

ABSTRACT

DEPARTMENT STORE EXPANSION, 1945 - 1959

Certain Aspects of the Extent, Means, and Results of Expansion in Selected Publicly Owned Firms

by Marie E. Dubke

In the early 1950s there was some doubt about the future of department stores. Much of the concern was based on population exodus to suburban areas, inner city deterioration, and increased competition from discount houses and other retail outlets. The department stores met the challenge successfully.

Beginning in 1945, but especially since 1950, there has been almost continual physical expansion. Examination of the annual reports of the fifteen largest department store firms for the fifteen-year period 1945 - 1959 indicates that this expansion has been a three-pronged attack. First, existing properties have been remodeled, modernized, and expanded. Second, new stores have been built (or old stores relocated) primarily in suburban areas or shopping centers near new population concentrations. Third, there has been a tendency toward concentration in the industry. Existing stores were acquired by thirteen of the fifteen firms. Both in construction of new units and purchase of existing units, the firms utilized the name and good will of major stores by circling them with suburban satellites.

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Another important evidence of growth was the increase in accounts receivable, occurring primarily in multiple payment contracts; by the end of the period the percentage of installment contracts to total accounts receivable was considerably greater for each of the firms.

Physical growth and increased accounts receivable resulted in increased demand for capital funds. Not all the firms borrowed; moreover most of the borrowing firms used various types of debt instruments and more than one source. Borrowings were from banks, insurance companies, and institutional investors. Both stocks and bonds were privately placed, issued publicly and sold through syndicates. All of the firms utilized retained earnings; seven firms used common stock, preferred stock, or both to acquire existing units. Nine firms sold accounts receivable, nine used the sale and leaseback plan to finance new units. The source of capital most often used for both traditional debt instruments and sale and leaseback was the insurance companies.

Physical expansion and credit extension resulted in increased sales during the period. Total department store sales kept pace with neither gross national product nor personal consumption expenditures; this is undoubtedly due to a change in mix of consumer expenditures. While combined sales of the fifteen firms increased as a percentage of total department store sales, two firms failed to maintain their positions. In each firm, sales

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and accounts receivable moved together much more than did sales and profits.

Profits for each firm were compared with their sales and their average assets. Various adjustments were necessary to make the income figures of the selected companies consistent both among years and among firms. Since some companies owned properties while others used subsidiaries to hold their properties, the net income of the subsidiaries had to be incorporated with the income of the parent firms. Adjustments were also made to reflect the clean surplus reporting method and to offset changes in what has been generally acceptable reporting standards during the years of the study. Changes in equity reserves which did not appear as adjustments of surplus were reversed.

Tests of profit indicate that subsidiary companies set up to manage real estate or to purchase accounts receivable acted as levers on the profits of the parent firms. Over the period, the combined profits of the fifteen firms increased as a percentage of profits from all retail trade corporations. When sales are compared, it is noted that firms late in beginning expansion tended to lose position in the industry; they also had extended periods of declining profit percentages.

The annual report for each selected firm which includes most of the months of 1959 indicates that the period of physical expansion in these department stores has not ended. Although credit plans now appear stable, another cycle of revision may be

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necessary as more variety chains offer their new credit plans. Currently, managements are planning operational changes to better serve the customer. So long as department stores thus continue to respond to changes in consumer desires they will remain dynamic and continuing institutions in the economy.

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CHAPTER I

THE PROBLEM DEFINED

The proposed study. - Department stores have experienced an era of expansion in the post World War II period. This study examines the extent, the means, and the results of this expansion in selected large publicly owned department store firms.

Expansion, or growth, is measured in many different ways. Two of the evidences of growth, physical and credit expansion, are discussed. The primary reasons for their selection are availability of the data and relative independence of the factors as causes, rather than effects, of the growth. Less independent factors vary as a result of changes in other factors which in turn are the result of management decisions. Some factors vary somewhat automatically with the growth of the firm. While physical and credit expansion are affected by other factors and by total growth, the major portion of their expansion is not automatic, but requires specific management decisions. Therefore, these two evidences of growth have greater independence.

There has been extensive physical expansion during the period. Individual firms have acquired existing units, expanded existing units, relocated units, and built new units. Changes of this nature are one subject of the present study.

Credit also grew extensively during the period. Part of the expansion resulted from more intensive use of relatively new credit plans in the industry. Some of these plans are outlined in Chapter III. Credit is often measured by year-end receivables. Hence, the extent of credit growth is illustrated by comparing these yearly balances for each firm and by relating them to the total receivables for all department stores, as compiled by the Department of Commerce. But because receivables are affected by fluctuations of the dollar, they are also compared with sales for the year then ended. Changes in this relationship indicate true growth, for both receivables and sales are affected by the changing dollar to almost the same degree.

Various means of financing were utilized by department store firms during the period. In the study various kinds of financing are discussed and supported by reference to selected firms which have used them.

Expansion led to increased sales for department stores. Of course the sales factor is both a dependent and independent variable. Sales may be motivated by the department store companies, but they are dependent on consumer decisions. Therefore this factor is treated in this study primarily as an effect rather than a cause. Sales for the firms selected are related to economic history, national income statistics, total department store sales as published by the Department of Commerce, physical growth, and credit growth.

Expansion should also affect department store profits. Hence profits of the selected companies are studied. Profits are

compared with sales and with total assets (or capital) utilized by the firm. Where possible, profits from specific nonretailing activities are compared with profits for the total operations of the company.

Relationship of the study and academic disciplines. - Several disciplines are utilized in the study. Accounting is used to adjust the data for comparability. Methods of financing expansion and growth relate to the fields of economics, finance, and accounting. Firms in their expansion set up new financial units. The various types of lenders and instruments used to evidence debt and ownership are related closely to the area of finance. Although profitability concepts stem from the field of economics, in practicality they must be measured with tools developed by the fields of accounting and finance. Operations of the department store, relationship of size to profitability, and trends in size and location of new facilities relate to economics and marketing. Mergers and credit expansion draw on finance and economics. Actually this study utilizes nearly every field of knowledge within the business area - economics, marketing, accounting, and finance.

Much information is available on specific phases of the department store. Trade publications are filled with articles on cycle billing, kinds of charge accounts, inventory management, applications of electronic equipment to the firm, fashion merchandise, sales trends of particular groups of merchandise, to name but a few. Books have been written concerning the histories of famous department stores and the men who made these stores

outstanding. Retailers tend to concentrate on merchandising and operational problems of the department store or firm; marketing experts deal with problems which affect the total retail industry; financiers compute price-earnings ratios and judge investment opportunities. Accountants talk and write of the retail inventory method, its lifo applications, cycle billing, and inventory control. News commentators cover openings of new department stores in shopping centers, Thanksgiving Day parades, and special promotional stunts which are successful. Architects argue advantages and disadvantages of selected features in shopping center design. However the writer could find no study of the growth of a selected group of department stores in the postwar period, the means of financing this growth, or its effect on sales and profitability. Therefore the results of this study may be of interest to students of the various business fields. In addition, it is hoped that comparison of the firms and the accumulation of available data in a slightly different manner will also interest the practical retailer.

Sources of data. - Many data are needed concerning the activities of department stores since 1945. Some of the material is found in books and periodicals. Services such as Moody's Manuals give yearly information concerning balance sheets and income statements, but detail is generally omitted.

The particular department stores have all the information concerning their own firms. Publicly owned firms present much of this information to the stockholders in their annual reports which contain ~~not~~ only financial data, accompanied by the opinion of a

public accounting firm, but also written reports from management. There is a recent trend to include charts, graphs, pictures, forecasts, highlights of the year, historical financial summaries, and lists, maps, or pictures of units owned. In most cases information needed for the study is found within the covers of these annual reports.

Generally, each annual report contains only the latest year's information in detail. Even when comparative financial statements are presented, accompanying footnotes usually cover only the most recent year. This is a result of the common belief of both public and private accountants that the reader of an annual report is primarily interested in the current period. For example, details of a bond issue, outstanding last year but since eliminated, are considered of little interest to the current investor. While management discusses the new unit under construction or just opened, the number of stores opened last year or five years ago is rarely recorded in the current report.

