ESTABLISHING AND OPERATING A STATIONERY AND

OFFICE SUPPLY STORE

BY

THOMAS BERNARD DeROSE

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Thesis Approved:

George R. Hill
Chairman, Thesis Committee

John Wagle
Member of the Thesis Committee

Fred E. Jewett
Head of the Department

D. G. McIntosh
Dean of the Graduate School

PREFACE

I wish to express my grateful appreciation for the helpful cooperation and assistance received in the preparation of this thesis--particularly to Mr. L. G. Stewart, District Manager for Remington Rand, Inc., Oklahoma City, Oklahoma, and to Mr. Dale Fenton, owner and manager of the Fenton Office Supply, Stillwater, Oklahoma. I am particularly indebted to Professor George R. Hill, my thesis advisor, for his unerring counsel, generous help, and constant guidance; and to Dr. Fred E. Jewett, Head of the Department of Business Administration, for his patience and understanding.

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CHAPTER I.

INTRODUCTION

Purpose of The Study

In submitting a study on the establishment and operation of an office supply and stationery store, it is the writer's intention to set forth some practical standards or guides for the prospective stationer. The counsel tendered herein is not offered as a sure guarantee of success because there is no magic formula for success, nor is there any substitute for actual experience in retailing. However, it is felt that the interested reader can gain some understanding of the problems involved. To use the language of the military: He will be in better position to "make an estimate of the situation", and after having carefully considered all obstacles he can take a "calculated risk", which would enhance the chances of success as compared to his taking a blind plunge without knowledge or understanding of the risks involved.

Before getting further into the study, it may be of interest to note the origin of the terms "stationer" and "stationery":

> Because merchandising competition in the neighborhood of St. Paul's Cathedral in London was so keen in the early days, each dealer was given a specific station where he could stand with his tray of goods. From these men at their stations came the word "stationer" and the term "stationery".[1]

The writer's interest in the office supply and stationery field stems from the fact that for several years he was employed by the

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[1] U. S. Department of Commerce, Establishing and Operating a Stationery and Office Supply Store (Washington, 1946), p. iv.

Sentinel-Richardson Office Supply Company, Grand Junction, Colorado. His experience with this firm included stockkeeping, bookkeeping, selling in the store, buying of stock, office manager, and traveling sales representative in a territory which consisted of a large part of Western Colorado.

In his preliminary search for data in this field, the writer was struck by the fact that there was very little apparent willingness on the part of office supply retailers and trade associations to disclose any specific information as to the methods of operation, other than a willingness to discuss the matter in broad generalities. Also, in searching for secondary data in the field, the outstanding observation is that very little appears to be available in the way of existing information which reflects the business practices in this particular field of retailing. Therefore, it was decided that some contribution of importance might be made by conducting this study.

After talking the matter over with the author's advisor, it was determined that even though it appeared quite likely that such an effort might be somewhat disappointing, a direct attempt through the use of a questionnaire would be made to determine business practices of this type of merchant in the State of Oklahoma. The results (which might be obtained) would then be combined with secondary data and available reference material such as that prepared by the U. S. Department of Commerce and the several trade associations that operate in this field.

CHAPTER II.

NATURE OF THE BUSINESS

Types of Stores

It is difficult to state or describe the precise nature of the retail ~~stationery and~~ office supply business because more than one type of activity is involved. On the one hand is the demand for consumer goods such as social stationery, greeting cards, writing supplies, novelties, and miscellaneous merchandise. On the other hand is the demand for business operating supplies such as commercial stationery, office supplies, filing equipment, office machines and office furniture. Particularly in small cities, the demand for either of these types of goods may not be sufficient to justify specialization. Many firms, therefore, serve both markets through the operation of a general stationery store. For the purpose of this study, a stationery and office supply store is considered to be one dealing primarily in supplies and stationery for the office, and secondarily in supplies for home or school.

Trends and Opportunities

The stationery and office supply man who is alert and knows the daily needs of businessmen has a wide field in which to offer his goods and services. According to the U. S. Department of Commerce, "the stationery and office supply business has enjoyed a steady growth throughout the years and has proved to be a relatively stable field of business." The primary task is to develop a steady group of customers,

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[1] *Ibid.*, p. 5.

large unit sales, and a stable sales volume. For the first several years while establishing the business the beginner must expect to put in many long hours of work. However, the work is pleasant and the incentive derived from establishing one's own business will offset this disadvantage. A further disadvantage lies in the fact that considerable training and experience are required. The business will grow slowly over a period of years and handling the lines and quantity of goods which yield large sales volume requires a relatively large capital investment.

Competition from persons other than those already established in this field will come from limited-price variety stores such as five-and-ten-cent stores, and from book, drug, and department stores--all of which sell stationery. "One survey shows that 6 per cent of the sales volume of the limited-price variety store is derived from this line of goods."[2]

On large and expensive items, competition is largely between different brands because large manufacturers usually grant exclusive agencies to dealers in specific territories. The best hedge against competition is to build up or develop an established clientele. This gives the stability derived from repeat orders on the regular lines of supplies and will also provide the opportunity to capitalize on the tendency of customers to look to the dealer for assistance and services connected with the efficient operation of an office from the supplies point of view.

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[2] Ibid., p. 5.

Personal Requirements

In opening his own business, a person will achieve the status of being his own boss, subject, of course, to the demands made upon him by his business associates and customers. Being his own boss means that the person must have the drive, initiative, and the energy to determine a course of action and see that it is carried out. He must be able to give leadership to his employees and to develop a clientele which is pleased with the goods and services offered. According to Converse and Jones: "The primary qualifications for the successful ownership and operation of a store are managerial ability, capital, and knowledge of merchandise."[3]

A person who opens a store must know something about buying merchandise and something about selling. He must also have some specific knowledge of the particular kinds of merchandise which he proposes to stock. In other words, the person needs experience. Lacking experience, it would be wise to postpone the opening of the business and to work for an established stationery and office supply store for a time in order to learn as much as possible about the merchandise, as well as about the techniques of buying, selling, pricing, stock control, and record keeping. A year or two invested in this fashion may pay good dividends. "Statistics show that on the average, men in business for themselves are 10 years older than those who work for others, and that about 2 out of every 3 are over 38 years of age."[4]

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[3] Paul D. Converse and Fred M. Jones, Introduction to Marketing (New York, 1948), p. 257.

[4] U. S. Department of Commerce, Op. cit., p. 6.

Going into business for one's self is a risky undertaking and analyses of business failures made by the Government and other agencies indicate that about one-third of the small businesses opening their doors are forced to close within a year, while about one-half go out of business within two years. There are approximately a half million enterprises of all ages that close their doors each year. The primary reason for business failure is poor management. To be a good manager a person must be able to handle people, must know his merchandise, must understand both buying and selling in terms of his own market and must know how to control costs. Poor management in the form of lack of knowledge or energy, lack of capital, and lack of proper records is the cause of most business failures. Unwise buying, or improper emphasis in selecting merchandise inventory, constitutes a chief manifestation of inexperience in this field of retailing.

CHAPTER III.

FINANCING AND ORGANIZING THE BUSINESS

Capital Requirements

One of the reasons for the failure of many small businesses is that the owners have had inadequate capital. What constitutes adequate capital depends upon the size and kind of store, the type of fixtures, and the margin of safety established at the outset of the business. There are a few guiding factors which should be kept in mind when estimating one's own capital requirements. According to Kelley and Lawyer:

> Capital. . .means command over purchasing power, the total of owned and borrowed funds plus credit accepted. Thus for a business that requires beginning capital of $15,000 the owner may have $8,000, secure a bank loan of $4,000, and obtain goods worth $3,000 on credit from suppliers, equipment dealers, and others. Often it is not necessary to borrow the full amount at once, but a line of credit equal to the maximum amount required should be established to be used as needed. Usually the owner's equity should be about two-thirds of the total capital required, but this is an arbitrary and somewhat conservative rule.[1]

According to the U. S. Department of Commerce:

> A store with emphasis ~~on stationery and~~ office supplies with fewer additional lines of merchandise, located in the business district of the community will require at least 22,400 $5,400. An enterprise of this type would appear to be most desirable and would seem to hold greater possibilities for the beginner. However, ~~10,000~~ 7,500 $2,500 might be considered adequate capital on which to start a small store catering to home or school stationery supplies. To begin with so little capital will mean many hours of hard work and the future market will have to be analyzed very carefully so as to be assured of an immediate volume of sales.[2]

One of the fundamentals of finance is that the owner or owners of the business should furnish the capital to cover permanent or fixed

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[1] Pearce C. Kelley and Kenneth Lawyer, How to Organize and Operate a Small Business (New York, 1949), p. 130.

[2] U. S. Department of Commerce, 1970 Op. cit., p. 8.

investment and permanently needed working capital. Converse and Jones have this to say concerning this statement:

> The major portion of the long-time investment or capital for a marketing organization should be provided by the owner. Funds which are needed to finance temporary expansion in the inventory or the accounts receivable may be obtained from banks or from merchandise creditors.[3]

The prospective retailer should have enough capital to cover current expenses during the period when he is searching for a location, securing a lease, and buying the required fixtures and stock. He should also be in financial position to pay for the early operating expenses of the venture. Some of the benefits of having adequate working capital are the maintenance of credit standing, securing of cash discounts on purchases of stock through prompt payment of bills, maintaining an adequate inventory, and having cash in reserve to carry the business through periods of slack business.

An error often made by beginners is that of maintaining an excessive inventory. Dollars represented by slow-moving stock on the shelves are unproductive dollars. It is well to keep in mind that the size of the inventory will depend to some extent on the distance of the store from suppliers and that an inventory-control system will enable the store manager to order replacements on time and prevent overstocking. "A store dealing primarily in stationery and office supplies, and anticipating an initial annual sales volume of \$15,000 to \$20,000 will have initial capital requirements between \$5,400 to \$7,400."[4]

Assuming that the operation will be carried on in rented quarters,

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[3] Converse and Jones, _Op. cit._, p. 12.

[4] U. S. Department of Commerce, _Op. cit._, p. 9.

with no delivery system and that little or no credit business is handled, a break-down of capital requirements might be as shown on the following table:

TABLE I

CAPITAL REQUIREMENTS BASED ON ANTICIPATED SALES[5]

	\$15,000 sales volume	\$20,000 sales volume
Opening Inventory.	\$3,200	\$4,200
Equipment.	1,000	1,500
Cash Reserves.	1,200	1,700
Total Cash Requirements .	\$5,400	\$7,400

If a delivery system is anticipated, the cost of the equipment will have to be added to the figures shown in the above table, and if it is expected that some credit business will be done, then at least 2 months' credits should also be added. As a matter of reality, the dealer in office supplies and equipment will find that he must do some credit business because the greater portion of his business will come from the various business firms in his community. These firms as a matter of convenience, will desire to make their routine purchases on account throughout the month and then make payment usually within ten days after the date when statement of account is presented at the end of the month, provided a cash discount policy be followed, or not later than thirty days' time thereafter.

The cost of goods sold will vary with the dollar volume of sales and with the size of the town in which the store is located. The same

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[5] Ibid., p. 9.

is also true, more or less, with other items of business expense.

TABLE II

COMMERCIAL STATIONERY AND OFFICE EQUIPMENT BUSINESS

AVERAGE OPERATING RATIOS, 1948[6]

The following ratios are expressed as percentage of net sales--net sales being 100 per cent.

Salaries, owners and employees	18.39
Rent	2.04
Advertising	1.16
Light, heat, water	.40
Insurance and taxes (other than income)	1.22
Outside selling expenses other than salaries and commissions	1.70
Shipping and delivery expenses	2.70
Other operating expenses	4.64
Total operating expenses	30.53
Cost of Goods Sold	63.34
Gross Margin	36.66
Net operating profit (before taxes)	6.13
Income taxes (State and Federal)	2.43
Net profit	3.70
Turnover (Number of times per year)	3.23

On the average, the cost of goods sold will probably be about 63 per cent of sales volume, as will be noted from Table II. Therefore, if an annual sales volume of $15,000 is realized, the expenditure for merchandise would be about $9,450. The average rate of turnover for the office supply industry is approximately 3 times a year, so the average inventory cost would be about $3,150. Using the same line of reasoning, the approximate inventory figure for any given sales volume can be figured.

The figures of $1,000 and $1,500 for store equipment as indicated in Table I are arbitrary estimates. The actual cost of equipment will

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[6] U. S. Department of Commerce, Business Information Service (Washington, 1949), p. 2.

depend on whether new or used fixtures are bought, and whether the proprietor is able to construct some of the equipment himself, and how much reconditioning the store requires before the operation can be commenced.

The cash reserve is determined by the cost of operations for a period of three months. Based on averages for the trade, cost of operations, including State and Federal Taxes and individual's salary, will be approximately 34 or 35 per cent of the sales volume. Assuming an annual sales volume of $15,000, operating costs will be about $5,250 per year or $437.50 per month. If a situation is anticipated in which the sales volume will be of unusually slow growth, it might be wise to increase the estimated time during which operating costs will be paid from the reserve fund and allow for a corresponding increase in the fund. It is important that the operating costs be estimated with great care. It is better to err on the side of overestimating operating costs and underestimating sales volume than vice versa. The remaining 2 or 3 per cent of each sales dollar represents the profits of the business. Whether or not it actually accrues depends to a great extent on keeping the costs under strict control. On first impression 3 per cent may seem to be a very small profit. However, this is the average for the trade. Three per cent net profit on annual sales of $15,000 is $450 which represents a return of slightly more than 8.3 per cent on an original investment of $5,400. When viewed in this light, it must be conceded that a return of 8.3 per cent is adequate, especially since a return of 6 per cent on money invested in sound stocks and bonds is considered quite good. Concerning this aspect, Duncan and Phillips have this to say:

Probably the greater number of college students, as well as most college professors, think of retailing as an unprofitable business.

This idea has been encouraged by various expense studies showing retail profits of only 1 to 4 per cent of sales. The fact is sometimes overlooked that such small profits frequently represent 10 per cent to 20 per cent or more on net worth, and are in addition to the proprietor's salary or drawing account for services rendered to the business.[7]

One of the first steps in setting up a business is to see one's banker for financial advice and credit facilities. Credit should also be established with suppliers. It is always better to establish credit well before attempting to use it. Most suppliers will, no doubt, require a statement of financial position before credit will be extended, and if one's banker has such a statement, small temporary loans which may be needed will be more easily secured.

Acquiring A Business

There are several ways in which a beginning in retailing may be made: (1) buying an established store, (2) buying a part interest in an established store, or (3) opening a new store. Converse and Jones state: "The chief advantages of owning a store are independence and possibilities of a higher income."[8]

(1) Buying An Established Store

If there is an opportunity to purchase a business which is already established, there are a number of factors which should be considered very carefully. It is very important to know why the present owner wants to sell. He may have very good reasons, such as illness, a desire to retire, or to move to another part of the country, and to enable him to locate a purchaser quickly he may offer the business at an attractive price. On the other hand, he may want to get rid of an unprofitable

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[7] Delbert J. Duncan and Charles F. Phillips, Retailing Principles and Methods (Chicago, 1949), pp. 732-33.

[8] Converse and Jones, Op. cit., p. 257.

business, break a poor lease, get rid of slow-moving stock or accumulated unpaid bills.

A careful check of all features of the business, including the condition of the stock and equipment is most essential. It may be that the sales area is too small--if it is, perhaps the business would fail under the best management possible. However, it may be that the sales area has the necessary potential and that the present owner was lazy or failed to see the opportunities that existed, and a new owner who is aggressive and aware of the latent possibilities could make a success of the business.

If it is decided to buy an established store, a lawyer should be consulted for the purpose of drawing up a proper contract of sale and purchase. He will see that the necessary clauses are included in the agreement such as one prohibiting the owner from reentering the business within a specific time and area. Converse and Jones state that: "It is an advantage to both buyer and seller to have a lawyer draw the agreement and make sure that it is clearly understood by both parties."[9]

All States and the District of Columbia have "bulk" sales laws to protect creditors in the event that a business is sold. These laws require that proper notice of sale of the business be given to all creditors. If these laws are not complied with, creditors may claim assets which the buyer had purchased. A lawyer will protect both parties by making sure that the transaction conforms to all legal requirements. The lawyer will also give advice relative to mortgages, liens, and other encumbrances which may be held against the assets, and either

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[9] Ibid., p. 268.

arrange for payments or transfer of title to the new owner. If payment for the business is not made in cash and there is a balance still due the former owner, the lawyer can draw the notes and mortgages which are necessary to put the agreement into effect. Liabilities must also be considered when an established business is bought. According to Converse and Jones:

> Generally, it is not advisable for a new owner to assume the liabilities. It is desirable that the seller pay the debts which he has incurred. The buyer's attorney will determine if this has been done before the money for the business is paid to the seller. However, if the creditors are willing to accept a transfer of their claims, and the liabilities are assumed by the buyer, only the difference between the agreed-upon value of the assets and the assumed liabilities will be paid. This arrangement has a possible advantage for the buyer in that it reduces the net amount of cash which he must pay for the business and does not absorb such a large portion of his capital.[10]

In addition to avoiding the assumption of the existing liabilities, the purchaser should also, if at all possible, shun the acquisition of the seller's receivables because he may be placed in the position of assuming the risk due to the former owner's bad judgment in extending credit.

However, the seller may insist that the purchaser take over the receivables as a condition of the sale. In this event the prospective purchaser should have some basis for evaluating the collectibility of the receivables. In appraising receivables the new owner should bear in mind that the chances of collecting an account decline with its age. The best customers pay their bills promptly. It is easier to collect an account that is only a little past due than it is to collect one that is old. The older the accounts, the harder they are to collect and the larger the proportion which will not be paid. Therefore, the purchaser's

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[10] _Ibid._, p. 269.

first step should be to analyze the receivables in order to be in a somewhat better position to estimate their collectibility. One study shows the following as chances of collecting accounts:

TABLE III

COLLECTIBILITY OF ACCOUNTS ACCORDING TO THEIR AGE[11]

Age of Account	Per Cent Collectible
Under 2 months.	99½
2 to 6 months	89
6 months to 1 year.	67
1 to 2 years.	45
2 to 3 years.	23
3 to 5 years.	15
Over 5 years.	practically none

Using the above table as a guide, the accounts can then be listed according to their age and valued as follows:

TABLE IV

EVALUATING ACCOUNTS RECEIVABLE[12]

Age of Account	Per Cent Uncollectible	Value per Dollar
Under 2 months.	0	$1.00
2 to 6 months	11	.89
6 months to 1 year.	33	.67
1 to 2 years.	55	.45
2 to 3 years.	77	.23
3 to 5 years.	85	.15
Over 5 years.	100	.00

The preceding tables are not to be construed as infallible in the appraisal of accounts. They are merely guides for general application.

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[11] *Ibid.*, p. 265.

[12] *Ibid.*, p. 266.

Each account should be reviewed individually. For example, an account two months old may be uncollectible. If the individual has moved from the community and his present whereabouts are unknown, it is possible that the account will have to be written off as a bad debt. On the other hand, an account two or three years old may be collectible in full, e.g., the sale of a typewriter to a farmer who has had several years of bad crops, but whose present crop promises to be good and who, on being interviewed concerning his account acknowledges its validity and indicates his intention of paying it when his crop has been harvested.

When reviewing accounts individually, it should be ascertained if the debtor still lives in the community; if not, the present address and financial condition of the debtor should be determined, and whether or not the account is disputed.

When the seller insists that the purchaser take over the accounts receivable, he should allow a percentage of the receivables for collection expense---anywhere from 15 to 25 per cent.

After having arrived at a reasonable basis of value for the receivables, there remains the problem of evaluating the store's equipment and fixtures to determine their suitability for the new store. If they are obsolete they may be worth little, regardless of their original cost or their present physical condition. One method of valuation, if they are suited to the new business, would be to take their original cost less depreciation at approximately 10 per cent per year. This is an arbitrary method and does not always, however, give a fair value. If the fixtures are suited to the new store and are in good physical condition, they may be worth almost as much as their original cost. If they are more expensive than the new owner needs or wants, he may estimate the amount which more modest fixtures would cost and offer this amount, less depreciation. At any rate, the price to be paid for the fixtures may be arrived at by a process of bargaining between the buyer and the seller. As to delivery equipment, a fair value could be determined by having a reputable automobile dealer appraise the equipment. According to Converse and Jones:

> In buying both fixtures and trucks, the prospective owner should determine if there are liens or mortgages against them. The seller should be asked for an affidavit that there are no claims against the fixtures and equipment. In addition, the public records in the county recorder's office may be examined to determine if there are any existing liens. If payments are still due on fixtures and equipment, the prospective owner should ask for receipts for the last payments. He should determine just what payments are yet to be made and who is to make them.[13]

Another item that invariably arises when contemplating the purchase of an existing business is the matter of goodwill. The goodwill of a store is in many cases a valuable intangible asset and the old owner may insist that the new owner buy it. The existence of goodwill depends upon the earning of excess profits, and usually the price to be paid for it is determined by sheer bargaining. According to H. A. Finney: "Goodwill may be defined as the value of the profits of a business which are in excess of a normal or basic return on the net assets exclusive of goodwill."[14]

In order to explain in a clearer manner the nature of goodwill, Table V is presented, which will serve to illustrate the preceding definition of goodwill:

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[13] Ibid., p. 269.

