

# “Loss Leaders” And the Chain Store

**T**HE Federal Trade Commission has transmitted to the United States Senate its fifth report of a series covering its investigation of chain stores under authority of Senate resolution.

“Chain Store Leaders and Loss Leaders” is the title of this latest report which is a study, without conclusions or recommendations, of the chain store practice of sometimes selling goods as leaders, below net invoice cost, net purchase cost or net manufacturing cost, or below the net purchase cost plus operating costs, or simply at prices below the usual markup.

Merchandise so sold is frequently under nationally advertised brands. Goods sold under private labels of the chains “are relatively seldom selected for loss leader use.” The report defines leaders broadly as merchandise featured or sold at reduced prices to attract buyers and thereby stimulate sales not only of these leaders but also of other goods.

Several chain organizations listed their largest selling branded articles, excluding their own private brands, with the lowest selling prices during 1928, together with the net purchase or

replacement cost on the same date. The amounts of losses on a replacement cost basis as reported by a number of chains are shown for such commodities as soap, coffee, cocoa, flour, soup, aspirin, razor blades, and others.

Among features of the report are: General characteristics of leaders, sales of leaders below net purchase cost, sales of leaders below total cost, percentage losses on leaders sold below total cost, and percentage losses on leaders sold below replacement cost.

The statement is frequently made that the common use of loss leaders and the extensive advertising of them have been large factors in the development of chain store business. Complaints are heard from independent retailers and others that chain stores sell leaders at times at prices below those which the independent must pay for the same goods. The independent retailer generally feels that he can not sell goods without profit to as great an extent as he alleges is done by the chains. He is further restricted in his efforts to compete successfully with the chains by a lack of ability to advertise

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*New and improved Canal Street, New Orleans, 171 feet wide*

## PERSONAL PARAGRAPHS

### Governing Board to Meet

President A. S. Richardson has called a meeting of the Governing Board at the Jung Hotel, New Orleans, Wednesday, May 11.

### Trade Practice Rule Approved

**U**PON request of the direct selling industry the Federal Trade Commission has approved a rule to be added to the trade practice conference rules of the industry, which held a trade practice conference October 11, 1929, in Dayton, Ohio.

The rule approved by the commission, is as follows:

“Advertising for salespersons where the claims of earning power are exaggerated and misleading, is an unfair trade practice.”

This rule has been approved as one of the Group I rules of the industry pertaining to unfair methods of competition. When the rules of the industry were first acted on in December, 1929, the commission declined to approve or accept this rule.

The other Group I and Group II rules for the direct selling companies stand as formerly.

Notwithstanding the importance of the naval stores industry in India which produces about 5,800 metric tons yearly, a good market exists for American rosin. Soap and varnish manufacturers are the largest users. For the production of soaps, the grades of rosin utilized mostly in India are “W. W.,” “W. G.,” and “N.” One of the largest Indian soap manufacturers stated that American rosins are preferred because of the pleasant odor imparted and the absence of rancidity during storage. Domestic varnish manufacturers use mostly pale “Red G” and “N” grades of rosin but also prefer American grades. American firms interested in entering the Indian rosin market should submit offerings, which will be forwarded to offices of the Bureau in India. (Assistant Trade Commissioner Paul, L. Hopper, Calcutta.)

Cutting narrower streaks is increasing turpentine yields, and at the same time inflicting less damage to pine trees in turpentine orchards of the South. A five-year test of chipping methods recently completed in the Choctawhatchee National Forest in Florida by the Forest Service, U. S. Department of Agriculture, shows that chipping a one-fourth inch streak once a week gives better results than either half-inch or three-fourths inch chipping.

The starting of faces lower on the tree, and the chipping of narrow streaks were shown to yield more turpentine and to be more profitable than using high faces with wide chipping. These methods prolonged the productive life of the trees. At the end of five years the narrow-chipped faces on the National Forest were only four feet high, while the faces with wide chipping had reached 10 feet and further chipping had become difficult.

**A** SEAMLESS, flexible metallic tubing, which, it is claimed, will find an important place in practically every industry, has just been placed on the market by the Bendix Aviation Corporation.