Even strictly financial data, in most cases, cannot be taken from the ten-year summaries. Each annual report purports to present fairly the current financial position and results of operations of the firm for the year then ended in accordance with generally accepted accounting principles. But accounting is dynamic, not static; and there have been changes in the past fifteen years in what is considered to be generally accepted. Consequently, for comparable statistics, the early reports have been adjusted to make them consistent with current year's figures.

Of necessity this study deals only with publicly owned corporations whose annual reports are available for the postwar period. Even some large department stores, such as the closely held J. L. Hudson Company of Detroit, are omitted, since the necessary reports are not available.

The primary source of data for the study is the annual reports of selected firms for the years from 1945 to 1959. This material is supplemented by pertinent books, periodicals, and statistics. Information is accumulated and summarized in tables and graphs to make trends (or lack of them) more evident.

The department store defined. - Department stores are defined as

retail stores carrying a general line of apparel, such as suits, coats, dresses, and furnishings; home furnishings, such as furniture, floor coverings, curtains, draperies, linens, major household appliances, and housewares, such as table and kitchen appliances, dishes and utensils. These and other merchandise lines are normally arranged in separate sections or departments with the accounting on a departmentalized basis. The departments and functions are integrated under a single management. Establishments included in this industry normally employ 25 or more persons.¹

This definition is suitable when we are examining individual units. However, in order to compile information by firm, we must expand the definition. Many of the larger firms are composed of several stores. Some of these stores are full department stores according to the definition above; other units would be classed as junior department stores because they carry an

¹Standard Industrial Classification Manual, II, 74, cited in Federal Reserve Bulletin, XLIII (December, 1957), 1324.

incomplete line or assortment of goods. Also, some firms own units which are specialty shops.

A specialty shop is a retail shopping institution organized into a number of selling divisions with consolidated ownership and management of many lines of merchandise in a single location. While convenience and specialty goods are carried, shopping goods are of chief importance, for the term is seldom applied to a departmentalized store handling convenience goods. A distinction is often made between department store and departmentalized specialty store. The latter generally does not carry the variety of lines found in the former.²

It seems reasonable to include in the study as department stores only those firms which receive a substantial portion of their sales from department store units.

For example, Bullock's is classed by both Standard and Poor's Industrial Surveys and Moody's Manual of Investments (Industrial Securities), 1959 as a specialty shop. While it is true that Bullock's original store is a department store, its six branches and the twelve I. Magnin & Co. stores are all specialty shops. On the other hand, in 1959 Mercantile Stores Company operated thirty-nine branch stores and six small appliance stores. It also operated eighteen major department stores. Even if most or all of the branch stores are junior department stores, a substantial portion of its sales are generated by department store units, despite the mixture of its units. Hence, our study will include Mercantile but will exclude Bullock's.

² John W. Wingate, Manual of Retail Terms (New York: Prentice-Hall, Inc., 1931), p. 16.

Another type of problem is posed by mail-order houses which are defined as

retail establishments primarily engaged in selling merchandise by mail order. They may furnish their customers with a catalog describing and pricing their merchandise or they may receive their orders as a result of advertising in magazines, newspapers, and other media. . . . General mail order houses sell convenience, shopping, and specialty goods, largely in rural districts. To widen their market . . . in the face of improved transportation and growth of shopping centers, leading mail order houses are opening chain stores. These sell fast moving goods over the counter, and take orders for all other goods cataloged.³

Without a doubt, the list of merchandise offered to the public by the mail-order house is identical with that carried by the defined department store. During the fifteen-year period, all four of the largest mail-order houses in the United States have operated retail outlets which would meet the department store definition set forth by the government. One of the mail-order houses has announced intention to divest itself of its retail stores in favor of catalog offices. The catalog office is really a retail store in the sense that various merchandise (but not a full line) is displayed, clerks take customers' orders, arrangements for delivery or pickup are made, and credit terms are arranged. These functions are all performed by department stores. While the catalog office itself may not employ twenty-five persons, inclusion of employees engaged in packing, delivery, and other service functions would bring the total to the required number. Inclusion of service

³Ibid., pp. 16, 22.

employees is not inconsistent for Max Hess, Jr., President of a department store in Allentown, Pennsylvania, states that about seventy per cent of the employees of a large department store toil "in the wings."⁴

Recently there has been an overlapping or crossing over of the lines between types of retail outlets by firms. Variety chains used to sell only small dollar items on a cash-and-carry basis. Furniture and rugs are now shown in many variety chain stores, and advertisements and signs suggest that the customer apply for the new charge account and pay only once a month. Department stores which were generally limited to several units now have formed "chains" of their stores across the country by adding branches, building new stores, and acquiring established department stores. As previously mentioned, the mail-order firms have been in and out of retail outlets in varying degrees during the period.

This study excludes the variety chain firms since their entrance into department store merchandise began late in the period under consideration. Specialty stores are excluded by their limited line of merchandise. However, mail-order houses are included because of their merchandise and activity in retail outlets. Of course, firms whose units are primarily department stores are also included.

The firms selected. - The largest publicly owned firms in the industry have been selected for study. Information on these firms

⁴Max Hess, Jr., Every Dollar Counts (New York: Fairchild Publications, Inc., 1952), p. 32.

is readily available. Choice of the larger firms enables us to note any tendency toward concentration in the industry and relationship of size to profitability. Also these firms have wider methods of finance available to them because of their size and physical dispersion through the country.

The study covers fifteen firms which satisfy the above conditions and which had sales in at least one year of the study in excess of one hundred million dollars. They are:

- a. Sears, Roebuck and Co.
- b. J. C. Penney Company
- c. Montgomery Ward & Co., Inc.
- d. Federated Department Stores, Inc.
- e. The May Department Stores Company
- f. Allied Stores Corporation
- g. R. H. Macy & Co., Inc.
- h. Gimbel Brothers, Inc.
- i. Associated Dry Goods Corporation
- j. City Stores Company
- k. Marshall Field & Company
- l. Spiegel, Inc.
- m. Mercantile Stores Company, Inc.
- n. Aldens, Inc.
- o. The Hecht Company Stores

Since the initiation of the study, The May Department Stores Company and The Hecht Company Stores have merged. Operations of the two are analyzed separately until the date of their merger, February 2, 1959.

The year defined. - In 1945, the year that the war ended in both Europe and the Pacific, there were three dates used as end of the year by the firms in our study. The most popular date, January 31, 1946 (or the Saturday closest to that date), was used by nine of the fifteen firms. Penney, Spiegel, Marshall Field, and Aldens were on a calendar year basis, with their years ending December 31,

1945. R. H. Macy and Federated had fiscal years ending on the Saturday nearest July 31. During the period of the study, three of the firms which were on a calendar year changed to the end of January closing. Therefore the annual reports for one year for each of these firms cover thirteen months. The change occurred on January 31, 1959 for Penney, January 31, 1955 for Marshall Field, and January 31, 1948 for Aldens. Federated Department Stores changed from a July 31 fiscal year to a January 31 closing on January 31, 1947.

At the closing date of the study, January 31, 1960, the fiscal year end for all but two of the firms studied was January 31, 1960 (or the Saturday closest to that date). One (Spiegel) retained the calendar year closing, and one (R. H. Macy) ended its year on the Saturday nearest July 31. To combine figures from all the reports and to be consistent in referring to periods covered by annual reports, it is advantageous to define terminology at this point. All fiscal years are combined and referred to as activities of the year in which the majority of the months of the fiscal year falls. The first year of our study, the final year of the war effort, is 1945. Activities of 1945 include annual reports of Penney, Spiegel, Marshall Field, and Aldens, whose reports are dated December 31, 1945. Activities reported by the nine firms whose fiscal years ended January 31, 1946 or the Saturday closest thereto are added to and included with the four above-named reports. (Eleven of the twelve months of these reports fall in 1945.) To this total are added the results of Macy's and Federated's fiscal years ended on the Saturday nearest July 31, 1945, since seven of

twelve months covered in these fiscal reports are in 1945. In the same way, 1959 activities include Spiegel's calendar year, Macy's August 1, 1959 fiscal report, and the fiscal reports of the other twelve firms whose years end on January 31, 1960 or the Saturday nearest thereto. (There was no separate report for Hecht.)