[14] H. A. Finney, Principles of Accounting Intermediate (New York, 1946), p. 376.

TABLE V

ILLUSTRATION OF GOODWILL[15]

	Company A	Company B
Net assets, exclusive of goodwill.	$100,000	$100,000
Rate of net income, which, for the particular industry, may be agreed upon by the purchaser and seller as normal, or which a new company entering the field may reasonably expect to earn--say.	10%	10%
Net income earned.	$ 10,000	$ 15,000
Net income at "normal" rate on net assets exclusive of goodwill.	$ 10,000	$ 10,000
Excess earnings.	none	$ 5,000

The excess earnings of Company B indicate that it has a goodwill of $5,000; Company A apparently has none.

According to Converse and Jones:

Another way of looking at goodwill is to consider it the difference between a reasonable valuation of the tangible assets to be purchased and the price asked by the owner. If it is decided that the stock, equipment, fixtures, accounts, and buildings are actually worth $40,000 and the seller asks $45,000 for the business, the difference of $5,000 is the amount asked for goodwill.[16]

(2) Buying A Part Interest in An Established Store

Another way in which a person can make a start in retailing is by becoming a partner in a going concern. This may be brought about in one of three ways: (1) when one of the partners wishes to sell out; (2) when a new partner is needed to furnish additional capital for expansion; or, (3) when a new man is needed to provide additional managerial skill.

Before an outsider buys into a partnership he should consider carefully both the advantages and disadvantages of a partnership and the

[15] Ibid., p. 376.

[16] Converse and Jones, Op. cit., p. 268.

various methods of valuing the business. If his prospective partner or partners are capable men and if the business is fairly valued, buying a share in a partnership may be a good way of getting started in a retail business. It usually requires less capital than to buy or start a new one.

In a partnership profits and losses may be shared equally or in such other proportions as may be agreed upon. All partners, except under very special circumstances, are individually responsible for the debts of the partnership and all their wealth, whether or not invested in the business may be taken to pay debts of the partnership. This means that one partner by mismanagement or dishonesty can incur debts which the other partner is obligated to pay even though it takes his home and all his other property. For example, if one partner sells the accounts receivable, signs notes at the bank, takes the cash and absconds, the other partner is liable for the debts of the partnership.[17]

It is obvious, therefore, that an individual should exercise very careful judgment before entering into a partnership.

(3) Opening A New Store

The third way in which an individual may make a beginning in retailing is by starting a new store. In this case he is faced with problems of selecting the town in which he wishes to operate, location within the town, acquisition of a building, setting up store fixtures, planning store layout, and laying in of supplies. These matters will be discussed in succeeding chapters.

Forms of Business Organization

Whether it is decided to purchase an established business or set up a new one, the new owner will have to decide on the type of business organization under which he will operate. A lawyer should be consulted to ascertain the advantages of each form of business organization under the laws of the particular community. However, a brief discussion of

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[17] Ibid., p. 270.

the advantages and disadvantages of each form will provide a basis for consideration.

A proprietorship form of organization is usually set up when the business is small enough to be owned and operated by an individual who furnishes most or all of the capital. Under this type of organization the owner has complete freedom of operations and all the responsibilities. When business decisions are made or moves taken, it is not necessary to get the consent of anyone else. All profits are the property of the owner and may be retained in the business for its improvement and expansion or may be used to satisfy his personal wants. The proprietor's income is not subject to social security deductions and taxes. Business losses are deductible from personal income when federal income tax is determined. There are, however, certain disadvantages in this type of organization. The many abilities for successful operation such as selling, bookkeeping, administration, etc., are seldom possessed by one person. Limited personal assets do not encourage lenders and cannot always provide the required capital to meet unusual needs. In case of business failure the owner's personal assets, including home, automobile, and other properties are subject to claim by creditors.

A partnership form of business organization offers certain advantages and disadvantages. This form may be used when it is desired to pool the capital resources of two or more partners thus providing added capital for the business and lessening the necessity for borrowing. Personal abilities are complemented. The salesman and the bookkeeper, with different personalities and abilities, may succeed together when neither could alone. Business losses are deductible from personal income or each partner for income tax purposes. Two viewpoints, even though they clash, may result in desirable compromise--"two heads are better than one." Among the disadvantages of the partnership are: (1) each partner is liable for all debts incurred by the business; (2) each partner is responsible for the action of all other partners that creates an obligation for the business; (3) the partnership is automatically dissolved by the death or voluntary withdrawal of a partner; and (4) profits must be shared among the partners.

When considering the partnership form of organization, a lawyer should be consulted for the purpose of drawing up a partnership agreement and to make sure that the partners are equally responsible for the liabilities of the business.

A corporation is a form of business organization usually used in large enterprises. Very few small stationery and office supply stores use this form. It does have advantages under certain conditions and in certain locations. In a corporation, there are limited liabilities whereas in a proprietorship or partnership personal assets are risked.

Business and Government

There are certain regulations governing the establishment of business. The laws vary from state to state and city to city. It is usually necessary to secure a license to operate a store, and it may be necessary to secure a permit from the zoning authorities of a community before the building selected for the business location can be occupied. The businessman must be familiar with fair trade laws and must comply with them. If he engages employees, he will need to know the laws governing social security, old-age pensions, and unemployment insurance. It is important that he become familiar with all the tax laws that will apply to the business so that all tax obligations will be met. Income taxes must be paid and if there are employees, income taxes must be withheld and remitted to the government and the employees must be furnished with information concerning the amount of tax that has been withheld. Property taxes will have to be paid, and in most states there is a tax on sales or services or both which must be collected and remitted to the state. Kelley and Lawyer state:

> During World War II two trends that had been in operation for several decades received great impetus: namely, concentration of economic power, and an increased amount of government control over business. During the war and up to 1945 certain forms of taxation were especially burdensome to small business. Since the tax structure changes from year to year it should be a subject of continuous study by those interested in small business.[18]

Business Risks and Insurance

Insurance increases the cost of operation, but it provides valuable protection for a business enterprise. Therefore, the insurance program should not be neglected or carelessly planned. An insurance agent should be consulted for help in developing a suitable insurance program consistent with needs and budget. Fred M. Jones states:

> What insurance and how much insurance a retailer should have depends upon the conditions under which a store is operated. The retailer should obtain the assistance of a capable insurance agent and make an analysis of the need for insurance. If the retailer believes that he cannot afford all the insurance that is recommended by the agent, he should at least obtain the minimum amount to cover the more important risks.[19]

The following forms of insurance must necessarily be considered by the businessman: life, accident, health, fidelity and guaranty, public liability, fire, theft, and casualty.

Life insurance must be considered by individual proprietors and

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[18] Kelley and Lawyer, Op. cit., p. 27.

[19] Fred M. Jones, Principles of Retailing (New York, 1949), p. 592.

partners who depend principally on business for support. Life insurance not only protects their successors but also protects the business so that in the event of the death of the proprietor or of one of the partners the business can be sold as a going concern or dissolved in an orderly manner without undue loss.

Fidelity and guaranty insurance is used for bonding employees who handle funds and is a protection for them as well as for the employer.

Public liability insurance covers damage and injury of outsiders lawfully on the premises. It is an important safeguard for the storekeeper because his action in opening a shop is usually construed as an invitation to the public to enter the store with the assurance of safety.

Fire and theft insurance should be taken out in amounts consistent with the stock on hand and the amount of money usually kept on the premises. The standard fire insurance policy covers the following classes of property against loss by fire: (1) buildings, (2) fixtures, and (3) merchandise. Buildings include all permanent equipment associated with the service of the property. Coverage on permanent fixtures, such as heating, lighting, and plumbing fixtures, should usually be carried under building coverage wherever possible, since, with a few exceptions, the rate for building insurance is lower than that for fixtures. The insurance carried on merchandise in stock should cover the expenses, such as buying, transportation, receiving, marking, and office, necessary to procure and prepare the merchandise for sale. In other words, the value of merchandise for fire insurance purposes should be the cost of replacement of the merchandise. The common practice is to add an estimated expense percentage to the invoice cost of the merchandise. Some stores, however, allow the cash discount on purchases to offset the procurement and preparation expense, thus insuring on the basis of invoice cost. An important problem is to have the insurance coverage fluctuate with inventory values for the several months of the year. This is necessary in order to have adequate insurance and to avoid paying for excessive coverage. A store generally reports the cash value of the insurable property each month, and the necessary adjustments to premiums are made. In going over his insurance program with his insurance agent, the retailer should consider the inclusion of a coinsurance clause in his fire policy because this will give him lower rates and at the same time provide adequate coverage. However, the retailer should be sure that he understands how the coinsurance clause operates. In consideration of a reduction in rate, the insured consents to carry insurance in an amount equal to a stipulated per cent of the value of the property. If the insured does not carry insurance in an amount equal to the coinsurance requirements, he is regarded as being himself a coinsurer with the insurance company. For example, if, under an 80 per cent coinsurance policy, the insured carries insurance equal to only 70 per cent of the value of the property at the date of the loss, he is a coinsurer for 10 per cent. Any loss will be borne seven eighths by the insurance company and one eighth by the insured; however, the insurance company will not be liable for more than the face of the policy. The important fact that the retailer must keep in mind is that his insurance program should be reviewed and revised from time to time as the business grows and conditions change.

Casualty insurance is used to cover the risk of damage to property, such as plate glass windows, boilers, machinery, fixtures, and the store building itself.

The following table compiled from returns of a questionnaire which the writer directed to stationers and office-suppliers in Oklahoma, shows some of the types of insurance coverage carried by merchants in this field of business. While the questionnaire returns were insufficient to give a complete picture, an indication of the types of insurance is presented:

TABLE VI

TYPES OF INSURANCE USED BY STATIONERS IN OKLAHOMA

Type of Insurance	Percentage of Stationers Carrying This Insurance
Fire Insurance.	93.75
Burglary Insurance.	43.75
Liability Insurance	56.25
Plate Glass Insurance	43.75
Fidelity Insurance.	12.50
Others (Business interruption, etc.). . . .	18.75

There are many business risks for which there is no insurance other than careful, intelligent and alert management. In this category come such matters as changes in needs, desires, and wants of customers; and prices, methods of transportation, heating and lighting, shifts in trade because of the building of new highways or relocation of old ones. Also included are such problems and costs as are implicit in parking restrictions, street improvements, and shifts in population. Items such as these are insured only by the wisdom and alertness of the manager, and while he will, of course, protect himself to the best of his ability in this respect, he should also take out insurance policies covering risks which are insurable.

CHAPTER IV.

SELECTING A STORE LOCATION

General Outline

The suitable location of a retail store plays a vital part in its success. Regardless of the size of the store or the kinds of merchandise offered for sale, the location must be suitable or sales volume will suffer, profits will be restricted and failure may be the ultimate result. Although good locations frequently offset deficiencies in retailing, poor locations seriously handicap the most skilful merchandisers. Robinson and Haas express themselves as follows concerning store location:

> The beginner who is not oversupplied with either capital or experience must realize that a location can make or break him. A good location can do much to offset mistakes of commission or omission made by the retailer in the early days of the business. On the other hand, a poor location may make it impossible for him to succeed, even though he may be extremely proficient in all other phases of management.[1]

The prospective retailer should select the location carefully; this applies whether he contemplates buying a going concern or starting a new one. A number of factors will influence the choice of location for the proposed stationery and office supply store.* The location will have to be selected with a view to the capital available, the exact types of merchandise that it is planned to stock, the availability of space and the personal desires of the prospective owner. However, in general, the permanency and success of any store will depend upon how wisely the

[1] O. Preston Robinson and Kenneth B. Haas, *How to Establish and Operate a Retail Store* (New York, 1946), p. 23.

location is selected in relation to:

1. The region and the state.
2. The city or town and its trading area.
3. The site within the city or town.
4. The site within the block or shopping center.

The Region and The State

The selection of the region and state in which to locate will depend chiefly upon the personal desires of the prospective retailer. Nevertheless, when a person from a distant locality starts a new business in a new town, he is bound to encounter many personal difficulties. Although he may eventually overcome those difficulties, the chances are against his doing so. Nothing is more difficult than to change one's personal attitudes, conduct and general disposition. Then, too, there are local customs: political, regional, religious, and sometimes racial, that must be observed by the newcomer. Even with the best of intentions, the prospective businessman who is a stranger in the locality will find it extremely difficult to make such adjustments. It is advisable, in nearly all circumstances, for the prospective retailer to locate his business in, or near, the place with which he is most familiar. In other words, he should locate among his own kind of people. It is difficult to specify just how far from his home area or native state he should locate. However, it should not be so far geographically that he would notice differences in customs, habits, attitude, or race; nor should the citizens of the new locality be able to detect strange personal behavior on the part of the newcomer. Therefore, it is always advisable to stop, look, and carefully analyze any "greener pastures" before deciding to leave one's own well-known locality. Furthermore, just as many opportunities probably exist within 50 or 100 miles of one's home town as in any distant state.

If the decision is to establish within the community in which he lives, the prospective retailer should make certain that a real need exists for the retail business that he wants to operate. In this case he will start with the advantage of being able to secure business from friends and acquaintances. However, if it is planned to go into a community which is more or less unknown to him, then careful consideration should be given to selecting a city or town with good market potentiality.

Selecting The City or Town

Many individual merchants are better fitted by temperament and background to be successes in smaller towns than in large cities. This is particularly true when a merchant has a farm or small-town background, or when he prefers the atmosphere of a small town. Others are attracted to the small town because of the opportunities for self-realization and participation in civic affairs. On the other hand, many individuals who would be unhappy in a small-town community would flourish in the busy atmosphere of a large city. Merchants who are contemplating the selection of a location should carefully consider such matters as small town versus large city.

In selecting a town the prospective merchant must consider a number of factors, the most important of which are: number, type, and character of industries within the city and surrounding trading area. This factor is important chiefly as it influences the amount and stability of income of potential customers. Since purchasing power is created by income, and since the purchasing power makes possible the satisfaction of wants and needs through acquisition of merchandise, it is desirable to locate within an area where income is regular, assured, and substantial in amount. According to Duncan and Phillips:

> Generally speaking, income is more stable and assured in cities with diversified industries than it is in areas where one single industry dominates the picture, because in areas of diversified industries not all may be affected by seasonal factors or fluctuations in general business conditions in the same manner or at the same time.[2]

The amount and quality of competition is, of course, one of the most important factors to consider in selecting a town. Any section, no matter what its other merits, may be a poor one in which to locate if there are already too many good stores of a similar type located there. Of course, the presence of similar stores is not necessarily unfavorable if they are all doing good business or if they are not fully meeting the needs of the community. Duncan and Phillips state:

> The existence of a number of stores of the same general type in the area under consideration is insufficient evidence in making a decision. These stores must be analyzed carefully to determine their service to the community, the extent to which they are alert to the present and prospective demands of consumers, and their merchandising methods in general.[3]

The selection of the right city or town in which to start a business enterprise is very important, for there are distinct differences as to their desirability as trading centers. Some trading centers are becoming stagnant, while others are growing and expanding in importance. It is obvious that the newcomer to retailing will want to avoid those trading centers that are declining. It will require time, energy, and "leg work" to find the most promising location, but it is the only way

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[2] Duncan and Phillips, Op. cit., p. 102.

[3] Ibid., p. 105.

that it can be done. Except for the preliminary work involved in determining the general area in which to locate, all activities in selecting a location should be "spot" work. The first step is to spot a live, energetic, intelligent, optimistic, and well-managed business community. Robinson and Haas state:

> Through a personal investigation, the location hunter should find answers to the following questions:
>
> (1) Are the service clubs, Chamber of Commerce, and trade associations alert? Do they promote business opportunities?
> (2) Is the locality well planned and supplied with town property and services? These would include adequate electric power, sewage, transportation, refuse removal, paved streets and side-walks.
> (3) Does the city or town encourage and promote baseball clubs, women's clubs, Boy Scouts, theaters, swimming pools, public parks? Does the city or town promote and sponsor displays, an annual fair, industrial or farm exhibits? If all, or some, of these activities are sponsored, the locality should be alive and healthy.
> (4) What are the opportunities for young people so that they are encouraged to remain in town and help it to flourish and prosper?
> (5) Is the town a good trading center? Does it have adequate parking space, public transportation, restaurants, newspapers, theaters, complementary stores, repair shops, and other service establishments?
> (6) Is the retailing community active in expanding the trading area?
> (7) Is there evidence of sufficient potential sales volume to cover operating costs and to earn a profit?[4]

If the preliminary investigation reveals that the locality may be suitable for a particular business, then the prospective businessman should more thoroughly pursue his investigation until he is sure that he has selected the best city or town for his store. For convenience his spot check for a city or town location should be arranged in the form of a check list. Such a check list could be patterned on the form illustrated in Table VII. However, it should be pointed out that the list given here should not be considered as final or complete, for the specific items must always remain an individual problem. After the

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[4] Robinson and Haas, Op. cit., p. 27.

TABLE VII

CHECK LIST FOR GUIDANCE IN SELECTING AN AREA [5]

(For each of the points below record an answer in the first column and then make a check mark in the rating column showing how it reflects your appraisal of the answer in the first column.)

Points upon which area is rated	Answer (Check, yes or no, numerical or other answer)	Rating: Excellent	Good	Fair	Poor
A. Competition:					
Number of stores of same kind.............					
Sales of stores of same kind..............					
Drawing power of the market...............					
Number of blocks.......................					
Number of chains of all kinds.............					
New....................................					
Well-established.......................					
Number of chains of same kind of store....					
New....................................					
Well-established.......................					
B. Population:					
Total population in area..................					
Total families in area.................					
Trend of population: growing, stationary or declining...........................					
Character of population:					
Native born............................					
Mixed..................................					
Chiefly foreign........................					
Occupation of population:					
Laborers...............................					
Clerks.................................					
Executives.............................					
Retired................................					
Age of population:					
Old....................................					
Middle-age.............................					
Young..................................					
Buying power:					
Average rent of homes..................					
Average taxes of homes.................					
Per capita income......................					
Number of telephones...................					
Number of automobiles..................					
C. Zoning ordinances:					
Restrictions on type of store contemplated					
D. Physical factors:					
Parking..................................					
Transportation facilities................					
Natural barriers--hills, bridges, etc. ...					
Unpleasant factors such as:					
Cemetery................................					
Industries..............................					
Vacant buildings (per cent of occupied buildings)............................					
Others..................................					

5 U. S. Department of Commerce, Selecting A Store Location (Washington, 1946), p. 14.

investigator has checked the satisfactory and unsatisfactory items, he can then come to a decision as to the desirability of the general location within a specific city or town. In other words, it should be obvious that if approximately half of the items are checked as being "unsatisfactory", the prospective investor in a retail enterprise should seek a more favorable location.

The following brief discussion of the check list shown in Table VII will help clarify the suggested points on which to rate an area.

Competition. The amount and quality of competition is one of the most important factors to consider when selecting a location for a store, regardless of whether the choice is one of the town itself, a community within a town, or a specific street address in the town.

Although information as to the number of stores and volume of sales for a specific section of the town is not available in census reports, it can often be obtained from local civic organizations such as the chamber of commerce, trade associations and business groups, local real-estate companies, and market-research agencies. In addition, the operator may study the area himself, making a detailed map on which he can record the stores by type, foot frontage, whether or not they are chains, and any other information which he considers important.

Population. No population center remains constant. Whatever type of area is selected for a store, it is important to select one that is not declining. It is preferable to select one that is growing and will continue to do so. This is a significant factor for downtown as well as residential areas.

The composition and occupations of the population are important determinants of buying habits of people. For example, a foreign-born population will exhibit very different buying habits than will a native-born population, and industrial workers will differ from office-workers. A careful study of the size and composition of the population of an area will help the prospective retailer to decide such points as: variety of products, price lines, specific commodity lines, type of salespeople, merchandise display, amount of floor space, store atmosphere, and color schemes. For specific areas, data on population and occupation are often compiled by local organizations, research departments of newspapers, banks, etc. Such data can also be obtained by census tracts obtainable from the U. S. Bureau of Census if greater detail is desired.