The new product can be effectively used in any of these general applications:

Fluid connections between moving parts; absorption of vibration and conveyance of liquids, semi-liquids, steam or gas. Machinery installations can be simplified by eliminating clumsy bends in piping while maintenance is reduced materially because the tubing eliminates slip and ball joints, thus reducing packing and shut-down costs. Likewise, replacement due to wear or deterioration is reduced to an absolute minimum.

The hose has been applied to such widely varied uses as lubrication, gum manufacture, electric wiring conduits, automobile exhaust pipes, radiator hose, shielding airplane radio, hydraulic and airbrake systems and oil burners. It has withstood pressures of 10,000 pounds to the square inch and temperatures of over 500 degrees.

# AND NEWS OF THE INDUSTRY

## Spanish Exports of Olive Oil During First Eleven Months of 1931

The following information was contained in a report from Commercial Attache Livengood at Madrid, under date of February 12, 1932, and gives exports of olive oil from Spain during the first eleven months of 1931 and 1930:

	January to November	
	1931	1930
	Kilos	Kilos
Argentina .....	13,633,071	17,714,106
Brazil .....	645,087	1,745,131
Cuba .....	4,800,595	6,444,092
France .....	3,659,751	3,387,926
United Kingdom.....	2,334,007	1,814,197
Italy .....	27,234,987	14,984,412
United States.....	12,391,481	10,264,832
Portugal .....	1,860,953	7,347,503
Uruguay .....	3,639,878	7,190,050
Canary Islands.....	1,228,842	1,986,983
Other countries.....	6,359,770	7,888,085
Total .....	77,788,422	80,767,317

The production of cod liver oil in Norway up to March 12, 1932, according to preliminary reports, amounted to 708,400 gallons, as compared with 470,625 gallons for the corresponding period of last season. The price on the primary market on the above-mentioned date was 64 crowns per barrel. (Commercial Attache Marquard H. Lund, Oslo.)

On account of diminished turpentine exports last January and unfavorable conditions in the principal export markets, the Association of Turpentine Distilleries, recently organized, will suspend turpentine production for six weeks, beginning February 15, 1932, during which period the 120 turpentine enterprises will make repairs to their plants. (Commercial Attache Clayton Lane, Warsaw.)

## Mexican Naval Stores Industry

During February the market for naval stores in the Guadalajara district remained stationary. Shipments for the month comprised 8,365 gallons of turpentine consigned to the United States and 60 tons of rosin sold to soap manufacturers in Guadalajara. No stocks, except a few hundred liters of turpentine were available. At Durango seven camps working about 122 crops were active. Chipping was well advanced and although cold weather was experienced the latter part of the month which retarded the flow of gum, operators expected to ship from new production before the end of March. One car of rosin was shipped while no movement was made of turpentine. Stocks on hand the end of February were about 24,000 gallons of turpentine and 40 metric tons of rosin. Operating costs are expected to be much lower than in any previous year. Labor is plentiful, salaries paid have been reduced and piece work rates for chipping, gathering, freighting, and stilling have also been lowered. (Consuls Raleigh A. Gibson and Ellis A. Bonnett, Guadalajara and Durango.)

Porto Rico, while supplying bay oil in relatively small quantities, expanded its sales to the United States during 1931, having been the origin of 16,300 pounds valued at \$26,300, as against 13,300 pounds worth \$22,400 in 1930.

In the territory of Misiones, Argentina, total planting of tung oil trees is estimated at 40,000 trees. The oldest trees on the plantations in the district are 3½ years old and average about 50 fruit per tree. The nuts are of excellent size and all the trees planted in the zone are reported to be progressing well and free from pests. The planters are well pleased with results so far and believe a profitable yield of oil will be derived from groves in that area on account of suitable soil and climate. (Assistant Trade Commissioner Jule B. Smith, Buenos Aires.)

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extensively any price concessions he may make. Considerable importance, therefore, attaches to the policy and practice of chains in the use of leaders and loss leaders. This report presents a summary of the facts with reference to chain store leaders and loss leaders so far as they have been reported in the schedule returns, together with some statements of chain store executives regarding their policies in this respect.

The terms "leaders" and "loss leaders" have indefinite meanings and are used by chain store organizations in widely different senses. A loss leader apparently is variously considered as an article sold below net invoice cost, the net purchase cost or net manufacturing cost as the case may be, or it may be applied to goods sold below the net purchase cost of the goods plus operating costs, or simply to goods sold at prices below the usual markup.

In a broad sense leaders may be defined as