With the exception of four years, the combined figures reported contain twelve months' activities for each of the fifteen firms. The four exceptions are:

(1) 1946 includes eighteen months' activities for Federated Department Stores because of the change of its fiscal year from the Saturday nearest July 31 to the Saturday nearest January 31.

(2) 1948 contains thirteen months' activities for Aldens.

(3) 1954 contains thirteen months' activities for Marshall Field.

(4) 1958 contains thirteen months' activities for the J. C. Penney Company.

Chapter outline. - Chapter II examines the physical expansion of the fifteen selected firms for the fifteen-year period, 1945 - 1959, as defined above. Specifically, attention is directed to the number of units owned and operated at the beginning of the period, expansion of existing facilities, new facilities, and merger of existing firms. The itemizing of these activities furnishes the background of the study and supports the hypothesis that there has been substantial physical growth during the period.

Chapter III deals with growth of credit. Accounts receivable are analyzed and compared with the individual firm's sales

and with a governmental series of credit extended by all department stores. This chapter supports the hypothesis that credit expansion has been material.

Methods of financing expansion are investigated in Chapter IV. Various types of long-term debt, new stock issues, sales and leaseback agreements, mergers, and subsidiary companies are discussed. Documentation indicates the extent to which each type of financing has been used.

Chapter V reviews sales of the period. Sales of each firm are compared with the combined sales for the fifteen firms and with sales for the industry as published by the government. Sales and accounts receivable for each firm are analyzed. The result indicates that sales growth has resulted from expansion in the industry.

In Chapter VI an attempt is made to evaluate the profitability of the firms and of the areas into which department stores have ventured recently. Profits are related to sales and to assets utilized. This tests the hypothesis that profits have expanded during the period.

The future of the department store was debated vigorously through the 1950s. Opinions varied widely. Some held the department store to be "one of the great pillars of the American economy."⁵ Others feared it would "follow the general store into merchandising limbo."⁶ The past is not always a good indicator of the future; however, analysis of past growth and expansion will provide a background of information and a starting point for any who then wish to predict into the 1960s.

⁵Ibid., p. 164.

⁶Robert M. Bleiberg, "Merchant Princes," Barron's, XXXIV (March 8, 1954), 20.

CHAPTER II

PHYSICAL EXPANSION IN SELECTED FIRMS

Introduction. - Expansion in the fifteen selected firms during the fifteen-year period occurred in a number of ways. First, many existing department stores were merged into these firms. Some units were acquired through outright purchase, some through exchange of stock. Another form of expansion was the physical growth of units in operation at the beginning of the period. In many downtown areas, archways connected several buildings of one unit as a result of prewar expansion when department stores annexed building after building in a block. During the period of the study some of these older, less efficient buildings were demolished and replaced by newer, taller, more modern buildings. In at least two cases, older buildings were completely discarded and operations were moved to a new site, either in the nearby downtown area, or in a new shopping area in the same town.

As the population migrated to the outskirts of the cities, some of the firms built branches in the shopping areas of these suburbs. With the popularity of the new shopping center, units of the top fifteen firms began to appear here too. In fact, lenders often required a signed lease with a dominant firm before moneys were advanced for shopping center construction.

In this chapter we turn our attention to expansion in general,

including both shift in ownership of existing facilities and expansion through addition of selling space in the industry. New selling space results when (1) a unit is expanded, (2) a unit is relocated and the new unit exceeds the closed unit in size, or (3) new facilities are constructed.

Some of the firms are discussed in more detail than others. When a firm owns a small number of units, it is able to include in its reports more information about each store. Location of each unit is given precisely; its picture is frequently featured; any expansion, improvement, or change in its activities or facilities can be discussed in detail. As the number of units increases, the information per unit must be limited or the annual report becomes prohibitively bulky. Since the primary source of this study is the annual reports, information concerning units cannot greatly exceed that furnished in the annual reports.

The discussion of the activities of each of the firms favors the recent events. This is because the quality of annual reports has improved perceptibly during the fifteen-year period. In the late 1940s, many of the reports contained little more than the financial statements, the accountant's opinion, and a very brief covering letter from the president or board chairman. By contrast, the information given the stockholder in the 1960 reports contains not only what happened in 1959, but also plans for two or three future years, and often summaries of the past five, ten, or twenty-five years.

In each annual report, two dates are generally prominent. The first is the date of the fiscal year end. The second (a later

date) is the date of the letter to the stockholders. In the written discussions, the phrase "the past year" is frequently used. Here the reader must try to decide whether the writer meant the past calendar year, the past fiscal year, or the year preceding the date of the present stockholders' letter. This looseness of usage may have produced errors in the study.

Firms are more anxious to tell of pending future stores than they are to admit that a unit was sold or closed because it was not performing adequately. Often the only way the annual report reader can determine that a unit has been closed is through its absence from the list of stores operated. This list is generally found on the cover of the annual report. Where no other information was presented, I assumed that the closing date of the unit occurred during the year in which the name first disappeared from the listing.

Some annual reports include in their list of stores operated those which are under construction or even those on the architects' drawing boards. In Table 1, I have attempted to place the addition or closing of a unit in the fiscal year when operations began or ceased. It is hoped that, despite the problems involved in determining opening and closing dates of units, the tabulation is reasonably accurate.

Table 2 lists capital expenditures by firm by year for the period. Most of the annual reports list in the written material the amount so spent during the year. For the early years of the study, these figures are not always available. Occasionally, in the more recent years, the amount is omitted if there is a wealth

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Firm			Total Changes	Total End of Study
	1958	1959		
Sears	23 19*	24 18*	366 238*	734
Penney	66 73*	58 62*	527 452*	1,683
M. Ward	5 10*	12 14*	22 107*	547
Federated	1 ...	5 2*	35 4*	45
May	2 2*	11 ...	42 5*	45
Allied	1 2*	1 2*	45 29*	85
Macy	1 ...	1 ...	31 3*	34
Gimbel	3	1	19	35
Associated	1 ...	2 2*	22 4*	29
City	1 1*	8 3*	79 14*	71
M. Field	1 ...	... ...	5 1*	9
Spiegel	... ...	... ...	72 163*	9
Mercantile: Department store	1 2*	2 2*	69 28*	57
Appliance store	... ...	... 1*	74 69*	5

Firm			Total Changes	Total End of Study
	1958	1959		
Aldens	... 2*	... ...	16 5*	13
Hecht	1 4*	... 9*	9 17*	0
Total increases	107	125	1,433	3,401
Total decreases	115	115	1,139	.....
Catalog offices: Sears	46 12*	64 ...	647A	913
M. Ward	55 3*	44 3*	373A	568
Spiegel	12 1*	22 ...	187A	187
Aldens	... 8*	5 ...	65A	65
Net increases	89	132	1,272A	1,733

SOURCE: Annual report
Year is defined as
A - For most years
catalog stores
or decrease in
for catalog offices
ⁿ Only net increases

Year	Total	S	City (A)	M. F
1959	\$ 225,473	\$ 6	\$ 4,248	\$ 2
1958	175,353	4	4,300	5
1957	229,834	5	4,226C	3
1956	226,864	6	6,166C	12
1955	122,760	2	1,998C	1
1954	107,331	2	437C	4
1953	94,783	2	3,667C	3
1952	81,598	2	664C	4
1951	168,857	4	2,256C	11
1950	142,086	3	F	8
1949	136,124	3	5,934C	3
1948	160,544	5	3,860C	5
1947	188,542	7	3,003C	6
1946	128,121	6	2,979C	3
Total	\$2,188,270	\$632	\$43,738	\$76

SOURCE: Annual reports
Year is defined on pages
A - Figures do not include which no figures on
B - Source is Moody's Manual
C - Total is approximate
D - Figures are from Moody's Manual for real-estate subsidiaries
E - Parent company figures of \$34 for real-estate
F - Approximations result

Figure 1

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of other information considered more interesting to the stockholder. Several firms do not include these figures in any year. For the years in which a capital expenditure figure was not given by the firm itself, Moody's Manuals of Investments (Industrial Securities) were consulted. Moody's data are taken from reports filed with the Securities and Exchange Commission. Where the information could not be found in either source, this amount was approximated. Approximations are noted in the table.