One of the best ways of obtaining a good, although general, idea of the composition of the population of an area is to walk up and down the streets, talk with people in stores, banks, and on street corners, observe their shopping habits at all hours of the day, and investigate their religious and entertainment activities.

Buying Power. The success of a new store also depends on whether there is enough demand plus buying power in the market area to support it. Anyone who expects to open a retail store in a community is interested in the potential sales of his type of store--that is, the amount which he can reasonably expect people in this area to buy. Income is the chief determinant of sales for most retail stores. Of course, people may have the income and yet may not buy, either because the stores do not carry the kinds of merchandise the people want at the prices they wish to pay, or because desired services are not provided.

A good measure of the income level of a community is the general rental value of dwellings. This information may be obtained from the census, from realtors, or by looking over rental advertisements in the newspapers. According to the U. S. Department of Commerce: "As a rough approximation, it may be assumed that 20 per cent of family income is spent for housing. If rental values are multiplied by five, an estimated family-income level is obtained."[6]

Using the general rule quoted above, then, a $60 monthly rental figure indicates a family income of approximately $300 a month or $3,600 a year.

The next step in estimating the potential sales for a new store is to find out the percentage of income spent by families for various groups of commodities and services at different levels of family income. Statistics showing the break-down of family expenditures are available for the United States as a whole and are classified by type of community, location, occupation, size of family, and size of money income. These data may be obtained from various governmental agencies such as the U. S. Department of Labor, Bureau of Labor Statistics, and the Bureau of Human Nutrition and Home Economics of the U. S. Department of Agriculture.

The sales of the new store usually must come from one or more of the following sources:

1. Customers of other stores in the area. A store's success in taking away a competitor's customers depends primarily on the extent to which it can provide the price lines, quality, variety, service, etc., which are wanted.

2. Customers previously trading in other areas. Again, success

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[6] *Ibid.*, p. 15.

in this case depends on providing what is wanted. If there are no stores of similar kind in this area, then the major part of a new store's sales may come from this group.

There is no set method for estimating the amount of business of an area which a new store may expect to get. Large organizations with numerous outlets learn by experience what per cent of the business in a certain type of shopping center their new store can get. Such figures are not available nor applicable to the situation of a small-scale operator. Assistance may be obtained, however, from wholesalers familiar with the city.

Physical Factors. Some large companies rate natural shopping districts high in their list of preferred communities. By "natural" is meant an area which has a natural reason for existence, such as a transportation center, terminal or transfer point, or converging point of highways.

The best way of obtaining information as to the physical factors of a community is to walk or drive about in the area and carefully note the natural barriers to traffic flow, unsightly buildings and land areas, types of transportation, available parking areas, etc., later recording them on a map of the area and on the check list.

Selecting A Site

Picking out the actual site is often very largely a "take what is available" proposition. This is especially true for the small independent store. Chains and some large independents can, and often do, wait for months and even for years for the site which is the best for them. A small operator, however, cannot afford to be so particular. This situation has resulted in a much less scientific and careful selection of sites for small independent stores than for the others. If the retailer has any choice, however, he should weigh the possibilities carefully, because according to Kelley and Lawyer: "Some studies have found poor location to be among the chief causes of retail failures."[7]

The beginning small retailer may find the number of usable sites available to him to be very limited, especially during periods of good business activity. However, an understanding of site location may enable him at least to choose the least undesirable location of those available. In selecting a site there are very definite hazards which should be avoided and certain favorable factors which should be considered:

1. Flow of traffic past the store. From careful analysis of experience in numerous outlets, chain stores know the approximate sales value of each pedestrian passing a given location. Pedestrial traffic can thus be used as a direct guide to the evaluation of any site. The small independent retailer can utilize chain methods in comparing and appraising various possible locations. According to Kelley and Lawyer, "two factors are especially important: total pedestrian traffic during business hours, and the percentage of it that is likely to enter the store."[8]

2. Parking facilities for the customers. While this factor may not be as critical for the stationery store as it is, say, for a grocery store, still it is of importance since the automobile has achieved such wide-spread use and customers tend to patronize those stores where

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[7] Kelley and Lawyer, Op. cit., p. 189.

[8] Ibid., p. 194.

adequate parking space is available.

3. Business neighbors. The nature of businesses which are immediate neighbors is important in one way or another for any store. Certain sites should be avoided for this reason alone. Duncan and Phillips state:

> Full recognition must be given to those characteristics of particular neighborhoods and sites which adversely affect the volume of business that can be done. Among these are: (1) smoke, dust, disagreeable odors and noise; (2) proximity to garages, hospitals, saloons, and similar places; (3) poor sidewalks; and (4) old and worn-out neighboring structures.[9]

Vacant and dilapidated buildings are regarded as bad neighbors and are to be avoided. The reasons for vacancies should be investigated. It may be that the building is old and untenantable and that there is very little likelihood that it will ever be remodeled and occupied by desirable neighbors. On the other hand, locating near certain types of stores will result in added business for the shopkeeper. According to Kelley and Lawyer: "A retail store, like an individual, should keep the right company. It is well known that certain kinds of stores do well when located close to each other."[10]

Generally, professional people are considered as being suitable neighbors. According to the U. S. Department of Commerce:

> Proximity to offices of professional men is desirable, especially in outlying shopping centers. People having appointments with doctors, dentists, lawyers, and so on quite often will become shoppers if stores are conveniently accessible.[11]

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[9] Duncan and Phillips, *Op. cit.*, p. 110.

10 Kelley and Lawyer, *Op. cit.*, p. 191.

[11] U. S. Department of Commerce, *Selecting a Store Location*, p. 20

4. <u>The condition of the building.</u> It would not be desirable nor wise to rent a store building which would require a great deal of reconditioning. The building should have adequate clear space for the store, and a good display window, because window displays are one of the best forms of advertising.

5. <u>Rent and terms of the lease.</u> Two types of lease agreements are used in retailing--flat rate and percentage lease. Under the flat rate plan, an annual rent of a definite amount payable monthly in advance is stipulated in the lease. This amount should be consistent with the standard operating ratios in the field, modified according to the size of the store and size of the town.

The percentage lease usually guarantees the landlord a minimum monthly rental with additional payments at some percentate of sales agreed upon by both parties. For either type of lease, however, the objective is to stay in line with the standard rent ratio or to compensate for any deviation by more or less advertising, superior managerial ability, or similar considerations. Therefore, the rental demanded for any site under consideration should be appraised in terms of the site's potential volume of sales and the volume necessary to achieve the standard rent ratio.

The average operating ratio in the office supply and stationery business ranges between 2 and 4 per cent of net sales. See Table II.

Leases may be secured from one to ten years or more. Usually it is desirable for the beginning retailer to get a one-year or two-year lease with an option on renewal for five or ten years at an agreed rental. This may not always be possible, but one should bargain for the best terms at the time the lease is under discussion.

The lease usually provides for many other important points, such as any remodeling to be done, who is to pay for it, liabilities and duties assumed by each party, permission or authority for the tenant to erect external signs, engage in additional lines of business, or make alterations to the premises in the future if needed. If the landlord owns adjacent property, it is sometimes possible to incorporate in the lease provisions governing the kinds of business for which these sites will be rented. A lease is an important legal document, and the small businessman should always seek competent legal counsel before entering into a formal lease agreement.

6. Site history. If a site appears to be a good one in other respects, it will be helpful to find out what stores occupied the building during its lifetime and for how long. Kelley and Lawyer state:

> Although most Americans no longer believe in haunted houses, experienced merchants know that hoodoo locations do exist. These are sites that have been occupied by a succession of retail failures. Naturally there are logical reasons having nothing to do with the location why the site has not been a successful one at certain times in the past, but there are also the dangers that prospective customers have formed a habit of avoiding the location or that the next prospective renter will overestimate his ability to succeed where his predecessors have failed.[12]

Therefore, so-called "hoodoo" sites on which many enterprises have failed should be avoided, both for occupancy and as neighbors. A great deal can be learned from studying the occupancy history of the site under consideration. In some cities careful inventory of business and residence property is made and kept up-to-date. In such cases the prospective retailer will be able to obtain all the information that he needs. In other towns where such records are not kept, he can get the records from the city clerk's office.

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[12] Kelley and Lawyer, Op. cit., p. 200.

As a guide to the selection of the best possible site, a check list similar to that shown in Table VIII will be helpful. If this check list is used carefully the chances of making a poor choice will be lessened, and if a number of sites are available, selection of the most suitable will be assured.

TABLE VIII

CHECK LIST FOR GUIDANCE IN SELECTING A SITE[13]

(For each of the points below make a check mark in the rating column showing how it reflects your appraisal of the answer in the first column.)

Points upon which site is chosen	Answer (Check, yes or no, numerical or qualitative answer)	Rating: Excellent	Good	Fair	Poor
A. COMPETITION:					
Number of independent stores of same kind					
Same block					
Same side of street					
Across the street					
Number of chain stores					
In same block					
Same side of street					
Across the street					
Kind of stores next door					
Number of vacancies					
same side of street					
Across the Street					
Dollar sales of nearest competitors					
B. TRAFFIC FLOW:					
Sex of pedestrians					
Age of pedestrians					
Destination of pedestrians					
Number of passers-by					
Automobile traffic count					
Peak hours of traffic flow					
Per cent location of site (100%, 90%, 80%, 60%, or other)					
C. TRANSPORTATION:					
Transfer point					
Highway					
Kind (streetcar, bus, subway, automobile)					
D. PARKING FACILITIES:					
Large enough and convenient					
Convenient but too small					
Inadequate in all respects					
E. SIDE OF STREET					
F. PLANT:					
Frontage (in feet)					
Depth (in feet)					
Shape of building (must permit efficient operation)					
Condition					
Heat (type)					
Light					
Display space					
Back entrance					
Front entrance					
G. RENT AND LEASE					
H. CORNER LOCATION. (If not, what is it?)					
I. UNFAVORABLE SITE CHARACTERISTICS:					
Fire hazards					
Cemetery					
Hospital					
Industry					
Relief Office					
Undertaking establishment					
Vacant lot--unless can be used for parking					
Garages					
Smoke, dust, disagreeable odors, etc.					
Poor sidewalks and pavements					
Old and worn-out neighboring structures					
J. NUMBER OF PROFESSIONAL MEN IN BLOCK					
Medical doctors					
Dentists					
Lawyers					
Veterinarians					
K. HISTORY OF SITE					

13 U. S. Department of Commerce, Selecting A Store Location, pp. 21-22.

CHAPTER V.

STORE BUILDING, FIXTURES, AND LAYOUT

The Building

After a suitable location has been chosen, the building must be prepared for occupancy. According to Duncan and Phillips, this preparation involves the following steps:

> (1) making whatever structural changes are necessary to provide space and facilities for the performance of the selling and non-selling activities planned; (2) providing adequate lighting equipment, properly colored walls and ceilings, and suitable floor coverings; (3) procuring the fixtures and equipment essential to the conduct of the business; and (4) arranging and locating the merchandise, fixtures, and equipment in such a manner that customers may be served promptly and satisfactorily at the lowest cost to the store.[1]

The successful operation of the store will depend to an important degree upon the care with which plans for these steps are made, appraised, and carried out. The appearance of a store can either help or hinder the retailer's prime objective--selling of merchandise.

The exterior of the store should give the impression of a going concern. Of chief importance are the entrances and show windows. Because of "blind spots" or unproductive areas which often develop just inside store entrances, considerable attention should be devoted to planning all customer entrances to the building. Store entrances should be wide and inviting, with doorsills preferably at the street level.

Show windows are the eyes of the store and are the most important feature of the store exterior. Frequently the impressions which one's customers receive from the windows and the merchandise displayed in them

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[1] Duncan and Phillips, _Op. cit._, p. 118.

largely determine whether or not they enter the store. In considering the problem of windows, the store proprietor must decide whether or not to use backgrounds. Window backgrounds are designed to focus attention upon displays, to provide attractive settings for the merchandise shown, and to allow for effective illumination. Three types of background are used: (1) the open background that permits the passerby to see into the store; (2) the semi-closed background with a partition extending to a height below the line of vision; and (3) the closed background that shuts off the window completely. The advantages of the open background are: it allows passersby to see inside the store; makes goods on display in windows readily accessible to customers and salespeople; and permits daylight to enter the store, thus reducing lighting costs. The closed background enables the window shoppers to concentrate on the merchandise displayed without diverting attention to the store's interior, prevents dust and dirt from injuring goods, minimizes steaming of windows, and facilitates illumination.

It has been the writer's observation that the majority of office supply and stationery stores use display windows with open background which permit shoppers to look into the store. Questionnaire returns from stationers and office suppliers in Oklahoma indicate that this type of display window is used by about 94 per cent of the operators and the semi-closed background is used by 6 per cent.

Regardless of the reasons the customer enters the store, his impression of the interior must be favorable. It is important that the store's interior decoration and arrangements be as attractive as possible. Much thought should be given to selecting colors for the walls and ceilings as well as a type of fixtures which will give the interior a spacious, light, and airy atmosphere. In selecting a floor covering, a color should be chosen which will blend with the other colors in the store. Color clashes should be avoided and thought should be given to attaining color harmony in the shop.

It is important that the illumination in the store be good. Proper lighting makes the store more attractive and aids in selling merchandise. The use of glaring overhead lights or lighting fixtures which distribute illumination unevenly should be avoided. Many cities have laws which require specific candlepower per square foot of space in business properties. It would be wise to consult the local power company representatives who will gladly work out a plan for illumination which will be attractive, serve the store's needs, and also comply with the local laws. The benefits that accrue to the retail-store proprietor from the use of proper lighting facilities have been summarized by Duncan and Phillips as follows:

(1) They add to the attractiveness of the store and tend to attract customers from the poorly lighted stores.
(2) They add to the attractiveness of the merchandise displayed.
(3) Good lighting tends to provide a cheerful atmosphere in the store. This atmosphere reacts favorably on both customers and employees.
(4) Good lighting tends to create an impression of neatness and cleanliness.
(5) Adequate lighting permits a better inspection and selection of merchandise by customers. This tends to reduce returns and exchanges. [Pilferage is also known to be decreased.]
(6) Good lighting permits the effective use of all available space.[2]

Fixtures and Equipment

Proper fixtures and equipment are necessary for effective store operation. Equipment and fixtures should be purchased to meet the particular requirements of the stationery and office supply business. It

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[2] *Ibid.*, p. 126.

may be possible to buy some equipment which has been used, but no doubt some new fixtures will have to be bought. Shelves along the walls should be so constructed as to make it easy for the customer to see the stock. Space below the bottom shelf and above the top one can be enclosed and used for storage. The tables for displays should be large enough to show the merchandise without appearing crowded and without danger of the goods being knocked to the floor by a passing customer. A number of interchangeable units is desirable so that they can be shifted about until the most suitable arrangement has been achieved.

A careful study of one's needs prior to installation is necessary to insure proper selection. Of course, if the individual is making his start in retailing by purchasing a going concern, most of the type of equipment suitable for the business may already have been installed and in such cases it will be necessary to purchase only such additional equipment as may be desirable for making any changes believed to be in order. According to Duncan and Phillips, several factors are decisive in selecting fixtures:

(1) The clientele or class of trade to which the store intends to cater.
(2) The type of merchandise handled.
(3) Type of service rendered in connection with merchandise--whether self-service or whether salespeople are used.
(4) The types and kinds of fixtures available for use in the particular type of store under consideration.[3]

Arrangement and Layout

In planning the arrangement and layout of equipment, the problem is to utilize the space available as fully as possible and at the same time provide an opportunity for customers to shop easily in the store. In

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[3] *Ibid.*, p. 127.

planning the layout, heed should be given to those habits which are characteristic of the average customer. Once having decided on a layout plan, the matter should not be considered closed. Store arrangement and display is a subject which requires constant study, almost continuous change and a great deal of experimenting. The retailer should guard against adopting any standard plan until it has been thoroughly investigated and proved satisfactory for the particular circumstances and situation. A crowded and cluttered appearance should be avoided as this might discourage customers from coming into the shop.

The front areas of the store are generally considered as being the most important sales areas--especially that on the right of the door where a centered entrance is used. Therefore, goods with a rapid turnover rate and high margin of profit should be displayed in the front of the store. Fred M. Jones states:

> To the extent that there is a tendency for the customer to turn to the right after he has entered the store, the value of the space to the right is increased. By the proper kind of display this tendency, where it exists, can be encouraged or controlled. Displays and fixtures can be used to attract the customer's attention to the right or to direct it more to the left.[4]

Demand goods should be kept in the back of the store so that customers in making their way back to the rear of the store may be tempted to make additional purchases on seeing the goods displayed in the middle of the store. Through the judicious planning of "island displays" the flow of traffic through the store can be more or less regulated and at the same time favorably present the merchandise to the view of the customers. Aisle tables and counters can be arranged to direct the traffic toward a given point. It is desirable to route the customer through the

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[4] Fred M. Jones, Op. cit., p. 427.

store in such a manner that the most dollars of gross profit per square foot of space are produced. This requires consideration of the markup on the various lines of merchandise and the potential sales volume of the merchandise in various locations. In planning the location of various items of stock it is usually wise to display related items in adjacent positions. The purchase of one item often suggests the need for another related piece of merchandise. Some shops use pull-out shelves on display cases and tables to give space for the clerk to show several articles at once and to provide a place for customers to place packages without disturbing articles of stock on display.

Before starting to plan the layout, it would be profitable for the beginner in retailing to visit a number of stationery and office supply stores to observe the good features which he may wish to incorporate into his own shop plan. Fred M. Jones summarizes the problem of store layout and arrangement:

> The entire interior of a store should be considered from the point of view of promoting sales. Directly and indirectly many things within the store contribute to facilitating the sales process. The arrangement of merchandise, fixtures and decoration, and the various activities conducted within the store should be designed to promote sales effectively. The problem of interior display should be approached from this broad viewpoint.[5]

On the following page is a diagram of a layout plan which has been used effectively and successfully by small office supply and stationery stores, although as one would expect there is a great variance in exact merchandise arrangements observed among this type of retailer. The layout is based on data from questionnaire returns and on the author's personal observation and experience in this field of business. There

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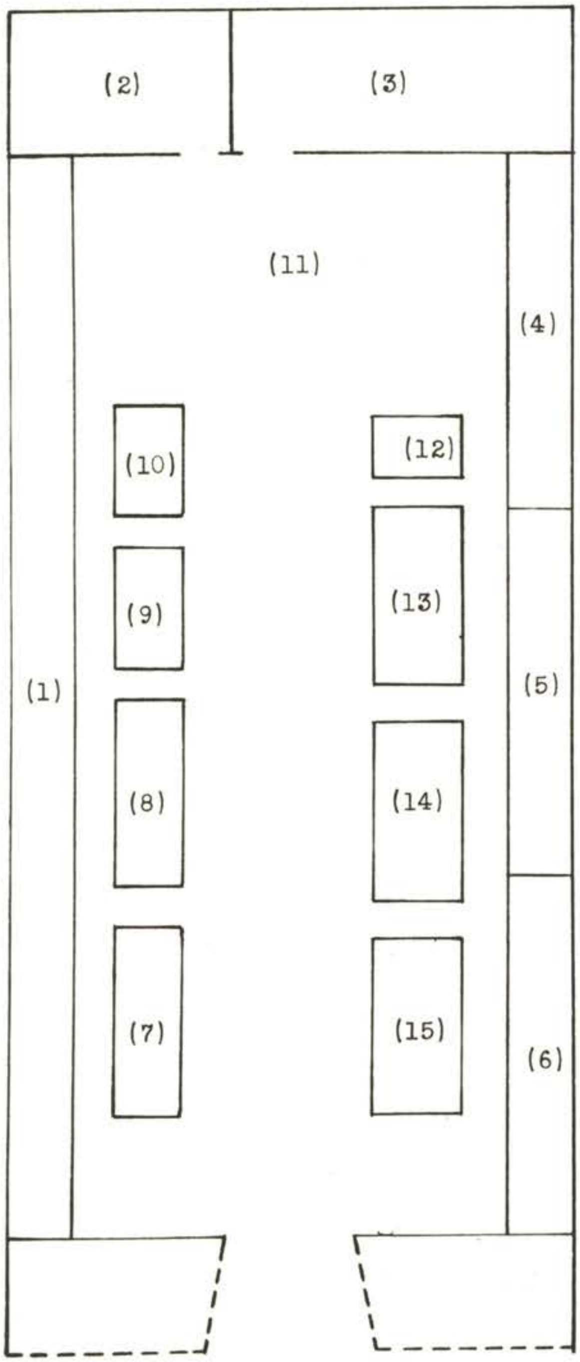
[5] *Ibid.*, p. 425.

was no particular effort made to draw the diagram to scale because the space which the individual retailer will wish to allot to the different portions of his inventory will vary with the requirements of his trade.

