain store organizations in connection with their practice of selling selected goods below cost as "Leaders," or "Loss Leaders," for the purpose of bringing customers to their stores, or of combating competition.

In the summary of the report submitted by the Trade Commission, there is much food for study by soap manufacturers and by manufacturers of lard and shortenings. It is to be regretted that the figures in the report are based on conditions in 1928, but there is no doubt that the loss leader practice has continued and is still with us. Remembering that losses reported against replacement cost do not necessarily mean that equivalent losses stand against what the chains actually paid for the merchandise so sold, we note that eight grocery and meat chains, operating 526 stores, reported losses ranging from 1.5% on butter to 23.1% on a famous brand of toilet soap. The same chains reported loss of 16.6% on a leading white laundry soap of the same manufacture.

Seventeen drug chains report losses ranging from 16.7 to 31.4% on the same well-known toilet soap, 13.3 to 23.3% of a hand lotion, 8 to 15.8% on a face cream and 5 to 19% on a much-advertised shaving cream. In the variety chains, losses on soap exceed all others. Nine variety chains, operating 417 stores, report the following soap discounts to consumers below replacement costs: Toilet soap "A," 24.2%; a laundry soap, 35.1%; an all purpose soap, 28.6%; toilet soap "B," 39.5%; toilet soap "C," 16.7%.

To the soap manufacturers, these conditions must have an important bearing on general

sales policy. No one with any knowledge of the soap marketing situation believes that the percentage losses given above represent actual losses to these chain stores, as it is well known that they are enabled to buy at jobbers' prices or better, because of the volume represented by their purchases. But soap makers, in common with other producers of trade-marked merchandise, have only recently been endeavoring to enforce the right of the owner of a trade-mark to refuse to sell to retailers who undercut his advertised price to consumers.

Admitting the privilege of chains to enjoy the lowest prices from manufacturers, should they in turn, be permitted to pass on to the consumer so much of their saving as to destroy entirely the meaning of the manufacturer's established retail price, and thus to deprive the independent retailer of any opportunity for profit in a particular commodity? Should soap manufacturers, as a class of producers, tolerate a condition which singles out their product, a prime necessity in every household, for what amounts to value-destruction in favor of those other items from which the chains must obtain their balancing profits?

Granting the desirability of chain store business, with its enormous volume, so useful in taking up the slack periods of the soap factory, would it not be possible for the manufacturer who spends enormous sums to advertise his soap at a standard price, to insert as one of the conditions of making a special price to the chain store, a valid contract clause which would in some way limit the extent of consumer price-reduction applicable to the merchandise involved in the sale? Not being lawyers, we will not attempt to decide whether such a contract would be illegal or unenforceable. If neither of these, it would offer a measure of brand protection against price destruction.