All annual reports indicate the net properties and depreciation for each year. Therefore the approximation was computed in the following manner. If there had been no addition or retirement of properties during the year, the difference in net properties between the beginning and the end of the year should equal the depreciation. If there had been a capital expenditure, the difference between beginning and ending net property would be the capital expenditure less depreciation. Or, to express it another way, the unknown capital expenditure for the year would be ending net property less beginning net property plus depreciation. There is, however, the complication of retirements. If the retired assets were fully depreciated, no problem would exist, for the asset account and the allowance for depreciation account would each have been relieved (reduced) by the same figure. However, not all retired assets are fully depreciated. Where they were not, the asset account was reduced by an amount greater than that by which the depreciation account was reduced. During the period, this situation occurred frequently (see Chapter IV), especially through the sale and leaseback arrangement. Where such sales or disposals occurred,

the approximation understates the capital expenditures for the year. Our approximation, therefore, results in the minimum possible amount of capital expenditures for the year and has been used only when the desired information could not be found elsewhere.

Capital expenditures, of course, include amounts spent for warehouses, parking areas, fixtures, remodeling, major alterations, and land as well as for the expansion or construction of store buildings. However, they do not account for all the new buildings or expansions. Some of the firms in the study follow a policy of owning their own units only when they cannot find desirable landlords. Penney, for example, has consistently noted in its various annual reports that landlords have spent between \$1 and \$2 for each \$1 which Penney has invested during the year. Therefore, Table 3 has been prepared to indicate the minimum dollar rental payable on long-term (over three years) leases to which the firm is committed. Minimum lease rental payable would presumably increase as a result of (1) an increase in the number of leases or (2) improvements made by the landlord for the benefit of the lessee which are reflected in increased minimum amounts due. Information is given for each year for which these data are available in the annual reports. The procedure of reporting leases payable became generally accepted about 1954. Comparison of total leases in 1955 with those of 1960 indicates that leases have increased for each of the firms except Sears. The large decrease in dollar amount of Sears' leases, however, has more than offset the increases for the other firms.

Year	Spiegel	Mercantile	Aldens	Hecht
1959	A	\$1,372	B	\$.....
1958	...		...	1,340
1957	...		...	1,500
1956	...		...	1,595
1955	...		...	1,190
1954	...		...	1,050
1953	...		...	766
1952	...		...	806
1951	...		...	617
1950	...		...	335
1949	...		...	296
Percentage: 1959/1955	...		...	C

SOURCE: An
Year is def
A - Annual
B - All lea
Annual
C - Percent

The balance of Chapter II contains a discussion of units added and major improvements made by the firms during the period. Since summaries of this information conceal as much as they disclose, such analysis seems in order. Moreover, data in the annual reports concerning various units are not identical. For some units, size is not indicated; for others, location (downtown, suburb, shopping center) is not specifically identified; still others omit cost of construction. The extent of remodeling is difficult to evaluate except in descriptive terms especially when annual reports do not always indicate dollar amounts. Because the sources of the study give dissimilar information, any table or chart must of necessity be incomplete. While the narrative approach is weighty and somewhat dull, the reward is that the reader can get a better feeling of the growth which has taken place since 1945. At the same time, the various firms take on independent identities. However, it is possible to read Tables 1, 2, and 3, omit the descriptive material by firm and turn directly to the Summary on page 84.

As an aid to those who are unfamiliar with the components of the department store firms which operate units under different names, a list of the stores operated in 1959 by Federated, Allied, May, Macy, Gimbel, City, Associated, Marshall Field, and Mercantile is provided in Appendix A. The stores which were in existence at the beginning of the study are indicated to further emphasize the extent of growth during the period.

Marshall Field & Company. - Of the fifteen firms, Marshall Field

has opened the fewest number of units in the period under consideration. In 1945, the firm operated five stores - four in Chicago and one in Seattle.

In August of 1946, Frederick & Nelson, the Marshall Field store in Seattle, opened its suburban branch unit, a leased store 20,000 square feet in size, in Bellevue, Washington. This was to be the only unit opened until 1955.

Improvements were made during the nine-year period. In 1946 the main Frederick & Nelson store installed escalators, and the main Chicago unit relighted and air conditioned its first floor and the store for men. Two restaurants were opened at Midway airport in 1948.

During 1948, escalators were installed in the main Chicago store. Minor improvements followed until 1950, when the air conditioning was completed in the Chicago store and a cycle billing system was installed. Fieldale Farms was opened to the public in 1952. This property is located thirty miles northwest of Chicago, and sportsmen are invited to use the shooting range and to select and fire various types of guns under simulated hunting conditions. Facilities are provided for practice and instruction in the use of all types of shotguns. Hunting apparel and accessories are also sold at the Farm. Also during 1951 and 1952, the Frederick & Nelson store was enlarged and modernized. Heating, ventilation, and lighting were improved; fixtures were replaced. New windows and entrances were provided. An additional four and one-half stories were added, increasing the floor space of the unit nearly fifty per cent.

The first expansion in the Chicago area took place in March, 1955, when a 70,000 square foot unit was opened in a shopping center south of Chicago. This was to be known as the Park Forest Marshall Field store. This same year the restaurant in O'Hare airport was opened.

During 1956 a second Chicago suburban unit was added in a shopping center north of Chicago. Old Orchard, 310,000 square feet in size, was the largest unit in a center which contained fifty other stores and parking for 6,000 cars. The Park Forest unit had been so successful that by November, 1956 it was enlarged to 100,000 square feet. This was scarcely two years after its initial opening. On the Pacific coast the Frederick & Nelson branch unit had also proved to be too small. The unit (opened in August, 1946) was closed, and a new 115,000 square foot store, five times the size of the closed unit, was opened in August, 1956 in a shopping center.

During the next two years, there were additional capital expenditures in Old Orchard. In September, 1957, Crabapple Restaurant was opened, and the following year, the parking area was enlarged to hold 7,400 cars.

The last new unit of the period was opened in fiscal 1958. Mayfair, a new division of the firm, opened its first unit, 288,000 square feet in area, in suburban Milwaukee on January 5, 1959. This same year a new innovation, two automatic elevators, was introduced in the Chicago men's store.

In its 1959 report, the firm announced that construction had started on a new shopping center to be known as Oakbrook Terrace. It would contain a store similar in size to the Old Orchard

store, and the center would also contain a Sears, Roebuck unit. At the end of the period, however, there were nine units operating: two in Seattle, one in Milwaukee, and six in Chicago. All units added during the period were new, and the only apparent error in judgment involved underestimation of the size required.

The Hecht Company Stores. - In 1945 there were eight Hecht stores in operation. All but The Hub of Baltimore were known by the Hecht name. On February 2, 1958, when the firm merged with May Department Stores, nine units were operated, but there had been considerable activity in the interim years. In 1946 The Hub opened an 18,000 square foot appliance store and a small unit at 10-12 East Baltimore. The small unit was apparently integrated with the main store shortly thereafter. The appliance store remained in operation until 1956. Also in 1946, two additional floors were added to the Hecht Washington building on E Street, increasing its operation by 28,000 square feet. An additional floor was also added to the parking building of this Washington unit. The New York store was improved during the year, and Hecht's Baltimore store at Baltimore and Pine Streets expanded by 33,000 square feet.

On November 1, 1947, the Silver Spring unit of 160,000 square feet was placed in operation. Remodeling in that year was confined mainly to the Hecht Washington unit.

The Hub was improved during 1949, and it was at this time that the small unit at 10-12 East Baltimore was apparently integrated with the main unit. On February 7, 1949, a small home

furnishings store was opened in Annapolis, Maryland. The firm later purchased the property on which the store was located.

No units were added in fiscal 1949. However, renovations continued. Two floors were added to the Silver Spring, Maryland, store, increasing the space by 56,000 square feet. The lessor paid the costs of this improvement. After a fire on March 10 which did considerable damage, the Howard and Franklin Streets store in Baltimore was reopened in September of 1950. Lease payments for the store had terminated with the fire. The Hecht New York unit was also renovated.