TABLE IX

LAYOUT PLAN FOR A STATIONERY STORE



(1) Shelving for general office supplies.

(2) Office.

(3) Storeroom and Repair Department.

(4) Shelving for general office supplies.

(5) Shelving for accounting and bookkeeping forms and supplies.

(6) Book department.

(7) Pen counter.

(8) Billfold and leather goods counter.

(9) Personal stationery counter.

(10) Greeting cards.

(11) This general area in rear of store is used for display of office furniture and equipment.

(12) Wrapping counter.

(13) Display counter.

(14) Display counter.

(15) Display counter.

CHAPTER VI.

BUYING, PRICING AND SELLING

The operator of a stationery and office supply store can derive much good from a well-organized business in a good location, but the core of the business is buying, pricing, and selling and unless these are done correctly the business will probably fail. Efficient buying has a great effect on the source of profits and requires some experience.

In purchasing merchandise for a retail store the buyer must consider what to buy, where to buy, how much to buy as well as when to buy. According to Converse and Jones: "The fundamental principle of buying for a retail store is to buy only what can be resold at a profit."[1]

For the novice stationer, the problem of purchasing the initial stock is, of course, an important one. If he has had experience in the stationery and office supply field he can draw upon his experience in making his selections. If he is inexperienced, then of course, his problem is greater. The writer attempted to ascertain whether wholesalers had worked out standard inventories for stationery stores according to size of store and population of trading area. He was unable to find that this had been done, but wholesalers indicated that their representatives gladly cooperate with the retailer in setting up and suggesting rounded stocks dependent upon the capital that the retailer has available for the initial inventory. Considerable assistance may doubtless therefore be secured from the supply sources, but how safely

[1] Converse and Jones, Op. cit., p. 305.

the retailer could rely upon such suggestions is obviously a speculative point.

The retailer must decide what broad lines of merchandise he wishes to carry. Besides general office supplies he must consider whether he desires to carry items of office equipment such as steel desks, steel office chairs, steel filing cabinets, duplicating equipment and supplies, typewriters, adding machines, etc. The beginning stationer with limited capital cannot hope to install a large stock of office furniture, but he can make arrangements with the suppliers to secure their illustrated catalogs and arrange to have orders shipped direct to the customers. While this is not as satisfactory as having the stock available for inspection by the customers, still it will result in many sales that would otherwise be lost. After a few items of office furniture have been sold in his community, the retailer can on occasion secure the owner's consent to show the particular item to other prospective customers. Of course, this practice should be resorted to only until such time as the retailer is financially able to stock the merchandise.

The location of sellers is of vital importance. Other things being equal, the nearest wholesaler is the best source of goods. The nearby seller can give the quickest delivery. This means that the retailer can carry fewer goods in stock and can, therefore, turn his stock faster. If he runs out of stock, he can secure it more quickly from the nearby seller. Transportation costs are less when the seller is located nearby. The nearby wholesaler is often a better source of credit. The local wholesaler is closer and therefore will call on the retailer more frequently than sellers from distant sources.

The specific items for the initial inventory will depend upon the kind of business being set up and upon estimates of customers' needs. The U. S. Department of Commerce indicates that a typical initial inventory for a stationery and office supply store anticipating annual sales of $15,000 might be as follows:

TABLE X

SUGGESTED INITIAL STOCK FOR A SMALL STATIONERY STORE[2]

Social stationery	$ 50
Typewriter ribbons, carbon paper, office papers	300
Pads--scratch and columnar	100
File boxes	100
Blank books, looseleaf binders and fillers	450
File cards and folders	350
Envelopes	50
Pens	300
Pencils and pen points	150
Labels, tags and seals	75
Stamp pads and daters	50
Stapling machines, staples, clips, fasteners	250
Ink	100
Glassware--paper weights, ink stands	75
Greeting cards	300
Miscellaneous--rulers, erasers, cash boxes	500
	$3,200

As mentioned previously, considerable help can be secured from the suppliers and jobbers. They know which items are in demand and can make valuable suggestions. As soon as the initial inventory is offered for sale, a record can be kept of which items move rapidly and which remain on the shelves for long periods of time.

In order to run a profitable business the retailer must have a detailed knowledge of the quantities and kinds of goods which are most in demand, what goods are on hand as stock and what goods are ordered but

[2] U. S. Department of Commerce, Establishing and Operating a Stationery and Office Supply Store, p. 21.

not yet received. An adequate stock-control system will give such information whenever needed. In a small business where the owner knows his stock, a periodic inventory, three or four times a year, might be an adequate stock control, and can be supplemented by a record of purchases and sales and careful observation of the shelves.

In addition to handling general supplies for the office, the store should arrange to carry some well-known brand of office machines. The dealer is not obliged to purchase the equipment as all of the nationally-advertised lines of typewriters and adding machines are handled on a consignment basis. The chief difficulty which the store-owner will encounter will be the acquiring of the dealership franchise because the most desirable sales territories will have been already assigned and the territory in which he wants to operate may already have representatives for the lines he desires to handle. Of course, if the new business is acquired through the purchase of a going concern, it may be that the dealership franchise will be a part of the purchase. If the retailer is starting a new store, then he will have to contact the manufacturer's representative in an effort to secure the desired franchise. In the event that dealerships are not available for the sales territory in question, then the retailer must do the next best thing, which is to try to secure a sub-dealership from the office equipment firm holding the dealership franchise. This is less desirable because it will result in considerably lower commissions on his sales of office machines.

At any rate the ambitious office-supplier will want to supplement his line of general office supplies with a line of office machines as the handling of these items does not require a great capital outlay and the sales commissions are quite attractive.

The method of distribution used by all of the leading typewriter and adding machine manufacturers is as follows: After the franchise has been assigned for a given territory, the manufacturer sets up a sales quota which he expects or anticipates that the dealer should achieve for the area. Then the typewriters and adding machines are shipped to the dealer on consignment. As the machines are sold the dealer is given a sales commission of 30 per cent of the list price. However, typewriters sold to institutions of learning for training purposes are sold to them at a considerable reduction from the list price and on these sales the dealer usually receives a commission of 15 per cent of the sales price. Office machines are sold with a one-year guarantee against mechanical defects traceable to manufacture, and the dealer, as a part of his dealership agreement, is required to service the guarantee. Therefore, he must of necessity maintain a service department as a part of his operation or he must have some sort of arrangement with an outside office machine repair firm. If he elects to maintain his own service department he must equip the repair shop and hire his own service help. This aspect of the office supply business will be discussed in more detail in Chapter VII.

It might be mentioned that portable typewriters are not handled on a consignment basis but are shipped to the dealer on open account, payable in 30 days, as are other supplies purchased from the manufacturer. Since the handling of portable typewriters are not a part of the dealership franchise any firm may sell them and this accounts for the fact that portables may be purchased from department stores, drug stores, mail order houses, etc. The stationer stands in a favorable position even as to such portable sales by virtue of his service facilities which are rarely provided by sellers just mentioned.

Terms of Purchase

In all trades certain practices are customary in connection with the shipment of goods, dating of sales, and terms of sale. Whenever a purchase order for goods is placed, the purchaser should have a clear understanding with the vendor concerning the shipping date of the goods, all conditions surrounding price, terms, discount, and who is to pay for the transportation charges. Various lengths of time in which payment for goods must be made can be arranged between the purchaser and the seller. To speed up collections, suppliers usually offer a cash discount for early payment of accounts. Especially in the beginning months of a new business such cash discounts may be an important item in profit making. It is a wise practice to pay bills at once when a cash discount is offered because such action not only improves the credit standing of the store but also means a lower cost of goods purchased.

There are various combinations of time during which the discount is available and the percentage allowed. A very common form is a discount of 2 per cent if paid within 10 days, the full amount being due in thirty days. This form of discount is usually stated on invoices as 2/10, n/30. The purchaser should always try to take advantage of his cash discounts even if he has to borrow money to do so. The wisdom of this is explained by Duncan and Phillips as follows:

> Terms of 2/10, n/30 mean that, if the retailer does not pay within 10 days, he is paying 2 per cent for the use of the money for the remaining 20 days until full payment is due. As there are approximately eighteen 20-day periods in a year, this is equivalent to about 36 per cent interest.[3]

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[3] Duncan and Phillips, Op. cit., p. 250.

In discussing the matter of cash discounts, John C. Aspley makes this observation:

> Even the most casual inquiry into this matter of cash discount reveals a woeful lack of general understanding among buyers that 2 per cent ten days, net thirty days, is equivalent to 36 per cent per annum on their money. There is an equally deplorable lack of understanding on the part of sellers who endeavor to use a slightly increased cash discount as a sales lever, that 3 per cent ten days, net thirty days, is equivalent to 54 per cent per annum on the money.[4]

Therefore, the retailer should usually take all cash discounts. If he does not take them it is generally assumed that he does not know his business or is short of capital and so is a poor credit risk. A few types of discounts and the approximate savings are listed in the table which follows:

TABLE XI

CASH DISCOUNT TABLE[5]

Terms	Approximate Savings
1/10, n/30.	18% per annum
2/10, n/30.	36% per annum
2/10, n/60.	14% per annum
2/30, n/60.	24% per annum
3/30, n/60.	36% per annum
3/10, n/30.	54% per annum

Pricing

Some goods which a stationer sells have the selling price determined by the manufacturer, but in the case of other items the operator must use his own judgment. He must sell a sufficient volume of goods to cover the cost of the goods sold, the cost of operating the business

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[4] John C. Aspley, Sales Manager's Handbook (Chicago, 1948), p. 209.

[5] Ibid., p. 209.

and provide a profit for himself. The retailer should determine his general policy as to price even before he opens his store to the public. He may adopt any of four general policies: (1) prices somewhat higher than those of competitors; (2) prices in line with the prices of competitors; (3) prices below those of competitors; or (4) a liberal use of leaders.

Selling at prices higher than those of competitors is generally referred to in retailing as "selling at the market plus". Merchandisers using this price policy base their appeal on quality, variety of merchandise, and service. Such stores carry a wide selection of goods and will have some that sell very slowly. These stores make their appeal by having goods not available elsewhere or by having goods of high quality. The luxury of the store is an added feature.

The majority of retail stores sell at prices in line with other stores in the area. This is called "selling at the market". Retailers following this policy believe that they cannot obtain higher prices than their competitors and there would be no point in selling for less.

Selling at prices lower than competitors is known as "selling at the market minus". The lower prices may be expected to increase sales thus increasing stock turnover, reducing expenses, thereby resulting in increased profits. The retailer who adopts this pricing policy does so because he believes that low prices make the strongest appeal, being most attractive to customers. However, the store must have lower-than-average expenses to make a high rate of profit and it must have an economical source of goods. Selling at prices lower than competitors' is sometimes a dangerous policy because competitors often respond by cutting their prices. According to Converse and Jones: "The store selling at the market minus must, if it sticks to its policy of underselling competitors, reduce its prices again, and such retaliation could lead to a price war which may end in the failure of one or more stores."[6]

A leader is an article sold at a very attractive price, usually below the general market level, on which the margin is less than normal. A loss leader is an article which is sold for a price below what it cost the retailer. Loss leaders are used to attract customers into the store in the expectation of selling them other goods at a profit. Leaders are used to increase store traffic. Duncan and Phillips state:

> The most important argument for the leader lies in its advertising value, that is, it "brings people into the store." If the use of a leader will attract a large number of customers who will also buy items carrying sufficiently large markups, the retailer's total profits will be increased.[7]

However, Robinson and Haas caution the merchant against indiscriminate use of loss leaders:

> As a regular promotional policy, sales of goods below cost is an unsound practice. Such loss-leader merchandising has attracted much unfavorable attention. As a matter of fact, the Federal government and many of the states have passed laws designed to curb or eliminate it.[8]

To arrive at the correct price for the various items of merchandise the retailer should have some knowledge of the methods used. The following discussion will deal with the subject briefly and the interested reader is referred to any standard text on merchandising and retailing for more detailed and comprehensive information.

The margin or gross profit is arrived at by deducting the cost of the goods from the selling price. In dollar terms the margin is the same

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[6] Converse and Jones, Op. cit., p. 337.

[7] Duncan and Phillips, Op. cit., p. 355.

[8] Robinson and Haas, Op. cit., p. 179.

as the markup, but it is not the same in terms of percentage. The percentage of markup is based on the cost of the goods, while the percentage of margin or gross profit is based on sales. For example, in the case of an article placed on the shelves at a cost of $1.20 with a selling price of $2 the margin is $0.80 or 40 per cent. The markup in dollar terms is also 80 cents, but in percentage terms it is 66 2/3 per cent. In other words, the 80 cents is 40 per cent of the sales price, which is the margin; and it is 66 2/3 per cent of the cost, which is the markup. The following table shows a few percentages of margin with the corresponding per cent of markup:

TABLE XII

MARKUP TABLE[9]

Find your margin or gross profit percentage in the left-hand column. Multiply the cost of the article by the corresponding percentage in the right-hand or markup column. The result added to the cost gives the correct selling price.

Margin Per Cent of Selling Price	Markup Per Cent of Cost	Margin Per Cent of Selling Price	Markup Per Cent of Cost
4.8	5.0	25.0	33.3
6.0	6.4	27.0	35.0
8.0	8.7	28.0	39.0
10.0	11.1	29.0	40.9
12.0	13.6	31.0	45.0
13.0	15.0	33.3	50.0
15.0	17.7	35.0	53.9
16.0	19.1	36.0	56.3
17.0	20.5	38.0	61.3
18.0	22.0	39.0	64.0
19.0	23.5	40.0	66.7
20.0	25.0	42.0	72.4
22.0	28.2	44.4	80.0
23.0	29.9	47.5	90.0
24.0	31.6	50.0	100.0

9 *Ibid.*, p. 172.

Closely associated with the problem of markup is the turnover of the stock—number of times a year that a given stock of merchandise is sold and replaced. In general, a lower margin of profit coupled with a high rate of turnover produces greater gross profits. John C. Aspley has this to say concerning the influence of turnover on profits:

> The rate of turnover is the most important factor in business. This is such a simple truth that it is almost foolish to print it, yet not one out of ten merchants today thoroughly grasps the importance of what should be an elementary principle.
>
> Offer any merchant two pieces of merchandise, one of which he can sell at a profit of 10 per cent on his investment, and the other a profit of 15 per cent and he will invariably take the 15 per cent article. He gives but little consideration to the fact that he may be able to sell three of the 10 per cent items while he is selling one 15 per cent article, and in doing so would make a gross profit on his investment of thirty cents, as against fifteen cents on the long profit article.
>
> Computed in terms of annual income a merchant making $5,000 a year with a stock investment of $1,000 would double his income with the same investment if he could turn over his stock twice as often. Merchants should realize that by handling slow moving merchandise they have to take losses in the shape of investment, interest, markdowns, salaries and wages which go on just the same, shelf or storage room for which they pay rent, prestige and reputation that is lost through handling unknown brands and the general inefficiency of a sleepy business.[10]

The rate of stock turnover is computed by dividing the cost of goods sold by the average cost value of the goods on hand. The cost of goods sold is the amount of goods on hand at the opening of the fiscal period, plus purchases made during the year, less the goods on hand at the end of the period. Table XIII which follows is presented in the belief that an illustration by example will provide a clearer picture of the method for computing stock turnover. The example shows a rate of stock turnover of 2.1 times during the year. This means that, on the average, it required 174 days to turn the stock once. In other words, an article was in stock approximately 174 days before it was sold.

[10] John C. Aspley, *Op. cit.*, p. 222.

TABLE XIII

METHOD OF COMPUTING RATE OF STOCK TURNOVER[11]

Inventory on hand, Jan. 1	$15,026
Purchases made during the year.	32,256
Total goods on hand during the year	47,232
Inventory on hand, Dec. 31.	15,211
Cost of Goods Sold.	$32,071

The average inventory is computed as follows:

Inventory on hand January 1	$15,026
Inventory on hand December 31	15,211
	$30,237

$$\frac{\$30,237}{2} = \$15,118.50 \text{ average inventory}$$

$$\frac{\text{Cost of Goods Sold} \ldots\ldots\ \$32,071.00}{\text{Average Inventory} \ldots\ldots\ \$15,118.50} = 2.1 \text{ rate of stock turnover}$$

The average rate of stock turnover in a stationery and office supply store is approximately three times a year. (See Table II.)

Selling

As profitable sales are the ultimate goal of every retail store, it is only logical that good organization should provide for an emphasis of this important function. Under the conditions of keen competition that exist in present-day retailing, selling is a highly specialized activity.

Jobs involved directly in selling are: (1) store advertising and publicity; (2) store display; (3) personal selling; (4) telephone and mail selling; (4) service and repair sales.

(1) Store advertising and publicity:

Every store will find it profitable to engage in some types of efforts to attract customer trade. These may consist of newspaper

[11] Converse and Jones, *Op. cit.*, p. 502.

advertising, car cards, billboards or posters, distribution of handbills or folders, direct mail advertising, and radio advertising. If any of these are undertaken, they will need to be planned and executed efficiently and carefully. Specific jobs involved include: (a) determining what to advertise; (b) deciding when and through what media; (c) making the composition of the copy; (d) preparing needed art work and layout; (e) making arrangement for printing and production; and (f) arranging for distribution of advertised message.

(2) Store display:

Many things that stationers sell are staple items for which customers come into the store with the intent to buy. According to the U. S. Department of Commerce:

> It is felt by many that a great segment of the market is being missed by too much concentration on such items and that the stock of a stationery and office supply store should include more items which are bought largely because the customer sees them attractively displayed. Sales of this type of goods can be an important part of your total sales volume. More attention is being given now than formerly to attractive store fronts and good window displays as aids to selling. Window, counter, and table displays can be effectively used to educate the customer by explaining the use of various items of related merchandise.[12]

Display is an important element of the selling job. Attractive displays in the store and in the windows are effective business builders. Display, like advertising, is a technical job. It requires a knowledge of the fundamental principles of color and design, an understanding of what is interesting and timely, and the ability to create ideas and arrangements that are attractive and appealing. Specific jobs involved in display consist of: (a) planning the display idea; (b) selecting the merchandise, equipment, and material; (c) preparing the display; (d)

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[12] U. S. Department of Commerce, Establishing and Operating a Stationery and Office Supply Store, p. 24.

keeping the display attractive; and (e) changing the display.

(3) Personal selling:

The third and most important selling job consists of meeting and serving customers. This is the phase of store operation upon which all other work depends. It is the focal point of the business and every other store job should be geared to facilitate it and make it efficient. Success in personal selling depends upon how carefully employees are selected for this work and how well they are trained and supervised. For a good selling job, salespersons must: (a) have a good attitude towards their job; (b) be well-informed about their merchandise and their store; (c) understand their customers and their customers' needs; (d) know how to present their merchandise effectively.

Two methods are commonly used to increase sales. They are the selling of related articles and suggestive selling. Selling related articles consists of cases in which on having completed the sale of a given article, a salesperson with complete knowledge of the stock calls attention to other articles which may be used in conjunction with the article purchased. Suggestive selling consists of calling attention to goods not related in use to the article purchased. Selling the customers an additional item beyond what they came into the store to buy, even though it may be a low-priced item will greatly increase the sales volume.

The well operated stationery and office supply store will not depend entirely upon sales to customers who come into the store to buy, but will engage in selling outside the store. In fact, during the first year or two, the beginner in this field of retailing will be fortunate, indeed, if his inside sales are sufficient to meet his operating expenses.

Therefore, it is absolutely necessary if the store is to be a success that outside selling be a part of the sales promotion program. At first the proprietor himself may find it necessary to engage in outside selling, but as the business grows he can employ outside salesmen to call on prospective customers to solicit business for the store. Modern business is highly competitive and customers go to the stores that seek them most intelligently and aggressively.

(4) Telephone and mail selling:

For a complete selling job the stationery store must develop a good organization and efficient system for handling mail and telephone order business. This business, if properly developed, can add considerably to the sales of the store. It is doubtful if the small stationery store will actively engage in the solicitation of business by means of telephoning a list of prospects. Most of the telephone business handled by the office supply store will be limited to the handling of orders which are telephoned by the store's customers, in which case courteous and prompt servicing of the orders should be the routine policy of the store.