Hecht's first shopping center unit was opened in Parkington, Arlington, Virginia, in November of 1951. This 250,000 square foot store was situated on a fifteen-acre center at the intersection of two main highways. A five-level parking ramp connected with the unit, and entrances were available from every level of the ramp. Twenty-six other stores were located in the center.

Hecht acquired an existing unit in 1952 when Abramson in Flushing became a member of its operation. Abramson was a forty-three year old store, with 60,000 square feet of selling space and a 50,000 square foot warehouse. It was Hecht's first acquisition of a going business. Cash of \$1,000,000 was paid for the unit. It was promptly modernized. The same year the small branch furniture store at Annapolis, Maryland, was enlarged by 25,000 square feet.

The only activity during 1953 was the modernizing of several downtown units. In September, 1954, however, a second shopping center unit was opened. The Hecht-Northwood in Baltimore, a

160,000 square foot unit, featured a rooftop restaurant, and rooftop parking for 200 cars. The twenty-acre site on which it was located contained twenty-seven stores and total parking capacity of 1,780.

The Silver Spring unit in Maryland was expanded for the second time in 1955. The 40,000 square foot addition was opened on October 31.

On October 15, 1956, a 160,000 square foot suburban unit was added in West Baltimore (The Edmondson) opposite a shopping center. Located on an eleven-acre site, it had parking facilities for 6,000 cars. During the year, three units were closed: Hecht on 14th Street in New York City in August, 1956, the appliance store at 126 West Fayette Street in Baltimore through merger with the Baltimore and Charles Streets store, the branch store at 412 South Broadway through merger with Hecht's Reliable unit at 517-528 South Broadway.

There was no net change in number of units operated between 1956 and 1957, but the Easton, Maryland, store was relocated in the Talbottown shopping center.

During 1958 a unit was added in November in a shopping center at Prince Georges Plaza, while the following four closed: the Abramson unit, purchased in 1952; the Broadway Reliable unit in Baltimore; the Hecht unit at Baltimore and Pine; and the Hecht Howard and Franklin unit.

The over-all pattern of acquisitions and closings suggests that the appliance stores and small branch units proved unsuccessful, as did the only purchase of an existing operation. The firm's

shopping center units, on the other hand, seem to be more successful. Several of the stores closed during the period were downtown units.

Gimbel Brothers, Inc. - Gimbel Brothers, Inc., operates stores under three names, Saks Fifth Avenue, Saks-34th, and Gimbel. This firm began the period with sixteen units and added nineteen more during the ensuing fifteen years. Most of the expansion has taken place since 1954. Prior to 1954, three Saks Fifth Avenue units were added. The one in San Francisco opened in 1952; the Pittsburgh Fifth Avenue unit, added in 1949, and the Philadelphia unit, added April 14, 1952, were both located in already existing Gimbel buildings.

In 1954 a three-level 200,000 square foot branch of Gimbels-Milwaukee was opened in the Southgate shopping center. The same year a 70,000 square foot unit of Saks Fifth Avenue was opened in White Plains. Also a men's store was added to the Chicago Saks Fifth Avenue on the first floor of the building adjacent to the unit already operating there. With this expansion, the Chicago, Detroit, and Beverly Hills Fifth Avenue stores all carried a full line of accessories and men's, children's and women's apparel. The Detroit and Beverly Hills stores had been enlarged in 1946 and 1947, respectively. Except for these enlargements, only occasional refixturing and improvements are mentioned in the annual reports.

In 1955, two new Gimbel units were added. Gimbels-New York, a 200,000 square foot three-level unit, in the Cross County shopping center, opened on September 8. A few days earlier, on August 20, Gimbels-Philadelphia opened its first suburban unit,

250,000 square feet in size.

Saks-34th added its first unit at Massapequa Park the following year. The same year, Gimbels-New York opened its second shopping center branch at Green Acres. This was a unit approximately the same size as the Cross County unit. On April 2, 1956 the firm purchased Lockhart's (a specialty shop) in St. Louis. This became a Fifth Avenue shop.

Expansion quickened in 1957. The Great Bay Shopping Center unit of Gimbels at Bay Shore was opened, giving Gimbels-New York Division three branches, all at shopping centers. Gimbels-Philadelphia opened a branch in Upper Darby, and the Pittsburgh store added a 140,000 square foot unit in a shopping center in North Hills. This was its first satellite. Saks Fifth Avenue added two units during the year: one was in Springfield; the other, a University Shop, was in Cambridge, Massachusetts.

Expansion continued in 1958 with the opening of the Mayfair shopping center unit by Gimbels-Milwaukee. (A Marshall Field unit is also located at this shopping center.) This was Milwaukee's second branch. Saks-34th opened its second branch at Stamford. Saks Fifth Avenue increased its shops to eighteen with the addition of a unit in Skokie. During 1959, Saks Fifth Avenue was the only division to expand again, this time with a small resort shop in Palm Springs. At the end of the period, Saks Fifth Avenue had nineteen units plus the main store in New York; Saks-34th had two branches in addition to the main unit. There were twelve Gimbels stores in operation. Of the units added during the period, only one was an acquisition of an existing unit.

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R. H. Macy & Co., Inc. - Macy added thirty-one units and closed three during the fifteen-year period. It currently operates thirty-four units under six divisional names. At the end of the fiscal year 1944, the firm had six units in four divisions. During fiscal 1945, the Davison-Paxon Company (Atlanta, Georgia) acquired branches in Augusta and Macon, Georgia. The same year, the LaSalle & Koch Company (Toledo, Ohio) acquired a branch in Bowling Green.

On September 1, 1945 the O'Connor, Moffatt & Company was acquired through an exchange of stock. An old established firm, founded in 1866, it later became known as Macy's San Francisco.

During fiscal 1947, two more units were added. Bamberger's (Newark, New Jersey) added a home appliance store in East Orange, New Jersey, and Cullum & Cullum's assets were purchased to start the Davison-Paxon branch in Columbia, South Carolina. The annual report for that year noted that the firm was proceeding cautiously on its capital expenditure program due to high construction costs.

Three additional units were added in 1948. Bamberger's acquired a unit in Millburn, New Jersey; Macy's New York opened its Jamaica, New York, unit on September 2, 1947; LaSalle & Koch began operations in Tiffin, Ohio, on August 21, 1947. The John Taylor Dry Goods Company, founded in 1881 in Kansas City, Missouri, was acquired for cash. This became the central store of Macy's Missouri-Kansas Division.

During 1948, five new units were added and one was closed. The Davison Augusta, Georgia, unit was relocated on March 21, 1949. In addition new units were added in Flatbush, New York, on November 1, 1948 and in White Plains on March 21, 1949 by Macy's

[illegible]

New York; in Morristown, New Jersey, on April 1, 1949 by Bamberger's New Jersey; and in Columbus, Georgia, by Davison-Paxon on February 14, 1949.

During 1949, Bamberger's East Orange Home Appliance store, opened in 1947, was discontinued. The LaSalle & Koch division opened a unit in Sandusky, Ohio, on October 28, 1949. R. H. Macy & Co. was also active in nonretailing functions; the TV station WOR-TV was completed and operating regularly beginning on October 5, 1949. A 166,500 square foot addition to Davison's Atlanta store financed by the landlord was completed on August 16, 1949. Macy's San Francisco unit (O'Connor, Moffatt) added 200,000 square feet to its unit, which was opened to the public on October 10, 1949. Macy's Kansas City store (formerly John Taylor Dry Goods) completed a rebuilding program which added 264,000 square feet to its unit.

There were no further changes in the retail operations until fiscal 1953. Then Macy's San Francisco division acquired two branches. A 52,500 square foot unit was opened in San Rafael, and a 59,000 square foot branch was acquired in the Cross Bay area, north of Oakland. The latter was enlarged by 27,000 feet. Davison-Paxon added another branch to its operation through the purchase of Michael Brothers, Inc., of Athens, Georgia. This unit was 52,000 square feet in area. During the year several existing units of the firm were altered or expanded. Macy's New York Parkchester was enlarged by 12,000 square feet, and two of Macy's San Francisco units were enlarged. The Richmond unit added 27,000 square feet; while the main San Francisco units gained 25,000 square feet through the addition of a basement store.

During 1954, expansion continued with the addition of 90,000 square feet to Macy's New York White Plains store. This brought the unit, acquired in 1949, to 200,000 square feet of space. This same year, Bamberger's opened a 110,000 square foot unit in Plainfield, New Jersey, on May 10, 1954.

An existing department store was acquired in September, 1954. An 86,000 square foot unit, founded in 1890 and known as Christman Dry Goods Co. in Joplin, Missouri, became the newest of the Macy's Missouri-Kansas group. Bamberger's opened another 63,000 square foot branch in a shopping center in Princeton on September 9, 1954. The first Macy's unit in a regional shopping center was opened on November 17, 1954 in Hillsdale, California, a Macy's California division branch, 180,000 square feet in size.

Three more units were added in 1955. LaSalle & Koch opened a 34,000 square foot unit in Findlay, Ohio, on August 15, 1955. On February 1, 1956 the Innes Store in Wichita, Kansas, was purchased from Younker Bros. Inc. This 296,000 square foot unit became a branch of Macy's Missouri-Kansas Division. This division also added another unit on July 26, 1956; the 68,000 square foot branch was located in a shopping center in Mission, Kansas.

Three units were opened in shopping centers in 1957 in New York, New Jersey, and California. Bamberger's closed the Millburn, New Jersey, unit. Macy's New York opened its three-floor 320,000 square foot unit at Roosevelt Field, Long Island, on August 29, 1956. Twenty days before, Macy's California had opened a 156,000 square foot unit in Valley Fair, San José. In May Bamberger's 340,000 square foot unit was opened in Paramus, New

Jersey, at the Garden State Plaza. Macy owned the Roosevelt store, was fifty per cent owner of the Valley Fair shopping center, and was sole owner of the Garden State Plaza shopping center (see Chapter IV). During 1957, according to the annual report, the modernization and redecoration of all the company's stores continued on a rotation basis.

Only one unit was added in 1957. This was Macy's California branch at Bay Fair shopping center in San Leandro. The 160,000 square foot unit was opened in August, 1957. This shopping center, like the Valley Fair center, is owned fifty per cent by Macy.

Again in 1959, only one unit was added. On July 30, 1959 Davison-Paxon opened its newest branch in Lenox Square Shopping Center in the Buckhead area of Atlanta, Georgia. This unit is 120,000 square feet in size. Since the close of the 1959 fiscal year, another unit has been added. On September 1, 1959 the Menlo Park shopping center in Middlesex County, New Jersey, was completed, and Bamberger's opened a 270,000 square foot branch there.

Macy has expanded both through new units and through acquisitions of existing units. At least eight of the thirty-one additions were established units. However, the more recent stores increasing the firm's operations have been built in shopping centers.

Associated Dry Goods Corporation. - This firm began as an association of several department stores in various parts of the country. In 1945 eleven units were operated under eight different names; by 1960 twenty-nine units were in operation and the number of names

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used was ten.

In 1946, the Stewart Dry Goods unit in Louisville was enlarged by the addition of a seven-story building plus basement adjacent to the existing unit. Two units were added to the operations of Associated in 1947. Lord & Taylor opened its Westchester unit, and the William Hengerer Company of Buffalo, New York, opened a branch in nearby Batavia.

During the next two years there was expansion, but no new units were added. The Hengerer unit expanded through the addition of a building adjacent to the existing one; Powers Dry Goods in Minneapolis built a foundation which would hold six floors next to its existing unit. The basement was completed, and the street level area was used as parking facilities for a time. During 1949, escalators were installed in the main Hengerer, Power, Stewart, and McCreery stores. The J. N. Adam & Co. store in Buffalo, New York, was enlarged.

Lord & Taylor added another unit, 88,000 square feet in area, on an eight-acre site in Millburn on February 9, 1949. It was erected by and leased from the Prudential Insurance Company.

During 1951 two new stores were opened. The first branch of the Stewart Dry Goods Co. (Louisville), in Lexington, Kentucky, began operations in September.† It was a modern air-conditioned unit, featured escalators, and was 60,000 square feet in size. Hahne & Co.'s branch store in Montclair, New Jersey, enlarged its operations by moving a portion of its activities across the street on February 20, 1951. This has not been included in the totals on Table 1 as a relocation because the old location was utilized

for a budget shop which operated under the same name.

On August 24, 1951, as a result of the favorable votes of a majority of stockholders of the corporation, the corporate structure of Associated was simplified. The firm became a single operating corporation, instead of a holding company of nine operating companies as it had previously been. The simplified corporate structure was designed to make it easier to acquire existing stores in the succeeding years.

During 1953, one store was sold, another branch was added. Lord & Taylor opened its largest branch to that date - a 125,000 square foot unit in West Hartford on February 25, 1953. The James McCreery & Company store in New York was sold on December 19, 1953.

Addition of new units was stepped up in 1955. Associated's common stock was exchanged for all the outstanding stock of the J. W. Robinson Co. department store of Los Angeles. This firm had branch operations in Beverly Hills and Palm Springs. The exchange took place in July, 1955. On February 8, Stewart & Co. (a Baltimore operation) opened its first branch at York Road, in a shopping center owned by the company. The center had eight other tenants. On the 22nd of February, Lord & Taylor increased its branches to five with the opening of Bala Cynwyd near Philadelphia. The Powers Dry Goods Company of Minneapolis added its first suburban branch in St. Louis Park, a shopping center. The total new units acquired during 1955 was six.

The following year, Lord & Taylor's sixth branch, in Garden City, opened February 29, and The Diamond department store of

Charleston was acquired when all its outstanding shares were exchanged for Associated common and preferred stocks.

Another year of rapid expansion followed in 1957. Hengerer opened its 100,000 square foot Amherst branch on March 20, 1957. Built on three levels, it was in a prosperous new suburban section of Buffalo. The same year, the Batavia branch of Hengerer was eliminated. The bulk of new units added to Associated's operations that year was through the acquisition of 99.4 per cent of the stock of Sibley, Lindsay & Curr Company of Rochester. This firm was the largest Rochester store and had branches in Eastway, Irondequoit, Newark, and Southtown. The Sibley operation was acquired through payments of cash and common stock on September 25, 1957.

In 1958, the Lord & Taylor Westchester store (opened in 1947) was expanded. In May, 1958 the J. W. Robinson Co. increased its branch operations from two to three with the addition of a 167,000 square foot unit in Pasadena which featured three levels of parking area.

Lord & Taylor again opened a branch in 1959. The Chevy Chase unit, 130,000 square feet in size, was opened in suburban Washington in September. In May, the Erie Dry Goods Company was acquired through an exchange of stock. This firm had been owned partially by Sibley of Rochester. At the time Sibley was acquired by Associated, it had owned forty per cent of Erie's common stock, and controlled its voting shares. The remainder of the stock was acquired through a pooling of interests.

A major addition, 145,000 square feet in area, was completed in 1959 at the Stewart Dry Goods Company in Louisville. It

increased the size of the store nearly fifty per cent. The J. N. Adam units in Buffalo and Niagara Falls were closed during 1959. Consequently, the company was operating twenty-nine units at the end of the period. The 1960 report indicated that several more branch stores were in the planning stage and that expansions of both parking facilities and store units were inevitable in the near future.

About half the new units added by Associated during the period had been through acquisition of existing units.

The May Department Stores Company. - The May Department Stores operates units under various names. In 1944, five May, two O'Neil's, and one Famous-Barr units existed. By 1959, forty-five units operated under ten names. There were acquisitions nearly every year, but large numbers of additions occurred in 1948, 1957, and 1959.

The first acquisition was O'Neil's in Massillon, Ohio, during 1945. During 1946, Taylor's became a majority-owned subsidiary when enough additional stock was purchased by the firm to give it control of fifty-two per cent of the total stock outstanding. Kaufmann's Pittsburgh store was acquired through a stock exchange on October 1, 1946. During this same year, the O'Neil's division added stores in Coshocton and Mansfield, Ohio, and the Wilshire Boulevard unit of May-Los Angeles was enlarged.