However, any office stationery store will find that sales can be increased by the use of direct mail. The office supply firm with which the writer was associated made it routine practice to always include advertising leaflets with their monthly and semi-monthly mailing of customer's statements of account. Also, periodic mailings were made for the purpose of soliciting business. Some particular item of merchandise was usually featured and a mail order blank was included with the mailing. Mimeograph duplication was used extensively in the preparation of the direct mail program. For certain sales efforts a more personalized form of letter would doubtless produce even better results.

(5) Service and repair sales:

The office supply store that sells a line of office machines such as typewriters, adding machines, and duplicating machines will find it necessary to provide repairs and maintenance for their customers. Therefore, the office supply firm must make some arrangement to provide this service. The firm's alternate approaches to this problem are: (1) to arrange with an outside repair firm to handle their maintenance and repair work; or, (2) to maintain and operate its own service department. The former method may be satisfactory if the sale of office machines does not constitute a great part of the firm's business. However, if the sale of office machines is aggressively promoted, then a service and repair department should be included as a part of the store's operation. This will provide more satisfactory and prompt service on maintenance of new machines which have been sold by the retailer and will also provide a means of additional income through the promotion of service and repair sales.

Another source of income for the store can be the rental of typewriters and adding machines. Students, house-wives, and even businessmen often have need for a machine and a store that provides rental service will find this business profitable. The rental service logically should be managed by the service and repair department.

CHAPTER VII.

PERSONNEL REQUIREMENTS

In the early days of a small business the proprietor himself will probably operate the store, perhaps with the assistance of a member of his family, and, therefore, will not be too concerned with problems of personnel at first. However, as the business expands and grows, the problem of selecting satisfactory personnel become increasingly important. In order to operate an efficient business, the office supplier will need to consider the employment of personnel for the performance of the following duties:

1. Waiting on customers who come into the store.

2. Keeping the books and records of the business and preparation and mailing of the monthly statements of account.

3. Buying and maintaining the stock inventory--this includes the interviewing of sales representatives from the various wholesale and supply houses who may call.

4. Daily assembling, packing, billing, and mailing of out-of-town orders.

5. Assembly and delivery of orders from local customers.

6. Handling of business correspondence.

7. Planning and changing store and window displays.

8. Planning sales promotional programs, including direct mail advertising.

9. Solicitation of business.

10. Management and operation of the repair and service department.

11. Supervision of employees.

12. Janitor work.

The office stationery store with which the writer was associated was started on limited capital and in the beginning the owner himself acted as manager and took care of details concerned with buying, upkeep of the inventory, dictation of correspondence, planning and arranging the window and store displays, planning direct mail sales programs, waiting on customers who came into the store, and he even spent some of his time in the sales territory as outside salesman.

The owner's wife assisted him in the managerial duties, did the secretarial work, kept the firm's books, helped supervise the work of the several other employees, and also waited on customers.

An experienced office machine repairman managed the service and repair department on a commission basis.

A young business college graduate was employed to take care of the orders, replenish and dust the stock on shelves and display tables, make local deliveries, help wait on customers when needed, and clean up the store at the end of the day.

Two outside salesmen who worked strictly on a commission basis were employed to secure business for the store. One salesman solicited and serviced accounts entirely within the city in which the store was located. The other salesman called on accounts in towns and cities in the western and southern part of the state. The owner himself devoted a portion of his time to outside selling in the solicitation of business from customers in the eastern part of the state. In this way even though this was a new business, the sales area was adequately covered right from the beginning.

After the store had been in operation for about a year, another young business college graduate was added to the staff of employees to take over most of the duties which were being performed by the owner's wife. After this employee had been with the firm for about a year and had become somewhat familiar with the stationery business, he was made office manager and his duties were to take care of the buying and maintaining the inventory, keeping the books, handling of correspondence, and waiting on customers in the store. He was also required to spend a part of his time in calling on accounts that had been assigned to him in the city so that he could acquire sales experience. After a period of time, he was assigned the sales territory in the eastern part of the area and devoted all of his time as traveling sales representative for the firm.

The other young man was assigned to the service department for the purpose of learning the repair and maintenance of office machines.

When these changes were made, a young lady was employed to do the secretarial work and to wait on customers. The owner took over the managerial duties. A young high school student was employed to work after school hours to make local deliveries and to do the janitor work.

The foregoing has been a brief description of the actual personnel requirements of a new office supply store and the writer believes that any newcomer to the office supply business would find that his personnel needs would sooner or later follow the same general pattern.

In starting his own store the retailer may not be able to get experienced salesmen when he launches his enterprise. In this case he will have to depend on employing intelligent young people and letting them learn the office supply business through experience. In other words, he must train them himself. As far as getting a competent employee to take care of the repair and maintenance of office machines, he can get aid in the training of mechanics from the office equipment factory that manufactures the line of equipment which he represents. The writer was informed by the district manager of a leading national office equipment manufacturer in Oklahoma City that his company maintained a training school at the factory for the purpose of training repairmen. This firm operates the training school at no cost to the dealers who send trainees. However, it is up to the dealer to bear the salary and expenses of his own employee while he is in training. In this way the stationery and office supply retailer is able to obtain repairmen who have been specifically trained to maintain the particular lines of equipment which he distributes.

As a further example of this type of training the writer cites an instance from his own experience as an office supply salesman, when he was afforded the opportunity of acquiring similar training. He was sent to the A. B. Dick Company's training school in Chicago for a three-week course dealing with sales techniques and also mechanical maintenance of A. B. Dick mimeograph duplicating equipment. The cost of the training was borne by the manufacturer while his employer paid the other expenses.

Hand-in-hand with the problem of acquiring suitable personnel is that of compensation of employees. The employer, if he is to secure suitable employees, must at least pay the average wage for his trade, but on the other hand, since salaries and selling expenses will amount to approximately 20 per cent of his net sales (see Table II), he cannot afford to overpay. In the ensuing discussion, an attempt will be made to give the reader some idea of the average salary expenses for the office supply and stationery business.

salesmen's compensation, since the failure or success of the firm's selling activity will determine whether it can remain in business, will be discussed first. According to Bertrand R. Canfield:

> There is no perfect plan for paying salesmen, and the best method is one which provides: (1) incentive; (2) control; and (3) stability of earnings for the salesmen. There are two basic methods of paying salesmen--salary and commission--but there are many variations of these methods, all of which seek to secure: (1) the highest volume of sales, (2) the sale of the most profitable merchandise, and (3) the lowest expense for selling.[1]

The most common method of paying salesmen is by straight salary. From the standpoint of the employer this method has certain advantages and disadvantages. The advantages are: (1) the employer has full control of the salesman's time, (2) promotes company loyalty, (3) encourages missionary work, (4) ease of administration requiring no computation of salary and little accounting, (5) satisfied salesmen because of regular income, (6) salesmen cooperate more readily in making joint sales, and (7) salesmen can make more accurate reports of their work. The disadvantages are: (1) salesmen become dissatisfied unless their salaries are increased from time to time, (2) it is difficult to fix salaries commensurate with a salesman's real ability, (3) it is hard to downgrade salaries during periods of slack business, (4) salesmen may become order takers, (5) risk payment of salaries to new salesman whose real ability has not been proved, and (6) no incentive to salesman to increase his sales.

Next to straight salary, the commission method of compensation is probably the most common way for paying salesmen. In the commission method, the salesman is paid on a percentage basis according to the

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[1] Bertrand R. Canfield, Sales Administration Principles and Problems (New York, 1947), p. 211.

volume of his net sales. This method, too, has certain advantages and disadvantages to the employer. Advantages are: (1) incentive to salesmen because they are paid on results only, (2) no risk to the employer since no guarantee is made to the salesman, (3) allows a business firm with limited capital to secure services of salesmen, and (4) this plan often attracts good salesmen. The disadvantages are: (1) employer's control over salesman is weak, (2) salesman may tend to give large trade-in allowances, (3) cooperation with other salesmen not promoted, (4) salesman may use high-pressure methods to detriment of goodwill for the firm, and (5) salesman's morale affected by low earnings during periods of slack business.

Another common form of compensation for salesmen is a combination of the two methods just discussed--salary and commission. Under this plan a salesman usually is paid a small salary and commission on net sales. This method combines the advantages of control over salesmen with incentive to increase sales afforded by a commission. The salesman is assured a regular income; in addition, he is paid for missionary work, and is paid during his break-in period, as well as during periods of slack business. As with any method, this plan also has some disadvantages, such as the salesman overselling, selling only items that are easiest to sell, not cooperating with other salesmen, or being content with a small salary and not exerting sufficient sales effort to earn the extra commission.

Just what salesman's compensation plan is best for the beginning stationery and office supply retailer is a matter that he must decide for himself. The National Stationers Association has aptly stated:

> So far no one has ever devised a single compensation plan for salesmen that would fit every type of operation. Until that day

arrives, employers must continue to take into account the selling problems that are inherent in their own sales territory before deciding upon any particular method of payment.[2]

The stationery firm with which the writer was associated was fortunate in being able to employ two experienced office supply salesmen at the time that the business was launched. These salesmen were paid on a straight commission basis, with the salesmen paying their own expenses, although they were given a car allowance for the use of their personally-owned automobiles. They were paid a commission of 20 per cent on items which provided a gross profit of 30 per cent or more. On items where the gross profit was less than 30 per cent, the firm and the salesman split the profit on a fifty-fifty basis. The salesmen were paid their regular commissions on all mail orders or telephone orders received from their respective territories.

It may appear to the casual reader that the commission percentage described above is somewhat high. However, this was a new business started during a period of business depression and in order to attract able salesmen, a higher-than-average commission rate was deemed necessary. Also, the sales territory traveled by the salesmen was widespread and the customers were scattered over a large area. Therefore, the commission rate had to be such that the salesmen would be assured an adequate income above expenses.

In a study made in 1950 by the National Stationers Association it was found that office supply retailers in general used one or more of the following plans for compensating their outside salesmen: Straight commission, commission based on gross profit, a commission on sales with

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[2] National Stationers Association, Facts and Ideas---Salesmen's Compensation Plans (Washington, 1950), p. 5.

a guaranteed salary, salary plus commission, and other compensation plans based on combinations of more than one type of plan. The following table prepared by the National Stationers Association shows a breakdown of the various methods used by member dealers during 1950 in the compensation of their outside salesmen:

TABLE XIV

PLANS USED BY NSA DEALERS FOR COMPENSATING OUTSIDE SALESMEN[3]

% of Reports	Type of Payment	Monthly Earnings			Remarks
		Low	High	Average	
38%	Straight commission	$285	$500	$350	Most dealers using this method gave their salesmen a drawing account or a car allowance. Commissions range between 6% and 12% with 10% being the most common. For goods sold at discount or low markup a commission based on gross profit is usually used.
13%	Commission based on gross profit	$280	$650	$400	Commissions range between 25% and 50%. The majority of these dealers paid a commission of between 33 1/3 % and 40% of the gross profit on all sales.
13%	Commission with guaranteed salary	$250	$400	$350	The usual commission is 10%. The guaranteed minimum monthly salary averages $200 a month.
10%	Salary plus commission	$240	$400	$325	Usually a commission of 10% is paid on all sales over a fixed sales volume which varies between $1000 and $2500 a month.
4%	A commission in addition to regular salary.				The commission rate varies between 1½% and 5% on all sales.
13%	Straight salary	$250	$325	$300	
9%	Other	$250	$370	$300	Dealers in this group used several different types of plans for compensating salesmen.

[3] *Ibid.*, pp. 3-4.

The following table was prepared from questionnaire returns of stationery and office supply dealers in Oklahoma, which at least indicates the usage of these various methods of compensating outside salesmen in this state. It will be observed that the percentages shown in the table do not total 100% for the reason that some of the dealers use more than one of the methods for compensating their individual salesmen.

TABLE XV

METHODS OF COMPENSATING OUTSIDE SALESMEN USED BY OKLAHOMA DEALERS

TYPE OF COMPENSATION	% OF REPORTS
Straight salary.	12.7%
Straight commission.	18.8%
Salary and commission.	25.0%
Salary plus commission for sales above a set quota . .	6.3%
Stores not employing outside salesmen.	50.0%

Of course, the dealer who employs outside salesmen must realize that he will be expected to bear a part, if not all, of the traveling and living expenses of his representatives while they are out on the road. According to the previously-mentioned report compiled by the National Stationers Association:

> Most dealers reported they provided some type of extra compensation to help defray their salesmen's travel expenses. By far the most common method was to pay a car allowance based on the number of miles of business travel. Concerns whose territory covered both country and city ordinarily paid a higher travel allowance to those salesmen working exclusively outside the city.[4]

The following table extracted from the above-mentioned report is a breakdown showing the various travel allowance methods commonly used by

[4] Ibid., p. 4.

dealers in stationery and office supplies:

TABLE XVI

TYPES OF TRAVEL ALLOWANCE PLANS USED BY NSA DEALERS IN 1950[5]

TYPE OF PAYMENT	% OF REPORTS	COMMENT
Mileage allowance	36%	The average car allowance was 6¢ a mile. Rates ranged between 4¢ and 8¢ a mile. 90% of dealers paying a car allowance also paid their salesmen on a straight commission basis.
No travel allowance	41%	71% of the dealers not paying any car allowance did allow them a drawing account which averaged $55 a week and ranged between $50 and $100 per week.
Other methods	23%	Some dealers paid their salesmen additional commission on sales of from 2% to 5% in lieu of a regular mileage allowance. Some pay salesmen for gas, oil, and/or maintenance only. A few provided company cars for business travel.

The following information gleaned from questionnaire returns from stationery and office supply dealers in Oklahoma gives some indication of the practices followed by dealers in this state with respect to the matter of travel allowance. There were 35.7% of the dealers reporting who indicated that they did not engage in outside selling and, therefore, did not employ salesmen for that purpose. Of the remaining 64.3% who did engage in outside selling, 22.2% provided automobiles for business travel and 50% of this group paid a set expense allowance for the salesman's living expenses, while the remaining 50% advanced the living expenses of the salesman. Of the firms engaged in outside selling, 77.8% required their salesmen to furnish their own automobiles and in

[5] *Ibid.*, p. 5.

this category, 43% of the dealers paid an allowance of 5¢ per mile; 43% paid no mileage allowance and required their salesmen to foot their own living expenses; and 14% furnished gasoline and oil only and required their salesmen to pay their own living expenses.

After having decided upon his plan for compensating his outside sales force, the stationer will have to consider the method for paying his inside salesmen. The most common practice throughout the stationery and office supply industry is to pay the inside salespeople a straight salary. However, some firms do follow the procedure of paying their store help a commission or bonus in addition to a regular salary as a stimulus to increased sales through the added incentive provided the individual to supplement his personal earnings. The following table compiled from research data gathered by the National Stationers Association shows the various methods of compensation used by member dealers during 1950 for their inside sales personnel:

TABLE XVII

COMPENSATION PLANS USED BY NSA DEALERS FOR INSIDE SALES PERSONNEL[6]

TYPE OF PLAN	% OF REPORTS	COMMENTS
Straight salary	58%	Average salary paid is $46 per week.
Salary and bonus	18%	32% of dealers paying a bonus based it on inside salesman's salary. Bonus usually amounted to either 2 or 4 weeks salary at year's end. Other methods were to pay all inside salesmen the same flat yearly bonus varying between $50 and $250 a year, or to pay varying amount each year depending on amount of business done.
Salary and commission	24%	Most dealers using this method pay their inside salesmen a commission varying between 1% and 3% on sales, paid weekly. Others pay bonus of 2% to 5% of sales once a year. Some pay commission of 1% to 5% on all sales over set quota.

[6] Ibid., p. 2.

Questionnaire returns indicate that in Oklahoma about 80% of the firms reporting pay their inside sales help on a straight salary basis. About 13% indicated that their inside sales help were paid a straight commission; while a few firms indicated that the straight salary method was used for paying some of their inside help and some were paid by means of salary and commission. In the writer's opinion, questionnaire returns were insufficient to give a truly indicative picture of the methods used by stationers in Oklahoma except to confirm the fact that straight salary is the most popular method for compensating inside help.

As to the compensation of other employees necessary for the operation of a business, the information gathered from the questionnaire was insufficient to permit compilation of averages which could be accepted as being accurate statements of wages paid by stationers in Oklahoma. The following table gives the ranges of the salaries as indicated by those firms which made some attempt to answer the question pertaining to weekly salaries of their employees:

TABLE XVIII

WEEKLY SALARIES PAID BY STATIONERS IN OKLAHOMA

Bookkeeper	Ranges from $35 to $45 per week.
Store clerk	Ranges from $30 to $70 per week.
Stockkeeper	Ranges from $30 to $45 per week.
Stenographer & Typist	Ranges from $27.50 to $40 per week.
Deliveryman	Ranges from $30 to $55 per week.
Office Manager	Ranges from $50 to $80 per week. In some cases the owner acted in capacity of office manager.
Repairman	Ranges from $57.50 to $61 per week. In some cases this man also solicits supply sales and is paid a commission in addition to a fixed salary.

It is hoped that the author has, in this chapter, been able to give at least a small view of the problems that the prospective office supply and stationery retailer will have to solve with respect to the selection of personnel and their compensation if he is to operate a successful and efficient business establishment. As a further aid in determining just what compensation plan to select, the reader is referred to Appendix A, "How To Choose Your Compensation Plan", which has been prepared by the National Stationers Association for use by their members as a policy guide.

Before leaving the subject of personnel compensation, it may be useful to know what the average percentage of salaries to net sales is for the stationery trade. Therefore, the following table, compiled by the National Stationers Association for 1949 is submitted:

TABLE XIX

PERCENTAGE OF SALARIES TO TOTAL ANNUAL NET SALES[7]

TOTAL NET SALES = 100%	All Firms Reporting
1. Salaries and commissions (inside salesmen). . . .	6.57%
2. Salaries and/or commissions (outside salesmen). .	4.53
3. Salaries (office employees)	2.51
4. Salaries (owners and officers).	4.67
TOTAL SALARIES (except warehouse & delivery wages) .	18.28

[7] National Stationers Association, Important Ratios for the Commercial Stationer--1949 Operating Costs (Washington, 1950), p. 7.

CHAPTER VIII.

IMPORTANT OPERATING RATIOS

For every size and type of business there are generally recognized ratios of expenses to net sales that are accepted as proper throughout the trade. These ratios are commonly referred to in business circles as "operating ratios" or "expense ratios". Standard ratios for almost every kind of business are prepared by various agencies, such as the retail association for the particular line of business, governmental agencies such as the U. S. Department of Commerce, and credit reporting concerns such as Dun & Bradstreet, Robert Morris and Associates, and others.

Operating ratios are standards or guides and the prospective stationer will find those pertaining to the stationery and office supply business useful in several ways. These standards can be used for the purpose of appraising a going concern, the purchase of which the individual may be considering; or, they may be used for comparing his own operating expense figures after he has conducted his business for a sufficient period of time to have accumulated such figures.

The actual operating figures of the store which the prospective purchaser may have under consideration can be compared with the standard ratios so that he may readily discern any discrepancies that may be present. In discussing these differences with the seller, the buyer may quickly become aware of operating problems that may be important factors in helping him to make up his mind to buy, or in determining how much to pay for the business. The fact that the store's operating expense ratios do not conform to the standard ratios need not necessarily be a deterrent to purchase. Some conditions may be due simply to poor management, or an excessive operating cost may be due to carelessness, and a less than normal expense may be indicative of laxity in attention to a particularly vital activity that would bring results if properly financed. The same amount of money intelligently spent on one activity instead of being misspent on another may bring desirable increases in sales and profits. These are matters which the individual must ponder and then decide, relying, of course, on his own common sense and judgment. The following is a simple illustration of the use of operating ratios in appraising a business:

A store offered for sale has had average annual net sales of $40,000 for the past three years with no appreciable increase or decrease. Analysis of the company's records discloses the following operating ratios expressed as a percentage of net sales, for the preceding three years.