May-Los Angeles opened a new 155,000 square foot branch with six acres of parking area in Crenshaw in October, 1947. The Baltimore May store was closed eleven days in 1947 by a fire on

February 24. The main M. O'Neil Co. unit in Akron was enlarged to 475,000 feet during the year.

In 1948, six units were added to the operation. Strouss-Hirshberg was acquired through a stock exchange on May 10, 1948. This firm had a unit in Youngstown, Ohio, branches in New Castle, Pennsylvania, and Warren, Ohio, and operated the Griswold Co. in Warren, Ohio. Famous-Barr Co. acquired a branch in Clayton in October, 1948, and O'Neil's added another unit in Barberton, Ohio.

During 1949, Strouss-Hirshberg acquired a branch in Salem, Ohio, and another stock exchange brought the T. S. Martin Company into the May Department Stores operations. The latter store was sold in 1956.

During August, 1951, Famous-Barr opened a new 301,000 square foot, four-floor unit in Southtown, St. Louis. It had parking facilities for 2,000 cars.

During 1952, assets of the Spring-Holzwarth Co. in Alliance, Ohio, were acquired and became part of the O'Neil's division of the company. May-Los Angeles opened a 350,000 square foot unit in a new development known as Lakewood in Long Beach. The development, at the time the store opened, contained 11,000 homes and forty stores, and had parking facilities for 5,300 cars. The shopping center contained 2,300 feet of tunnel through which incoming and outgoing merchandise could pass without conflicting with the customer traffic. When complete, the development was to contain 17,000 homes, seventeen churches, twenty schools, twenty-seven playgrounds, 300 miles of streets, 100 shops, and parking for 10,000 cars.

During 1953 remodeling was begun on the Pittsburgh Kaufmann store. There was no other activity of a capital nature.

O'Neil's and Strouss-Hirshberg each acquired one new unit in 1954. The 95,000 square foot Sharon Store in Sharon, Pennsylvania, was acquired by Strouss through an exchange of common stock, in November, 1954. O'Neil's Sheffield branch, between Elyria and Lorain, Ohio, was opened in May, 1954. This 148,000 square foot unit was located in a fifty-five acre shopping center containing thirty-eight stores and parking for 3,000 cars. O'Neil's in downtown Akron more than doubled its parking garage to accommodate 1,100 cars.

In 1954, May's Denver unit opened its first branch in University Hills. This 107,000 square foot, three-floor unit featured the Leadville Restaurant decorated with murals of gold and silver to commemorate the mining town. May-Los Angeles opened the largest suburban store operated by the firm to that date in September, 1954. The five-floor unit boasted 453,000 square feet of space and parking was provided for 2,300 cars. Famous-Barr in St. Louis in August opened a 357,000 square foot, four-floor unit in the Northland shopping center. It was the dominant store of forty located in the sixty-two acre center which provided parking for 5,000 cars. Expansion of existing units was well under way during 1954. The Sharon store added 48,100 square feet by remodeling two floors and adding to its warehouse. In Cleveland, the May store's third floor was remodeled, and Taylor's was air conditioned. Strouss-Hirshberg in Youngstown was also air conditioned, and the mezzanine was enlarged and remodeled, adding 8,000 square feet. In November, a thirteen-floor addition to Kaufmann's downtown store

was completed, increasing the space forty per cent from 484,000 square feet to 684,000 square feet. Two additional parking garages were leased for the Kaufmann's store; one directly across the street from the store would hold 860 cars, while the unit two blocks away would accommodate an additional 530 automobiles.

Remodelings continued in 1956, but no new units were added. May Company, Denver, redecorated its fashion floor and constructed double-decked stockrooms to increase floor space for selling. The May store in Los Angeles remodeled the second and fifth floors and the restaurant. The Wilshire Boulevard unit also remodeled its fashion floor. The tearoom at Kaufmann's was redecorated and the kitchen enlarged.

By contrast with 1956, 1957 was a year of many additions. May of Cleveland opened University Heights, a four-floor unit of 349,000 square feet, with parking provided for 2,300 cars. Daniels & Fisher Stores Co. of Denver was acquired. It operated a downtown unit and a branch at Colorado Springs. The Erlanger Dry Goods Company was acquired through an exchange of stock. This firm had a unit at Canton, Ohio, and branches at Canton, Massillon, and Alliance. The main Canton store was remodeled; the branch was refurbished for operation as a soft goods junior store. The Alliance branch was closed, and the Massillon unit became the home furnishings store for the existing unit of O'Neil's in Massillon. The T. S. Martin Company of Sioux City, Iowa, acquired in 1949, was sold during the year to Younker Bros. of Des Moines.

In Denver, the downtown Daniels & Fisher store and the downtown May store were closed and the joint operation was relocated

in a new 420,000 square foot building on August 4, 1958. The new unit had underground parking for 1,200 cars. The same month, Taylor's opened a new 200,000 square foot, three-story branch in Southgate shopping center in Cleveland. The shopping center consisted of eighty stores with parking for 6,000 cars.

The major acquisition of 1959 was the Hecht Company stores, nine in number. In addition, Cohen Bros. of Jacksonville, Florida, was also acquired on February 2, 1959. This unit was purchased, while the Hecht stores were acquired through an exchange of stock. On February 9, a 351,000 square foot unit was opened by May- Los Angeles in a forty-store shopping center in the Redona Beach - Torrance-Gardena area of California (Eastland).

During the period, forty-two units were added. Of these, at least twenty-five were existing units. Many of those added were in downtown areas of large or medium-sized cities.

Federated Department Stores, Inc. - Federated Department Stores, Inc., is another association of various department stores operated under various names throughout the country. In 1960, the firm operated forty-five units under ten different names. At the beginning of the period, only fourteen stores were in operation.

On August 1, 1945 the Foley Brothers Dry Goods Company of Houston, Texas, was acquired. Earlier in the fiscal year (which ended August 4, 1945) the firm had sold the assets of the R. H. White Corporation, a subsidiary of Filene's of Boston. Therefore, both at the beginning and end of fiscal 1945, Federated operated fourteen stores.

During 1946, the F. and R. Lazarus and Co. store (Columbus) purchased and remodeled an unused auditorium. The building, diagonally across the street from the main store, was utilized for housewares and appliances.

During 1947, John Shillito Co. (Cincinnati) opened a ramp-type garage with a capacity in excess of 1,000 cars. Wm. Filene's Sons Company doubled the size of its branch stores located in Worcester, Winchester, Belmont, and Wellesley. The following year Abraham & Straus, Inc., completed its eight-story, two basement building. This was constructed on the site of an old five-story building, erected in 1879, a part of the former store. The modernization and expansion increased the total size of Abraham & Strauss by 147,000 square feet (eighteen per cent). Bloomingdale Brothers, Inc., of New York City moved portions of its nonselling departments across the street from the store to a newly erected office building. This converted 17,000 square feet of space formerly utilized for nonselling purposes into selling space.

Perhaps the most exciting activity of the year was the opening of the new Foley's store in the fall of 1947. The new store, 500,000 square feet in size, was two and one-half times as large as the old store. The new unit had six floors and basement, and was connected by tunnel with a six-story customers' garage located in the next block. Conveyor belts, chutes, and lifts were all utilized to transport incoming merchandise. The new building was heated by radiant heat and was completely air conditioned. Selling areas were supplied from perimeter stock rooms located on the same levels. It was one of the first major department stores

constructed after World War II.

During 1949, four new units were added to the operations of the firm. On November 1, 1948 the Boston Store (Milwaukee, Wisconsin) and its two branches at Manitowoc and Oshkosh were acquired. A branch of Bloomingdale's New York was opened in Fresh Meadows, Long Island, in May, 1949.

The following year Filene's added the Chestnut Hill branch in August, while Abraham & Straus's Garden City, Long Island, branch opened in October.