	19--	19--	19--
Total expenses.	15.8	16.2	16.5
Wages other than owner's.	4.0	4.5	4.9
Rent.	3.5	3.5	3.5
Advertising	0.5	0.3	0.1

Dun & Bradstreet standard operating ratios for this kind and size of store for the years covered were as follows:

Total expenses.	15.9
Wages other than owner's.	4.1
Rent.	2.6
Advertising	0.6

Certain comparisons significant to the prospective purchaser may be noted from these ratios. Obviously the rent is too high. Possibly a conference with the landlord would result in a new lease that would bring this expense into line. The payroll has increased steadily. Why? Investigation would probably disclose a situation that could be corrected by the new owner, such as carelessness in employing more help than needed or laxness on the part of certain employees. Further analysis shows that both total expenses and payroll were close to the standard ratios the first year; total expenses increased each year by approximately the same amount as payroll. If the new owner could bring payroll into line, total expenses would be satisfactory. However, if conditions are such that dollar payroll could not be reduced enough to adjust the ratio, there is still another possibility. Notice that total sales remained constant over the three-year period while advertising expense declined from 0.5 per cent to 0.1 per cent. By increasing this item it is quite likely that total sales could be increased enough to bring both payroll and total expense ratios into line.[1]

The stationery and office supply retailer will find standard ratios useful for comparison of his own operating figures with the customary practices of like firms. In general, if he is conducting his business in an efficient manner his operating ratios should compare favorably with the standard ratios for the trade. If his figures are far out of line, then he should make an effort to ascertain the causes for the discrepancies and take whatever remedial action may be indicated. At the end of the year the retailer may find out whether he has made as much profit as he should have or if he has operated efficiently by comparing his business with others in his line of trade. If he finds that his expenses are too high, a comparison of his figures, item by item, with the expenses of profitable firms will enable him to ferret out those that are guilty of eating up the profits. Also, he may find that he is losing business by not spending enough along some lines or is raising other expenses by more than the amount he is saving on the low items. For example, if his advertising expense ratio is considerably lower than the standard, it is quite likely that by increasing this expense to the standard for the stationery and office supply business he may be able to increase his sales, thus resulting in more profit to him. It must be remembered, however, that operating ratios are merely standards or guides and their effective use depends upon the retailer's ability to change conditions that may have caused any of the ratios for his store to be appreciably different from the standard.

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[1] Kelley and Lawyer, Op. cit., pp. 92-93.

It is the total of all expenses that affects net profit; should one item be too high, some other must be decreased to keep profits at the average ratio. For example, a high delivery cost ratio may be balanced by a low rent ratio. Also, increasing one expense item may cause a reduction in another that was formerly too high.[2]

Inasmuch as this treatise is specifically concerned with the office supply and stationery business, several of the more important commercial ratios for this field of commerce will be set forth in the ensuing pages.

The following table shows average key operating cost percentage figures for the office supply and stationery industry for 1949:

TABLE XX

HOW YOUR SALES DOLLAR IS DIVIDED[3]

(Key Operating Cost Percentage Figures)

1. Total net sales.		100.00%
2. Less :	Cost of goods sold.	62.67
3. Equals:	Gross profit on sales	37.33
4. Less :	Total operating expenses.	33.48
5. Equals:	Net operating profit.	3.85
6. Less :	Income taxes--state and federal	1.34
7. Equals:	Net profit.	2.51
8. Turnover	(number of times per year).	2.90

In order to provide a uniform basis for comparison, each item used in order of its occurrence in the above table is defined:

1. Total net sales--is the total gross sales less returned goods and allowances.

2. Cost of goods sold--is determined as follows:
   a. Inventory at beginning of the year at cost
   b. Add: Net purchases during period (deduct purchase discount)
   c. Add: Transportation charges on purchases--freight, express, parcel post, etc.
   d. Subtract: Value of inventory at end of period at cost
   e. Balance is cost of goods sold.

3. Gross profit on sales--is the difference between total net sales and the cost of goods sold.

8. Turnover rate--is calculated by dividing the cost of goods sold by the average of beginning and ending inventories at cost.

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[2] *Ibid.*, p. 561.

[3] National Stationers Association, *Important Ratios for the Commercial Stationer--1949 Operating Costs*, pp. 2-3.

The following table breaks down the Total Operating Expenses of 33.48% of Net Sales as listed in the preceding table:

TABLE XXI

BREAKDOWN OF OPERATING EXPENSES[4]

NET SALES = 100%	% of Net Sales
OPERATING EXPENSES:	
1. Store selling expenses.	11.69
2. Outside selling expenses.	5.66
3. Advertising expenses.	1.59
4. Warehouse and shipping expenses	2.51
5. Insurance and taxes	1.51
6. Office expenses.	3.51
7. Administrative expenses	5.74
8. Miscellaneous expenses.	1.27
TOTAL OPERATING EXPENSES.	33.48

To provide a basis for comparison, the following definition of terms are given:

1. Store selling expenses---total cost of rent, light, heat, power and water, salaries of inside salesmen, supervisors, and other store selling expenses.
2. Outside selling expenses---sum of outside salesmen's salaries and/or commissions, car expenses and other outside selling expenses.
3. Advertising expenses---includes all costs of newspaper advertising, handbills, signs, window displays and materials, agency fees, art work, copy preparation, salaries of advertising personnel, etc.
4. Warehouse and shipping expenses---includes salaries and social security taxes of warehouse, shipping department and delivery personnel; delivery expenses including depreciation, operation and maintenance of delivery equipment; depreciation, repairs and utilities chargeable to warehouse and shipping department buildings.
5. Insurance and taxes---includes taxes and insurance on all merchandise, furniture and fixtures.
6. Office expenses---include: (a) salaries and social security taxes of all office personnel except executives; (b) postage, telephone and telegraph charges directly related to the office; (c) cost of office supplies, depreciation of office machines, equipment, etc.
7. Administrative expenses---includes all salaries and bonuses of owners, managers, etc.; officers' travel expenses, legal services, personnel expenses such as help wanted ads, dues, subscriptions, donations, bad debts, officers' life insurance, etc.

[4] *Ibid.*, pp. 4-5.

The following table gives a breakdown of the Store Selling Expenses of 11.69% and Outside Selling Expenses of 5.66% shown in the preceding table:

TABLE XXII

BREAKDOWN OF INSIDE AND OUTSIDE SELLING EXPENSES[5]

	% of Net Sales
STORE SELLING EXPENSES:	
1. Rent on store.	2.51
2. Light, heat and water.	0.44
3. Salaries (inside salesmen, department managers).	6.95
4. Other store expenses	1.79
TOTAL STORE SELLING EXPENSES	11.69
OUTSIDE SELLING EXPENSES:	
1. Outside salesmen's salaries and/or commissions	4.53
2. Car expenses	0.66
3. Other outside expenses	0.47
TOTAL OUTSIDE SELLING EXPENSES	5.66

For comparison purposes, definition of terms used in the above table is given herewith:

STORE SELLING EXPENSES:

1. Rent: If the store is owned, this should include all occupancy expenses such as real estate taxes, depreciation on the building, insurance, interest on mortgage and any other expenses directly pertaining to the building.
2. Light, heat and water used in the store and warehouses.
4. Other store expenses should cover any other expenses directly related to the store which are not included in any of the above items such as store supplies, repairs, depreciation of store furniture and fixtures, social security tax on store personnel, etc.

OUTSIDE SELLING EXPENSES:

2. Car expenses should include all salesmen's car expenses paid by the company; also car depreciation.
3. Other outside selling expenses include any outside salesmen's travel expenses other than by car; social security tax on outside salesmen; telephone and telegraph charges for outside salesmen and any other charges directly related to outside selling.

[5] *Ibid.*, pp. 8-9.

TABLE XXIII

COMPARISON OF RETAIL STATIONERS COSTS 1926-1949* INCLUSIVE[6]

	1926	1928	1930	1931	1932	1933	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949
Salaries (Owners and Employees)...	18.00	19.50	21.46	23.78	24.65	21.76	20.98	21.49	20.62	21.81	22.63	24.55	18.76	18.67	19.38	21.07	21.91	22.14	19.59	18.39	20.23
Rent.....................	4.00	3.70	3.50	3.27	4.98	3.74	3.74	3.53	3.00	3.11	3.51	2.79	2.40	2.62	2.36	2.09	2.37	2.30	1.44	2.04	2.51
Advertising..............	1.20	1.50	1.41	1.34	1.41	1.33	1.02	1.16	1.11	1.20	1.30	1.20	1.03	.96	1.00	1.30	1.08	1.00	.86	1.16	1.59
Light, Heat and Water....	.50	.40	.46	.38	.53	.47	.57	.72	.58	.52	.65	.54	.50	.46	.45	.48	.51	.39	.30	.40	.44
Taxes (Before Income)....	.40	.30	.50	.57	.95	.87	.81	1.16	1.40	1.63	1.83	1.91	1.14	1.08	1.18	1.16	1.01	.72	.86	.93	.88
All Other Expenses.......	8.20	7.90	5.42	6.52	8.26	7.21	7.24	6.21	6.54	6.69	6.45	5.33	7.41	5.76	4.89	5.70	4.88	3.89	5.68	7.61	7.83
Total Expense............	32.30	33.30	32.75	35.86	40.78	35.38	34.36	34.27	33.25	34.96	36.37	36.32	31.24	29.63	29.18	31.80	31.76	30.44	28.73	30.53	33.48
Cost of Goods Sold.......	66.60	65.40	64.00	66.04	68.83	66.09	62.41	62.43	63.25	61.95	60.96	60.93	62.13	62.40	60.59	58.79	60.62	61.65	62.68	63.34	62.67
Gross Margin.............	33.40	34.60	36.00	33.96	31.17	33.91	37.59	37.57	36.77	38.05	39.04	39.07	37.87	37.60	39.41	41.21	39.38	38.35	37.32	36.66	37.33
Net Profit or Loss (Before Taxes)...........	1.10	1.30	3.25	.26	-9.61	-1.47	3.23	3.30	3.52	3.09	2.67	2.75	6.63	7.97	10.23	9.41	7.62	7.91	8.59	6.13	3.85
Turnover.................	2.70	2.50			2.40		3.24	3.54	3.81	3.52	3.61	3.59	4.23	4.37	3.87	4.25	4.29	4.45	4.37	3.23	2.87

*Figures are unavailable for years 1927, 1929 and 1934 for the reason that no studies were made.

[6] Ibid., pp. 14-15-16.

Table XXIII on page 84 gives a comparison of the average operating ratios for the stationery and office supply business covering a period of twenty-four years--from 1926 to 1949 inclusive. It is interesting to note the small variance that obtains from year to year in the relationship to net sales of such items as salaries, total expenses, cost of goods sold, and gross margin. It is also a matter of interest to note the fluctuation in the expense item of taxes which ranged from a low of .30% of net sales in 1928 to a high of 1.91% in 1940. Of course, this is one item of expense over which the retailer has little or no control.

As a further aid to the effective use and understanding of operating ratios, the reader is referred to Appendix B of this study which quotes a report of the Senate Special Committee to Study Problems of American Small Business which is pertinent to the subject.

In conclusion, the author reiterates that operating ratios serve as a yardstick or measuring device for many business activities. They are averages of the results achieved by thousands of businessmen striving to do the same thing--make a profit. Some fail and show very poor ratios. A few excel and provide ratios for the most ambitious to use as guides or bases for comparison. Many published operating ratios are presented in these three groups: those for unprofitable, for average, and for very profitable concerns. Operating ratios are usually compiled annually and published by the trade association in each field, and in recent years, retail operating ratios by store and town sizes have been published by the U. S. Department of Commerce.

CHAPTER IX.

ESTABLISHING BUSINESS POLICIES

In considering the formulation and application of business policies for the beginning stationery and office supply store, it is not the writer's intention to enter into a detailed coverage of the broad area of this topic. Volumes have been written on the subject and the individual desiring to make a detailed and comprehensive study of this phase of business operation can find unlimited reference material in almost every college library or public library. However, the writer does intend to discuss briefly certain aspects of policy-making for the beginning stationer which he feels should be considered at the time that the business is started.

Store policies may be described as being rules or guides, either written or implied, for the operation of a retail business. According to Harry R. Tosdal:

> A. . .policy implies a definite course of action predetermined for the purpose of insuring uniformity of procedure under substantially similar and recurrent circumstances. It aims to provide a uniform course of action, both as between different periods of time (so long as the policy is in force) and between different members of the organization who have the responsibility of acting within the confines of such policy.[1]

Too often, in a small business, the proprietor has not formulated concise policies, but merely operates his store according to his own ideas of how it should be run, and, whether he realizes it or not, makes policy decisions on the spur of the moment as the necessity arises.

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[1] Harry R. Tosdal, Problems in Sales Management (New York, 1950), p. 7.

This leads to confusion and uncertainty for his employees, because the same problem may be handled differently a second time unless definite clear-cut policies have been previously formulated. This haphazard manner of policy-making, not only results in spur-of-the moment decisions by the proprietor, but his employees, during the owner's absence, may take it upon themselves to render spur-of-the-moment decisions when faced with situations which should properly have been covered by routine business policy. According to Duncan and Phillips:

> In small businesses these "rules of conduct" generally exist merely in the mind of the proprietor and represent his ideas of the way in which he desires to conduct his store. When he decides to sell on account rather than for cash only, and when he decides to pay his salespeople bonuses in addition to regular salary, he is adopting policies. In the case of large retailers, however, policies are usually written because of the impersonal nature of such businesses and because of the wide-spread distribution of authority. In stores of all sizes, it is important that the policies established be clear and definite, that they be stable and consistent so long as circumstances are similar, that they be workable, and that they be flexible enough to be adjusted when fundamental conditions change. If these requirements are met, business policies can serve as very useful tools for the retail-store proprietor.[2]

Many retail-store proprietors fail to do an effective job of managing a business because they do not set up definite business objectives and establish practices which will lead to the attainment of these goals. The adoption of specific store policies enables the manager to carry on the activities of business in such a way as to minimize inconsistencies. Consequently, the personal and financial resources of the proprietor are more effectively utilized to achieve the aims of the business. According to the U. S. Department of Commerce:

> In the absence of clear-cut objectives and related business policies, most retailers--particularly new proprietors--are prone to become lost in the maze of details to the extent that their over-all management of the enterprise is impaired. Frequently, retail failures attributed

[2] Duncan and Phillips, *Op. cit.*, p. 71.

to inadequate management or insufficient capital, for example, occur because the capital and efforts of the proprietor have been dissipated in inconsistent, conflicting practices which were not properly related to the goals of the business. In other instances, proprietors spend a disproportionate amount of their personal time and energy on details which could be handled by employees following an explicit policy.[3]

The formulation and establishment of sound business policies for the operation of a modern retail store is mandatory under present-day conditions of keen competition because, "merchandise is rapidly becoming so well standardized that stores' policies and services tend more and more to be their only distinguishing differences."[4] Therefore, it is the writer's opinion that one of the first steps that the beginner should take after deciding to start a new store is to plan the business policies for the store and set them up in formal written form. The policies that are adopted should at least set the pattern for the store's relation with three groups: (1) customers, (2) employees, and (3) other business concerns and organizations. In the more detailed treatment of these three groups in the paragraphs that follow, the author will intersperse his discussion with comments drawn from his personal experience in the office supply and stationery business.

The stationery store's policies concerning its dealings with customers should include the following:

(1) Prompt and courteous attention to all customers who come into the shop.

(2) Willingness to make every effort within reason to satisfy the customers' wants with respect to items not carried in stock because

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[3] U. S. Department of Commerce, Retail Policies--Their Selection and Application, (Washington, 1946), p. 2.

[4] Charles M. Edwards and William H. Howard, Retail Advertising and Sales Promotion, (New York, 1943), p. 57.

there is little demand for them, or items that happen to be out of stock. The stationery store in which the writer was employed had made arrangements with several large retail stationery stores in Chicago and Denver whereby special orders for stationery goods would be mailed direct to the customer while invoice for same was mailed to the store. At the time that the purchase order was prepared, a company mailing label addressed to the customer was attached to the purchase order. The source of supply in Denver or Chicago would attach this label to the package so that when the customer received the merchandise it purported to have come from the stationer from whom the goods were originally ordered. Of course, the margin of profit is smaller for merchandise handled in this manner--in this case the store was billed regular list price less 20 per cent plus postage and insurance. However, this practice did have the effect of building goodwill for the firm and at the same time resulted in the saving of business that might otherwise have been lost.

(3) Determining policies pertaining to the granting of credit:

It has been the writer's experience that the stationer will find it necessary to do a certain amount of credit business. A large percentage of his sales will be to other business firms within his trading area and as a matter of convenience most of these customers desire to have purchases throughout the month billed on open account to be paid on the first of the month following purchase. However, the beginning retailer should consider the matter of credit granting carefully as its indiscriminate use can cause the business to fail. According to Robinson and Haas:

> The small merchant, owing to the friendly relationships he often enjoys with his customers, may find it difficult to refuse requests for credit. Careless credit granting, however, sets the stage for loss both

of money and of customer goodwill. Unless the customer has the character and capacity to pay, regardless of personal feelings involved, credit should not be extended.[5]

In addition to the matter of open-account credit, the stationer will have to consider installment credit on large items which involve substantial amounts. On the sale of office equipment such as duplicating machines, steel desks and chairs, steel filing cabinets, and steel safes, the retailer should make arrangements with his bank or other commercial credit company for the discounting of the notes. On the sale of adding machines and typewriters, it is the usual practice for the manufacturer's district sales office to handle the paper. When the sale is effected and the notes signed, the paper is mailed to the district office and the customer thereafter makes his monthly payments direct.

(4) Granting of sales discount:

The stationer should set up a definite policy with respect to the granting of sales discounts because inevitably some customer will query the firm's salesmen regarding this policy. The stationery company with which the author is familiar allowed a sales discount of 2 per cent on orders which its salesmen secured out in the sales territory for which the customer paid cash in advance. The company also, in this case, absorbed the postage and insurance charges for mailing the merchandise. However, sales discounts were not allowed on cash sales to customers who came into the store to buy or to local customers who paid in advance for orders placed with the firm's city salesman.

(5) Providing delivery service:

The stationery firm with which the author was associated employed

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[5] Robinson and Haas, Op. cit., p. 198.

a high school student whose chief duty was the local delivery of orders received over the telephone or which had been secured by the city salesman. The firm followed the practice of delivering all city orders regardless of size or amount. It is the writer's belief that the stationer will find it desirable to provide delivery service because "free delivery of customer purchases is another of those personal services which may help the beginning retailer get a firm start in the community.[6]

(6) Returns and allowances:

Despite all efforts to operate a store efficiently situations will arise in which customers become dissatisfied and seek adjustments. The small store manager, therefore, should set up a definite policy for the handling of complaints. He would be wise to centralize the handling of complaints in one of his employees. He should also make it a matter of store policy that all expressions of customer dissatisfaction be called to his personal attention. A store's method and attitude in handling complaints are vital factors in building goodwill. If customers are convinced that the store is doing everything possible to give efficient and honest service they will continue to patronize the store.

(7) Postage and insurance:

A factor to be considered when delivery of merchandise is effected through the mails is the matter of postage and insurance charges. The policy followed by the stationery store previously referred to was to add the postage and insurance charges to invoices for goods mailed on open account. This item was listed separately on the invoice. Relying on the efficiency of the U. S. Postal Service, the owner of the store

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[6] *Ibid.*, p. 205.

decided as a matter of store policy to personally underwrite the risk of loss in the mails. Therefore, while postage and insurance rates were added to the customer's invoice, the packages were shipped via parcel post without actually being insured at the post office. If loss occurred in the mails, the merchandise was replaced.

Since employees have a vital interest in opportunities for advancement, hours and conditions of employment, and wages, any retail store will benefit by adopting explicit policies governing its personnel practices. The lack of definite clear-cut personnel policies will result in the inequitable treatment of employees causing discontentment. Therefore, the beginning retailer should set up definite policies from the start, which in the writer's opinion should include the following:

(1) Practices to be followed in selecting, training, and promoting employees:

The selection and training of certain employees was discussed to some extent in Chapter VII. However, the stationery store owner should establish definite formal policies to be followed in this regard. He should also establish his plans for promoting his employees as they become increasingly valuable to the business. Formal written policy will enable the proprietor to secure a better class of employee and at the same time will provide a basis for definite presentation of opportunities available with the firm when interviewing prospective employees. Just what the policies should be specifically is an individual problem that depends upon the size and intricacy of the business operation.

(2) Hours and conditions of employment:

The retailer should set up a definite policy concerning the number of hours per day and the number of days per week that the store will be open to the public. The definite hour that employees are expected to report for work at the beginning of the day and the precise quitting hour at the end of the day should be established and plainly stated. Exact policy with respect to these matters will most likely be dictated by the prevailing practices of other business establishments within the community.

(3) Wages and methods of payment:

Several plans for the compensation of salesmen were discussed in Chapter VII. However, whatever plan for compensation is selected, it should be stated as a definite policy. Also, for personnel employed on straight salary, it would be advisable to set up a table of wages to be paid for the various jobs existing within the firm along with a schedule of proposed wage increases based on length of service and merit which an employee could expect provided his work was satisfactory. The employer may pay his employees by check or by cash. He may pay at the end of each week, or every fifteen days, or once a month at the end of the month. Here again, definite policy is a matter for individual decision, influenced by local custom.

(4) Practices with respect to vacations, sick leave, holidays, purchase discounts, and maintenance of employee morale:

With many small retailers, the matter of vacations and sick leave has been given very little consideration yet it is a problem that every employer must face. The methodical businessman will establish a definite policy so that there will be no uncertainty among employees. While no formal policy had been established by the stationery firm with which the writer was associated, the proprietor followed the practice of allowing one week's paid vacation per year and full pay for absences on account of illness up to one week per year.

As everyone knows, it is common practice throughout the nation for all business establishments to close their doors in observance of certain holidays such as Christmas Day, New Year's Day, Thanksgiving Day, Washington's Birthday, and others. The specific holidays observed in any particular community during the year are not uniformly the same throughout the country, and naturally, the holidays selected will be those which are customarily observed by other merchants in the locality. Nevertheless, the precise holidays to be observed should be ascertained and incorporated into the formal written store policy.

Many retailers follow the practice of allowing their employees the privilege of purchasing merchandise for personal use at a discount. The usual employee discount is 10 per cent from the sales price. The owner of the stationery store in which the author was employed, as a general rule, allowed his employees to purchase merchandise at cost plus 10 per cent, which was an exceptionally liberal policy.

Building and maintaining employee morale is another important factor in any organization. Good treatment of employees may include good working conditions in the store, reasonable hours of work, a "coffee break" in the forenoon, provision for recreation, and arranging parties or picnics for store employees and their families. Sometimes bowling, softball, or other athletic teams may be sponsored by the store for its employees. Although the small store may not be able to use as many of these ideas as can the large store, the proprietor's personal interest in his employees and their welfare can be a controling element in the matter of building and maintaining employee morale.

The preceding discussion has dealt briefly with a few personnel policies which the writer feels should be considered at the very beginning of a new retail enterprise. Appendix C lists certain policies which, in actual practice, have been found helpful in governing employee relations.

In addition to the store policies already discussed, the retailer is confronted with policy formulation for maintaining satisfactory relations with other concerns and organizations such as suppliers, trade associations, competitors, and civic groups. The application of clear-cut policies with respect to paying bills and taking discounts will promote good relations with jobbers and manufacturers from whom merchandise is purchased. Many businessmen belong to clubs such as Kiwanis, Rotary, or Lions. Membership is considered a mark of distinction because of the interest such organizations take in community affairs and because of the exchange of ideas on business problems. Businessmen are frequently called upon to participate in civic activities such as fund drives for charity and relief organizations, religious, educational, and public-health programs. Sooner or later the retailer must decide whether or not to join a retail trade association so that he may be well informed on current developments in his field.

In conclusion, it should be stated that retail policies must have a certain degree of flexibility. The adoption and application of policies impose certain limitations on retail operations which are conducive to profitable performance as long as social and economic conditions are stable. However, the retailer must be able to modify policies when these conditions change and such adjustment is a most important task. If it is to be performed successfully, there must be constant study of the economic trends within and without the community, and of the effects of changes on the suitability of a retail store's policies. This final caution and admonishment is more vital by far than the amount of space required to state it, and should be given every consideration.

CHAPTER X.

THE QUESTIONNAIRE

This chapter will be devoted to a discussion of the questionnaire which has been previously mentioned in this study. When the writer selected the topic for his thesis he was only vaguely aware that there might be a dearth of general information concerning the particular field of business chosen for the study. However, this fact became increasingly evident as his search for primary and secondary data progressed. The material secured from the U. S. Department of Commerce was disappointing because it was brief and general in nature. A request for statistical material directed to several trade associations in the stationery and office supply field evinced either an extreme reluctance or inability on their part to supply such information to non-members or to persons not actively engaged in the stationery business. None of the trade associations approached replied to the author's original letter. A follow-up letter was then mailed which elicited a lame excuse from each addressee to the effect that the original request had not been received. It is inconceivable that the United States Mail should become so unreliable in different places at approximately the same time. The trade associations' replies indicated that they possessed no material which would be suitable for the writer's study.

A request for model floor plans, store layouts, and arrangements, made to the Armstrong Cork Company, a well-known industrial firm which, in its national advertising features model layouts and floor plans for various types of stores, was unproductive. They advised that while they have featured several types of business stores and offices, they have no material pertaining to the stationery and office supply business.

A personal interview with the manager of a major office supplies wholesale house in Oklahoma City produced no concrete information except that the manager stated that his firm's representatives would personally assist any prospective stationer with the selection of an initial inventory suitable for his location.

Therefore, in view of the apparent unwillingness or inability of the stationery and office supply trade to release pertinent information and because of the skimpy data available from the U. S. Department of Commerce, it was decided, after consultation with the author's thesis advisor, to prepare a questionnaire to be mailed to the stationery and office supply dealers in the State of Oklahoma in an effort to determine the business practices of this type of merchant.

After the questionnaire had been drafted, the writer secured an interview with the proprietor of a stationery and office supply store in a small town in Oklahoma and requested this gentleman to review the questionnaire and make any comments and suggestions which he felt would improve the questionnaire. This retailer, who holds degrees from Oklahoma A. & M. College, was courteous and cooperative. However, he frankly stated that had he received the questionnaire in the mail he would not have "bothered" to fill it in and return it because: "This is a highly competitive field and I would not wish to release operating figures pertaining to my business." He felt that most recipients would feel likewise. This retailer did make available to the author reports of research studies which are periodically furnished to him by the trade association of which he is a member.

The questionnaire along with letter of transmittal, which are shown in Appendices D and E respectively, was prepared and mailed to a list of 70 retailers in stationery and office supplies in the State of Oklahoma. County Basic Data Sheets published by Market Research Department, Farm Journal, Inc., were utilized in ascertaining the county seat towns and larger cities in Oklahoma preparatory to compiling the mailing list. The names and addresses of the stationers were then ascertained by searching through the rather complete assortment of telephone directories which are available in the college library.

It may appear to the reader that the questionnaire is quite lengthy which would account in part for the poor returns. However, according to Paul H. Nystrom:

> The length of the questionnaire is determined by such a variety of factors that it is impossible to lay down any fixed rules. The interest of the respondent will vary so greatly that some questionnaires containing two questions will fail, whereas questionnaires containing over a hundred questions will be highly successful.[1]

At any rate, it was felt that if a worthwhile study were to be made it would be impossible to incorporate the necessary information into a brief questionnaire. It was hoped that this unavoidable defect (if the lack of brevity be considered a defect) in the questionnaire could be overcome by appealing to the inherent interest of the retailers in the stationery trade.

Mailing of the questionnaire was begun on September 24 and was completed on September 28. Merely as a matter of interest, the following tabulation is presented which shows the number of replies that were received and the dates on which they were received.

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[1] Paul H. Nystrom, Marketing Handbook, (New York, 1948), p. 118.

Date		Number of Returns Received
September	26	2
"	27	1
"	28	2
October	1	4
"	2	1
"	3	1
"	4	2
"	9	1
"	11	2
"	12	2
"	13	2
"	21	1
November	7	2
"	8	3
"	21	1
December	1	1
	TOTAL	28

A follow-up letter shown as Appendix F was sent on November 3 and the seven replies received during November and December were the result. However, there was no information forthcoming from this group of later respondents as all indicated an unwillingness to supply the information requested. Typical replies were: "I do not wish to do this," or, "I am too busy to cooperate." Therefore, the conclusion must be drawn that in sending out a questionnaire of this type, it is probably a waste of time, effort, and money to follow up those addressees who do not respond on the first request.

Perhaps it was expecting too much to anticipate that the retailers in the stationery field in Oklahoma would react in a more favorable manner and to a greater degree than would the average businessman to a request for confidential data concerning their business operations. In the first place, "The normal return that can be expected on a mail survey runs between 10 and 15 per cent."[2] Therefore, inasmuch as there

[2] Myron S. Heidingsfield and Albert R. Blankenship, Market and Marketing Analysis, (New York, 1947), p. 86.

were only 70 questionnaires sent out, the normal return would have been between 7 and 11 responses. This would have been adequate for the purpose of the author's study provided that the respondents had given complete answers to all questions. In the second place, businessmen just will not give out vital information concerning the conduct of their own businesses. In a survey made by John McDonald for Fortune magazine to ascertain "What Businessmen Don't Tell," it was found that:

> There are companies that by individual quirk or ancient custom will tell literally nothing about themselves, not even what they won't tell. Three companies, one large (tobacco), one medium (furnaces), and one small (stationery), said, "We won't tell anyone anything about anything." . . .One large manufacturer. . .formulated this rather precise view: "We try to keep confidential any information that we ourselves would like to have from our competitors." . . .Here are the five most frequently withheld categories of information in the sample: product research, production costs, sales and profit breakdowns by product, markups, (or discounts), and salesmen's compensation. Information in other categories is sometimes public property, as with gross sales and net profit of listed corporations; but the consolidated profit-and-loss statement provides some cover for areas of profitability. Inventories and share of the market too are sometimes a matter of public record, and where they are not, they are often withheld. Sales promotion plans are often regarded as top secret to the day of release. Other privacies are price, manufacturing techniques, salaries, market research, customers and finances.[3]

Of the 28 returns there were 12 that did not fill in any part of the questionnaire and out of the remaining 16 there were only 2 that offered fairly complete answers to most of the questions--none filled in the questionnaire in its entirety.

On the basis of results actually obtained, the really significant matters which these businessmen were willing to discuss were chiefly as follows: types of display windows, general store layout, number of employees, types of compensation plans, kinds of insurance carried, and general information pertaining to physical size of their plants and

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[3] John McDonald, "Strategy of the Seller," Fortune, XLVI, (December, 1952), 125-127.

whether leased or owned. Most of the findings considered significant have already been referred to in preceding chapters of this study. There was a decided unwillingness on the part of the respondents to disclose figures pertaining to sales, average investment in inventories, advertising expenditures, detailed information pertaining to actual salaries and other operating costs. Had the author been able to secure significant answers to these questions, this entire thesis would have been much more useful to these very merchants since the writer had promised that in return for their cooperation he would send out summaries of his findings. No doubt, had they been willing to give something more precise--particularly as regards to their inventory distribution, percentage of inside and outside sales, seasonal pro-rating of their sales, advertising expense, and similar factors, a reasonably significant local distribution pattern could have emerged from this attempted questionnaire approach. However, as stated above, this may have been too much to expect, barring getting close to the trade and working confidentially with them through their trade associations to elicit such information. Such an approach was not practicable in connection with this study, although it was discussed, because of the elements of time and expense which would have been involved. Consequently such an approach was discarded as unfeasible.

CHAPTER XI.

SUMMARY AND CONCLUSION

The author feels that in this study he has been able to set forth under one cover a fairly complete insight into the stationery and office supply trade which may be found useful by individuals interested in starting a small stationery business of their own. The study has attempted to set forth in logical order a review of the problems and steps involved in launching such a business venture and to point a way towards their solution. To summarize, a person contemplating the entry into this field of retailing should:

(1) get actual experience by working in a stationery store prior to starting his own store;

(2) have available sufficient capital at the outset;

(3) select the region and state in which he wishes to operate, after which he must select the location and site for his store;

(4) make his selection of a building, store fixtures and equipment, and plan the store layout;

(5) know something about buying, pricing, and selling; plan and purchase his initial inventory;

(6) establish the business policies under which he wishes to conduct his business;

(7) select, employ, and train the necessary personnel for his business operation;

(8) take advantage of the experience of other retailers in his field through a knowledge and utilization of operating ratios pertaining to the stationery industry.

It has been the author's observation that almost all "How to Establish and Operate" books and pamphlets dealing with specific lines of business enterprise fail to supply a list of sources for merchandise which the prospective beginner in retailing could contact, whereas such information would be greatly welcomed by such an individual, especially if he were an inexperienced newcomer to the particular field of trade under discussion. Therefore, the author, out of his personal knowledge and experience, has compiled such a list for the prospective stationer's benefit which will be found under the section of this study designated Appendix G.

In conclusion, the author feels that while this thesis, no doubt, would have been enriched considerably had he been able to secure significant responses to his questionnaire, still a worthwhile contribution to the Oklahoma A. & M. College group of theses dealing with small business has been made. It is believed that an individual interested in this type of retail business who lacks detailed knowledge of the field can gain valuable information and suggestions from the foregoing study, preparatory to the establishment of his own business venture.

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APPENDIX A

HOW TO CHOOSE YOUR COMPENSATION PLAN[1]

If you are planning to revise your present sales compensation plan or to set up a new plan, the job you face is a difficult one. However, the following step-by-step outline should help you in determining how to pay your salesmen.

1. Decide what you want to accomplish. Is it to:

(1) Increase sales volume? (2) Concentrade selling effort on new or high-gross-profit items? (3) Lessen the temptation to give price concessions? (4) Obtain larger or more frequent orders? (5) Obtain new accounts? (6) Give better service to new or present accounts? (7) Hold direct sales cost down? (8) Reward cooperation with other salesmen and departments? (9) Stimulate more frequent and detailed reports on salesmen's calls? (10) Reduce complaints or handle them more satisfactorily? (11) Reduce traveling expense? (12) Lessen number of special deals?

2. Decide how much you are going to pay salesmen.

(1) How good a sales force do you want? (2) What is the average annual income required by a man of the caliber you want? (3) How much are competitors paying comparable salesmen? (4) How much can you afford to pay? (5) What other inducements can you offer salesmen besides the pay and commission check? Pensions? Prestige? Security? Opportunities for advancement?

3. Decide how you want to pay salesmen.

(1) What type of plan will fit in best with your principal objectives? Straight salary? Straight commission on sales? Salary plus incentive? Modified commission on gross profits, net profits, or other base? (2) What is the general practice in your industry? Are you going to follow it as a matter of policy?

4. Check up on the plan before you put it into operation.

(1) Have your salesmen been consulted while the plan was being worked out and will they favor it? (2) Does the plan put a ceiling on their earnings? (3) Will the plan do what you want? (4) Will it be simple to operate? (5) Will the clerical cost be high? (6) Is the plan flexible--can it be changed in part if conditions require? (7) Does it make sense and will your salesmen understand it? (8) Will the plan penalize the salesman who is not earning a large amount? (9) Will the plan provide a level of earnings adequate for the type of salesman you want to attract? (10) Will it hold direct sales cost down to a reasonable percentage of sales? (11) Will the plan work out equitably in good times and bad?

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[1] National Stationers Association, Facts and Ideas--Salesmen's Compensation Plans, p. 3.

APPENDIX B

COMMENTS OF SENATE SPECIAL COMMITTEE TO STUDY PROBLEMS OF AMERICAN SMALL BUSINESS RELATIVE TO EFFECTIVE USE OF OPERATING RATIOS[2]

Even though the standard ratios are based on the figures of a group of stores more or less like your own, there are sound reasons why the ratios for your store may vary considerably from the standard ratios. Some of the reasons why variations between your ratios and the standard ratios may be either favorable or unfavorable are discussed under the headings which follow.

Gross Margin Ratio. A high gross margin ratio may indicate either purchases at low prices, or sales at high prices, or both. A low gross margin ratio, on the other hand, may indicate either inadequate markups, or high merchandise costs as a result of poor buying judgment. Or, it may be the result of a deliberate merchandising policy (or campaign) of selling at low prices in order to obtain a large sales volume. To be profitable, such a policy must result in large sales volume and be accompanied by low operating costs.

Total Operating Expense Ratio. A higher-than-average total operating expense ratio does not necessarily reflect unfavorable conditions in the store. If it is accompanied by a high gross margin ratio, and a satisfactory net profit ratio, it may reflect the character and policy of the store. For example, a better-than-average type of merchandise, or sales based on additional service to customers, may yield extra gross margin to cover the extra expense involved, and to provide a satisfactory net profit.

Nevertheless, a store with a total expense ratio much higher than that for similar stores is quite likely to be unprofitable. The typical unprofitable store has a high total expense ratio for its kind of business. This may be owing to small sales volume as compared with the profitable store, and not necessarily because it pays higher wage rates or higher rent rates. More frequently, however, a higher-than-average total operating expense ratio in an unprofitable store indicates low efficiency; that is, poor management in controlling expenses.

Net Profit or Loss Ratio. The profit or loss ratio reflects the net results of the operation of the store. This ratio indicates the effectiveness of the management of the store and measures the efficiency of its operation. The net profit or loss ratio is influenced by many factors. A profitable store is usually the result of efficient management which, on the one hand, succeeds in maintaining a satisfactory dollar gross margin--from purchases at low cost and from sales at prices that are neither too high nor too low--and, on the other hand, succeeds in keeping all expenses under control.

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[2] Charles H. Welch and Charles H. Sevin, Small Business Problems; Record Keeping for Small Stores (Washington, 1945), pp. 50-53.

Proprietor's Wage Ratio. Since many retailers do not make a distinction between money withdrawn for their wages and that which is a withdrawal of profits, a proprietor's wage ratio which varies from the average may have no significance. A higher-than-average ratio may indicate either that the store earns large profits, or that excessive wages are being paid to the owner.

A low owner's wage ratio, accompanied by small withdrawals of profits and a satisfactory net profit ratio, indicates that the retailer is building up his capital by leaving his profits in the business. On the other hand, a low wage ratio, accompanied by a low net profit ratio, indicates that the owner is getting a small total return from the operation of his store.

Employees' Wage Ratio. A relatively high employees' wage ratio is ordinarily an unfavorable sign. A high wage ratio may be the result of inefficient use of help, a poor arrangement of the store, the employment of too many clerks for the sales volume being obtained, or it may be the result of other factors. Like a high gross margin ratio, however, a high wage ratio may be the result of a carefully thought-out management policy. It may indicate the retailer's policy of obtaining sales by providing more or better clerk service instead of spending more on rent, fixtures, or advertising. The degree of success of this policy can be determined by studying the sales volume, the gross margin ratio, the rent and other expense ratios, and the net profit or loss ratio.

A low employees' wage ratio is usually evidence of efficient management, especially if it is accompanied by a low total operating expense ratio and a satisfactory net profit ratio. It may mean, however, that the store is not employing enough workers or not employing the right kind of clerks. An unsatisfactory sales volume may indicate that the latter is the case.

Rent (or Occupancy) Expense Ratio. A high rent ratio may be the result of the store being larger than necessary to handle the present sales volume. On the other hand, a high rent ratio may mean that a favorable location has been obtained which makes it possible to obtain sales without high expenditures for advertising which might otherwise be necessary.

A low rent (or occupancy) expense ratio may mean that the retailer has been able to secure the store building at a low rental or purchase price. Or it may mean that the building is too small for the volume of business.

Advertising Expense Ratio. An advertising expense ratio that is in line with a standard ratio may not necessarily be favorable. The advertising may have been successful in increasing dollar sales volume, so that the added dollar advertising expense represents no greater percentage of sales than normal. But, if the added sales volume consists mainly of staples or low-margin goods, the advertising may not be profitable. To be profitable, advertising must result in added dollar gross margin more than sufficient to cover the added dollar advertising and other expenses. That is, the advertising should sell goods carrying high gross margin rates as well as staples. On the other hand, a low advertising expense ratio, which is accompanied by small sales and net profits, may possibly mean that one of the causes of the unfavorable results is insufficient advertising.

Delivery Expense Ratio. Unless the proportions of delivered sales to total sales are known, no worthwhile comparisons of delivery expense ratios can be made. A store with two-thirds of its sales delivered will almost necessarily have a higher delivery expense ratio than a store with only one-third delivered sales, and any difference between the ratios of two such stores will be of no significance. Only when a store has approximately the same proportion of delivered sales as that of the group with which it is being compared can significant comparisons be made. A high ratio will then indicate inefficiency in the delivery operation, and a low ratio the opposite.

Bad Debt Loss Ratio. One of the factors to be considered in analyzing the bad debt loss ratio is the proportion of credit sales to total sales. Just as in the case of the delivery expense ratio, a more worthwhile comparison can be made if the proportion of a store's credit sales is approximately the same as that of the group of stores with which it is being compared.

A low bad debt ratio is usually evidence of a credit and collection policy that has been carefully planned and strictly enforced. Or it may be an indication that too much caution is being used in the development of credit sales. A high ratio usually indicates laxness in extending credit and making collections.

Other Expense Ratios. Higher-than-standard ratios for any of the other expense items on the profit and loss statement usually indicate an opportunity for expense reduction. Heat, light, power, and water, store supplies, and miscellaneous expenses, may be higher than average because of a deliberate merchandising policy of rendering extensive service, but more often they are high because of a lack of expense control. Depreciation of store equipment, being a non-cash expense, may be high because of the methods of computing depreciation. A cash-shortage ratio that is too high is almost always the result of improper methods of safeguarding cash. Taxes and licenses may not be subject to the control of the retailer, but a high miscellaneous expense ratio probably arises from carelessness in expense control.

Inventory Turnover Ratio. The inventory turnover rate is calculated by dividing the cost of goods sold item on the profit and loss statement by the average of the beginning and ending inventories at cost. A high inventory turnover rate is commonly considered to be favorable, but its importance may be exaggerated. In fact, a turnover rate that is too high may be just as unfavorable as one that is too low. A high rate sometimes means that the retailer has concentrated his attention on carrying small stocks of "fast movers." This practice may result in the loss of potential sales because of the increased risk of being "out of stock" and because of the lack of a sufficient variety of goods to satisfy customers. Also, the practice of buying fast-moving merchandise in small quantities may merely deprive the retailer of the wholesaler's lowest prices for quantity purchases, and increase the time he spends in ordering and receiving goods.

On the other hand, an inventory that turns over too slowly is probably loaded with slow items, that may not only tie up needed working capital, but also may lead to loss of sales because of the lack of fresh stocks of merchandise.

The foregoing discussion indicates that the profit and loss statement of any store should be analyzed. As an aid in your analysis you may compare your operating results with those of similar stores by means of standard ratios. This comparison must be made, however, with a knowledge of the ways in which the operating conditions of your store differ from those in the stores whose operating results are reflected in the standard ratios. Such critical analysis can point the way to larger profits.

APPENDIX C

BASIC PERSONNEL POLICIES FOR MAINTAINING CONSTRUCTIVE EMPLOYEE RELATIONS[3]

1. Maintain a human point of view. Treat every employee as an individual--as a human being. People are different--some learn rapidly, others slowly. A warm, friendly attitude is always the best policy.

2. Let employees know how they are getting along. People like to know where they stand. If succeeding, they like to be commended. If falling down, they like to know where, and what they can do to improve.

3. Give commendations when deserved. A word of appreciation for a job well done will encourage and stimulate an employee. Don't fail to give a pat on the back wherever it is deserved. It takes little time, and does much to make for good human relations.

4. Correct and critize in private. Never criticize an employee in the presence of anyone else. If he needs correcting, talk it over in private and point out constructively how he can overcome the difficulty.

5. Give help necessary to get expected results. Don't expect an employee to do a good job with imperfect or inadequate tools. If an individual is asked to do a particular job, be sure that he has access to the training and materials necessary to do the job right.

6. Encourage suggestions for better methods. Everybody likes to feel important; we all want to believe that our ideas carry weight. Encourage suggestions from employees. It will give them a keener interest in their jobs; they will feel your interest in them; and the store will get some worthwhile suggestions.

7. Inform employees in advance about plans and changes that will affect their jobs. For wholehearted cooperation, let your employees "in on" your store's plans, particularly those that affect them. If any changes in system, procedure, or policy are to be put into effect, explain clearly the reasons for them. This is another practical means of appealing to employees' pride and making them feel informed and important.

8. Give complete definition of duties and avoid making an employee responsible to too many supervisors. Split loyalties and conflicting orders only confuse employees and restrict their efficiency. See that people know what is expected of them and to whom they are responsible.

9. Be fair and unbiased in your treatment of employees. By all means, avoid showing favoritism. People have a keen sense of what is fair and what is unfair. They detect favoritism and prejudice readily and quickly lose respect for any person who resorts to such practices.

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[3] Robinson and Haas, Op. cit., pp. 218-19.

APPENDIX D

LETTER OF TRANSMITTAL

Gentlemen:

The information requested on the attached questionnaire is needed for the preparation of a thesis in fulfilling requirements for a Master's Degree in Business Administration at Oklahoma A. & M. College. The subject of the thesis concerns the operation of the office supply and stationery business. In writing to several office stationery trade associations for information, almost none has been forthcoming. The only conclusion, therefore, is that there is little or no information available in this particular field. This same opinion is ventured by my thesis advisor and also by the director of distributive education and both men feel that it would be a very worthwhile addition to the college library to have a study made in this field.

This questionnaire is being mailed to every stationery store of importance in the State of Oklahoma. In discussing the questionnaire with the manager of an office supply store, he said he thought that most businessmen on receiving the questionnaire would discard it. I told him I thought that most of the stationers and office suppliers in Oklahoma were more interested in the stationery business than that. Therefore, I sincerely hope you will prove him wrong by taking ten or fifteen minutes of your time and filling in the questionnaire and returning same to me in the enclosed self-addressed envelope. It is realized that this is asking a great favor of you, but only you can supply the information--information which is urgently necessary if a worthwhile report is to be made.

It will be greatly appreciated if you will answer the questions as completely as possible. However, if you do not answer certain questions please indicate thereon whether "data not available under your accounting system" or whether you "prefer not to divulge the information" as the case may be. In any event, please be assured that I shall in no way identify or tie in the information with individual firms. Strict anonymity will be maintained and sources will not be revealed. The information will be treated in an absolutely confidential manner and will be used only in compiling general averages. Won't you, therefore, please be sure to return your questionnaire so this study will be complete?

Do you desire to receive a copy of summary of findings after this study is completed? If so, please check the appropriate box on page 5 of this questionnaire and I shall be happy to forward it to you.

Your prompt cooperation in this matter is earnestly solicited. Please return the completed questionnaire to me within the next two or three days. Thank you.

Yours very truly,

APPENDIX E

QUESTIONNAIRE

1. Please indicate the approximate number of years that you have been engaged in the office supply business in your town:________.

2. Indicate the approximate frontage of your business and the depth:

   Frontage:__________ft.   Depth:__________ft.

3. Do you own or rent your location? (CHECK ONE) Own ☐   Rent ☐

   If you rent, please indicate which type of lease applies:

   ☐ Yearly   ☐ Multi-yearly.

   ☐ Sliding scale based on net sales, or some other such base: (Specify):

4. Please indicate the arrangement of the major groups of stock within your store, and approximate portion of area allotted to inventory storage:

   Front

5. Which of the following types of display windows do you have in your store:

   ☐ Open background, permitting passersby to see into the store.

   ☐ Semi-closed background with a partition extending to a height below line of vision.

   ☐ Closed background, shutting off the display window completely.

   ☐ No windows for display purposes.

6. Please indicate your investment in:

   Inventory (normal inventory desired). . . . .$________
   Fixtures, including machines, display cases, counters, cash registers .$________
   Delivery equipment, autos for salesmen, etc . . . .$________

7. In which of the following general classifications of the office appliance and supply field do you engage? (If you carry reasonable amount of merchandise in any of the following groups, please place a check mark in front of it even though you may not carry everyone of the items suggested in that group.)

   ☐ Office appliances and furniture (such as typewriters, adding machines, duplicating machines, etc. and desks, chairs, filing cabinets, etc.)

   ☐ Office appliance service department.

   ☐ Printing department.

(continued)

☐ Miscellaneous reproduction, such as mimeographing, ditto, multigraphing.

☐ Routine office supplies, including forms, stationery, fasteners, carbon.

☐ Special display materials (such as show card colors, brushes, pens, etc.) and materials for architects and draftsmen.

☐ Fountain pens and mechanical pencils.

☐ Greeting cards, gift wrappings, and personal stationery.

☐ Specialty gift items, such as leather goods, card playing sets, textile painting supplies, etc.

☐ Other (specify):

8. In order to supply a picture of the staffing requirements for your business, will you kindly fill in the following chart with respect to types of activity in which your firm engages:

DEPARTMENT	Number of Employees	
	Full time	Part time
Inside sales.	______	______
Outside sales	______	______
Printing.	______	______
Misc. duplication (Mimeographing, etc.)	______	______
Office staff.	______	______
Stock keeping	______	______
Janitoring.	______	______
Delivery.	______	______
Other (specify):______________________		
______________________________________	______	______

NOTE: It is realized that some employees have multiple duties, in which case please list him in his major duty only.

9. Indicate total number of employees required for your complete operation on an average monthly basis: ______.

10. Indicate method of compensating your outside and inside salesmen:

Outside salesmen	Inside salesmen	
☐	☐	Straight salary.
☐	☐	Straight commission.
☐	☐	Salary and commission.
☐	☐	Salary plus commission for sales in excess of an established quota.

(continued)

-3-

11. In which of the following ways do you undertake to service office appliances and equipment which you sell? (CHECK ONE):

☐ Maintain own service department with salaried repairman.

☐ Lease space to qualified repairman who undertakes our work.

☐ Other (specify): ____________________

____

12. Please indicate whether your salesmen travel in ☐ company-owned cars or in ☐ personally-owned cars. If personally owned, please indicate: Allowance per mile ______¢, or Flat allowance of $______ per ______.

13. Indicate method of covering travel and living expenses for outside salesmen:

☐ Travel expense advanced. ☐ At salesman's own expense.

☐ Set expense allowance per ______ paid by company, or daily allowance of $______ to cover meals, hotel, etc.

14. Is your expense arrangement for repairmen the same as for salesmen? ☐ Yes ☐ No

If different, specify: ____________________

15. Indicate which of following types of insurance you have found it desirable to carry:

☐ Fire. ☐ Burglary. ☐ Liability.

☐ Plate Glass. ☐ Fidelity. ☐ Other (specify): ______

______

16. What were your 1950 net sales? $______.

17. Indicate the approximate percentage of net sales attributable to:

In store business. . . . . $______
Outside sales. . . . . $______

18. Indicate the percentage of total sales obtained in each month during 1950:

Jan. ____%	Feb. ____%	Mar. ____%	Apr. ____%	May ____%	June ____%
July ____%	Aug. ____%	Sept ____%	Oct. ____%	Nov ____%	Dec. ____%

19. Indicate the approximate percentage of your advertising expenditure for 1950 made during each month. (Total advertising expenditure for 1950 = 100%).

Jan. ____%	Feb. ____%	Mar. ____%	Apr. ____%	May ____%	June ____%
July ____%	Aug. ____%	Sept ____%	Oct. ____%	Nov ____%	Dec. ____%

(continued)

20. Indicate the approximate percentage distribution of your total expenditure for advertising and sales promotion devoted to each of the following media:

Newspaper.....______% Direct Mail______% Radio______% Hand Bills______%
Window Display______% Other (specify):______________________________%

21. Please give the benefit of your experience regarding any particularly good results which you may have secured on certain promotional aspects of your business from the use of the foregoing media:

22. In an effort to measure whether there are ascertainable differences in labor costs among different firms, would you kindly state the typical weekly salary, including commission payments in case of employees so paid, which are made to the following types of employees:

Store Clerk	$______	Stock Keeper	$______	Office Manager	$______
Bookkeeper	$______	Stenographer	$______	Typist	$______
Outside Salesman	$______	Delivery Man	$______	Janitor	$______

Fully qualified machine repairman $______ Apprentice repairman $________

23. In the first column, please list your average investment in the listed items. In the second column indicate what percentage of your 1950 sales were made from each group:

	Average Investment	% of 1950 net Sales
Social stationery.		
Typewriter ribbons, carbon paper, office papers. .		
Pads -- scratch and columnar		
Blank books, looseleaf binders and fillers		
File cards and folders.		
Fountain pens and mechanical pencils		
Show card supplies		
Stamp pads, daters, rubber stamps.		
Stapling machines, staples, clips fasteners. . . .		
Ink.		
Greeting cards		
Desks, office furniture, chairs, filing cabinets .		
Duplicating machines and supplies.		
Miscellaneous duplication (Mimeographing, ditto,etc)		
Office machines repairs.		
Other specialty items (specify):______________		
____		

(continued)

24. Please indicate the percentage of each expense item to your net sales for 1950. The first column which is already filled in is merely a sample of what is desired. If you prefer, you may fill in the 3d column only and I will calculate the percentages:

	SAMPLE	% of 1950 net sales	Actual dollar Amounts
TOTAL NET SALES.	100.00%		
Cost of Goods Sold	63.34		
Gross Margin	36.66		
OPERATING EXPENSES:			
Salaries, owners and officers.	4.77		
Salaries, office employees	2.49		
Salaries, outside salesmen	5.36		
Salaries, inside salesmen.	4.05		
Rent	2.04		
Light, heat, power, water.	.40		
Advertising.	1.16		
Insurance & Taxes (Other than Income Tax).	1.22		
Outside selling expenses other than salaries and commissions.	1.70		
Shipping and delivery expenses	2.70		
Other operating expenses	4.74		
TOTAL OPERATING EXPENSES.	30.53		
Net operating profit	6.13		
Income taxes (State & Federal)	2.43		
Net Profit	3.70		
Inventory turn-over (Number of times per year) .	3.3		

It will be greatly appreciated if you will make any other comments on the BACK OF THIS SHEET regarding any points which you, out of the depth of your experience, feel that I have missed in this questionnaire through my lack of knowledge of the precise conditions in your particular community.

Would you like to receive a copy of report summarizing the findings of this study after it is completed? ☐ Yes ☐ No

NOTE: It is not necessary that you affix your signature or identify this report in any manner. However, I should very much like to know to whom I am indebted for the information, and you may rest assured that I shall treat all information in absolute confidence and will in no way mention names nor divulge sources.

FIRM NAME ____________________

STREET ADDRESS ____________________

CITY & STATE ____________________

BY ____________________

APPENDIX F

FOLLOW-UP LETTER

Gentlemen:

I recently mailed a questionnaire to all of the leading office supply stores in Oklahoma with the request that it be completed and returned to me. To date yours has not been received.

The information is urgently needed for the preparation of a thesis for a Master's Degree here at Oklahoma A. & M. College. It is realized that the favor asked of you is great, and I would be truly grateful if you would take a few minutes of your valuable time to fill in the questionnaire as completely as possible and send it back to me.

For your convenience, I am enclosing another copy of the questionnaire along with self-addressed stamped envelope. Won't you please take time to fill in this one and return it to me?

Thank you very much.

Yours very truly,

APPENDIX G

SOURCES OF SUPPLY FOR THE STATIONER

Name of Source	Products
Acco Products, Inc. Ogdensburg, New York	Metal fasteners and fibre binders.
Ace Fastener Corp. 3415 N. Ashland Ave. Chicago 13, Illinois	Stapling machines and staples for every purpose.
Allied Carbon & Ribbon Mfg. Co. 165 Duane Street New York 13, N. Y.	Ribbons and carbon papers of all types.
All Steel Equipment, Inc. 600 Cleveland Ave. Aurora, Illinois	All kinds of steel office equipment, desks, filing cabinets, etc.
American Pencil Company 500 Willow Avenue Hoboken, New Jersey	Complete line of lead pencils.
Art Metal Construction Co. Jamestown, New York	Aluminum office and posture chairs.
Associated Stationers Supply Co. 231 South Jefferson Street Chicago, Illinois	Mail order and wholesale distributors of office stationery supplies and equipment.
Bankers Box Company 720 South Dearborn St. Chicago, Illinois	All types of record storage boxes, drawer files, storage binders, etc.
Bates Manufacturing Co. 30 Vesey Street New York City	Numbering machines, staplers, list finders, perforators, eyeleters, etc.
Burroughs Adding Machine Co. 6071 Second Avenue Detroit, Michigan	Adding and accounting machines, stands of all kinds, ribbons, rubber cushion key tops, etc.
Carpenter Paper Company Oklahoma City, Oklahoma	Wrapping paper, paper bags, cups, towels, tissues, stationery, etc.
Carter's Ink Company Cambridge 42, Boston, Mass.	Complete line of inks, type cleaners, adhesives, stamp pads, carbon paper and ribbons.
Chicago Desk Pad Co., Inc. 9 North Jefferson Street Chicago, Illinois	Desk pads and accessories; chair cushions.

Denison Manufacturing Co. 370 Lexington Avenue New York City	Labels, seals, tags, gummed papers, crepe papers.
A. B. Dick Company Chicago, Illinois	Mimeograph duplicating equipment and supplies.
Eaton Paper Corporation Pittsfield, Mass.	Fine typewriter papers.
Esterbrook Pen Company Camden 1, New Jersey	A popular line of medium-priced fountain pens and mechanical pencils.
General Fireproofing Co. Youngstown 1, Ohio	Desks, aluminum chairs, metal filing equipment, steel shelving.
Globe-Wernicke Company Cincinnati 12, Ohio	Steel office furniture and equipment.
Hammermill Paper Co. Eastlake Road Erie, Pennsylvania	Manufacturers of a fine line of writing papers, bond, ledger, etc.
Harter Corporation 1125 Prairie Sturgis, Michigan	Complete line of metal posture chairs.
Johnson Chair Company 4401 W. North Avenue Chicago, Illinois	Metal office chairs.
Koh-I-Noor Pencil Co. Bloomsburg, New Jersey	Complete line of lead pencils for every purpose.
Marchant Calculators, Inc. Oakland 8, California	Marchant calculating machines.
Markwell Manufacturing Co. 200 Hudson Street New York City	Stapling machines and fasteners.
Minnesota Mining & Mfg. Co. 900 Fauquier Avenue St. Paul 6, Minnesota	Gummed labels, adhesive tapes of all kinds, sound-recording tapes, etc.
Monroe Calculating Machine Co. 555 Mitchell Street Orange, New Jersey	Monroe calculating machines.
Mosler Safe Company Hamilton, Ohio	Steel office safes of all kinds.

Nova-Clog Products, Inc. 506 Logan Street Bridgeport, Connecticut	Staplers and fasteners.
Noesting Pin Ticket Co., Inc. 728 E. 136th Street New York City	Metal paper fasteners and clips of all styles and sizes.
Pacific Manifolding Book Co. Emeryville, California	Sales books, autographic registers and supplies; office forms of all kinds.
Parker Pen Company Janesville, Wisconsin	Fountain pens and mechanical pencils; inks.
Royal Typewriter Co., Inc. 2 Park Avenue New York City	Typewriters, ribbons, and carbon paper.
Sengbusch 352 Sengbusch Bldg. Milwaukee, Wisconsin	Self-closing inkstands and desk sets.
Shaw-Walker Company Muskegon, Michigan	Steel office furniture, filing equipment and supplies.
W. A. Sheaffer Pen Co. Fort Madison, Iowa	Fountain pens, mechanical pencils; inks.
Shipman-Ward Mfg. Co. 325 N. Wells Street Chicago 10, Illinois	Complete line of repair parts for all brands of typewriters; also repairmen's tools and supplies; ribbons, carbons.
Southworth Company 527 South Wells St. Chicago 7, Illinois	Fine quality bond typewriter and writing papers.
UARCO, Inc. 141 W. Jackson Blvd. Chicago, Illinois	Business stationery forms, autographic registers and printed stationery for use in them.
Underwood Corporation One Park Avenue New York City	Typewriters, adding and accounting machines, ribbons and carbon paper.
Wilson Jones Company 3300 Franklin Blvd. Chicago, Illinois	Loose-leaf binders, sheets, indexes, blank books of every type; accounting supplies, steel stands and trays, etc.
Yawman & Erbe Mfg. Co. 1015 Jay Street Rochester 3, New York	Steel desks, tables, filing cabinets, filing systems, filing supplies.

VITA

Thomas Bernard DeRose
candidate for the degree of
Master of Science

Thesis: ESTABLISHING AND OPERATING A STATIONERY AND OFFICE SUPPLY STORE

Major: Business Administration

Minor: Accounting

Biographical:

The author was born and reared in Grand Junction, Colorado, a small town in the western part of the state.

Undergraduate Study: Grade School: St. Joseph's Parochial School, Grand Junction, Colorado. High School: Grand Junction High School, Grand Junction, Colorado. Business College: Ross Business College, Grand Junction, Colorado. College: Two years at Mesa College, Grand Junction, Colorado; credits were transferred to the University of Denver, Denver, Colorado, from which institution the author was graduated with the degree of Bachelor of Science.

Graduate Study: Oklahoma Agricultural and Mechanical College, Stillwater, Oklahoma.

Experiences: The writer's business experience includes jobs held with a banking institution, an automotive sales and service firm, an office supply and stationery store, and a large railroad company. During the past year the author was employed as Instructor and Assistant Director of the Air Force Stenographic and Clerk-Typist School at Oklahoma A. & M. College. During World War II the writer was a member of the Army of the United States and saw overseas duty on Okinawa in command of a Signal Heavy Construction Company. He is presently a commissioned officer with the rank of Major in the Signal Corps Reserve.

Member of Beta Chapter of Alpha Kappa Psi, a professional fraternity in the field of commerce. He is also a member of the Oklahoma A. & M. Chapter of Delta Chi Fraternity.

THESIS TITLE: ESTABLISHING AND OPERATING A STATIONERY AND OFFICE SUPPLY STORE

AUTHOR: Thomas Bernard DeRose

THESIS ADVISOR: Professor George R. Hill

The content and form have been checked and approved by the author and thesis advisor. The Graduate School Office assumes no responsibility for errors either in form or content. The copies are sent to the bindery just as they are approved by the author and faculty advisor.

TYPIST: Thomas B. DeRose