Sanger's of Dallas, Texas, was acquired in September, 1951. This firm also had branches located in Highland Park and on Preston Road in operation at the date of acquisition. During the year, the Fedway Division of the Federated Department Stores was established. Federated felt that the south and west sections of the country were growing rapidly. The Fedway plan was to determine the small, rapidly growing cities in this area and establish in these cities a dominant store, which would carry a full line of department store merchandise and provide department store services.

During 1952, the first two Fedway stores were established. Both the Wichita Falls and Corpus Christi units opened in October. Abraham & Straus opened a 226,000 square foot unit on February 28 in Hempstead, Long Island. This unit provided parking facilities for 1,200 cars. Meanwhile, Lazarus (Columbus, Ohio) remodeled its first floor, Shillito's installed escalators from the basement to the sixth floor, and Filene's remodeled its main store by constructing modern facilities on the site of a portion of an older building which had been demolished.

During 1953, five more Fedway stores were opened. The Amarillo and Longview, Texas, units were established in February, 1953; the Albuquerque, New Mexico, and Westwood Village, California, units, in August, 1953; the Pomona, California, unit in January, 1954. The pilot group of Fedway stores was completed with the addition of the Bakersfield, California, unit on February 1, 1954. During 1954, Abraham & Straus's Hempstead branch increased its space forty per cent by the addition of another floor. Lazarus completed its garage, adding capacity for 500 cars.

On February 17, 1955 Bloomingdale's opened its Stamford, Connecticut, branch. During the ten-year period from 1945 to 1955, floor space of The Federated Stores had increased from 5,625,000 square feet to 10,699,000 square feet; parking space was increased from 65,000 to 2,528,000 square feet.

Additions in 1956 came through acquisition of existing stores for common stock. Burdine's of Miami, with its branches at Fort Lauderdale, Miami Beach, and West Palm Beach, was acquired on July 28, 1956. Another branch of this company located on 163rd Street in Miami was opened on November 1, 1956. The Lazarus store in Columbus acquired another parking garage bringing the total parking facilities available to 5,000 cars. In Texas, Foley's added four floors (250,000 square feet) to the 500,000 square foot building which had been completed in 1948.

During 1956, three units were added to the operation. Sanger's Oak Cliff unit was opened in Dallas, Texas, in July. In September, Filene's added a unit in the North Shore 100 acre shopping center in Peabody, Massachusetts. The following month,

Abraham & Straus established a new 180,000 square foot unit in a shopping center in Great South Bay, Babylon, Long Island. These three units increased Federated's operations by 395,000 square feet.

In March, 1958, the Boston Store (Milwaukee) added a new 100,000 square foot unit in Bay Shore, Milwaukee. Lazarus opened the first areas of the 278,000 square foot addition to the downtown Columbus store. Expansion increased in pace during 1959. Five new units were acquired, while two existing small branches of the Milwaukee Boston Store were sold on August 1 for cash in excess of the investment in them. Three of the acquisitions were new units. In February, Sanger's 103,000 square foot store was opened in the Big Town shopping center. Bloomingdale's added its Bergen County 188,000 square foot unit in October. In November, Milwaukee Boston's 30,000 square foot branch in Point Loomis, Milwaukee, began operations. The remaining two new acquisitions were existing department stores whose assets were acquired for stock. On August 1, 1959, Goldsmith's joined the Federated group. This 366,000 square foot department store in Memphis, Tennessee, founded in 1870, is the largest department store in the Mid-South area. The unit has both parking lot and parking garage facilities. On October 3, Rike-Kumler Co. of Dayton, Ohio, became a part of Federated in a pooling of interests. In addition to its 650,000 square foot main store, the firm, founded in 1853, has a 280,000 square foot service building which was constructed in 1955, two downtown warehouses, a downtown parking lot, and a 600-car garage. Federated also expanded its existing units considerably during 1959.

Burdine's remodeled and enlarged its Fort Lauderdale unit to 151,000 square feet. The Abraham & Straus parent store added a 26,500 square foot annex store, a 600-car parking garage, and 50,000 square feet to its stock storage space. Its Hempstead, Long Island, unit expanded 50,000 square feet through the addition of a fourth floor.

At least fourteen of the thirty-five stores added by Federated during the period were acquisitions of existing units. The firm sold one unit at the very beginning of the period, two the last year of the study. One store was relocated. Units opened were established in both downtown areas and suburbs. A portion, but not all, of the suburban branches were to be found in shopping centers.

City Stores Company. - At the beginning of the study, City Stores was comprised of six stores; Lit Brothers in Philadelphia, Pennsylvania; Maison Blanche Co. of New Orleans, with its branch at West Carrollton; B. Lowenstein & Bros., Inc., of Memphis, Tennessee; Loveman, Joseph & Loeb of Birmingham, Alabama; and Kaufman-Straus Co., Inc., of Louisville, Kentucky. At this time, and until 1950, the annual report contained not only statements for the consolidated City Stores but also statements for each of the subsidiary organizations.

On December 19, 1944, the assets, merchandise, accounts receivable, fixtures, equipment, and property of R. H. White Corporation in Boston were purchased by City Stores. (This unit, a former subsidiary of Filene's, was sold by Federated.) The same year Lowenstein opened its Home Service unit, a five-story building

three blocks from the main store.

On August 23, 1946, another existing company was purchased, the Richard Store Company of Miami, Florida. Beginning on September 11, 1946, City Stores also began purchasing shares of Oppenheim, Collins & Co., Inc.'s common stock. By the end of the year, it owned about sixty-six per cent of the outstanding stock. This company, which had begun business in 1901, had its largest unit on West 34th in New York City, on a site which had been enlarged five times by 1946. Established stores were located in Brooklyn, Philadelphia, and Buffalo, and suburban branches were operated in Garden City, Long Island, and White Plains, New York. The firm was also engaged in mail-order business to a considerable extent. City also added a unit at East Orange, New Jersey, before year end; the Morristown, New Jersey, unit opened in 1947. This brought the number of units controlled by City Stores to seventeen.

In 1948 four units were acquired. Maison Blanche opened a second branch in Gentilly; Oppenheim Collins added a unit in Germantown, Pennsylvania. Two already existing units were purchased by the firm. Wise, Smith & Co., a sixty-year old operation in Hartford, Connecticut, was operated only until May of 1954. The other unit, Swern's was acquired January 5, 1949 and became known as the Lit Trenton unit. Founded in 1885, it was still operating in 1960. During the four-year period, the firm expanded and modernized its various controlled units. A new front was added to Lowenstein's Home Service unit in 1947, Lit Brothers was refixed in 1946, and the White Boston store's fourth and fifth floors were modernized. The Oppenheim Collins unit at Garden City was enlarged

in 1948, and Maison Blanche, Carrolltown, was relocated so that it could expand from 8,000 square feet to 25,000 square feet.

Expansion and improvements continued in 1949. Elevators were improved and escalators added to the Kaufman-Straus store; a restaurant, beauty shop, and men's store were added at R. H. White (Boston). Loveman, Joseph & Loeb expanded 33,000 square feet in a five-story building adjacent to its location. Oppenheim Collins relocated its East Orange unit in enlarged quarters on September 7, 1949. The firm acquired more than 175,000 of the 219,000 shares of the outstanding stock of the Franklin Simon chain. This subsidiary had eight stores, and seven of these were continued in operation at the end of the year. The Bridgeport unit was closed, as was the White Plains unit of Oppenheim Collins. In April, 1949, Lowenstein's East was opened. It proved to be too small and was tripled in size by 1954. In October, 1949, Lit opened its 69th Street (Upper Darby) unit. By year end twenty-nine City Stores units were in operation.

Expansion slowed in 1950. Only two specialty shops were opened, one each by Oppenheim Collins and Franklin Simon. Oppenheim, Hackensack, New Jersey, was added in September, seven months after the Newton, Massachusetts, Franklin Simon began operations. Lit Trenton (formerly Swern's) was modernized and new escalators were added. Loveman, Joseph & Loeb opened a new warehouse in 1950; Kaufman-Straus in Louisville was modernized. The Richard Store, acquired in 1946, was expanded by 60,000 square feet.

During 1951, Oppenheim opened its Huntington, New York, unit and Franklin Simon its Westport, Connecticut, store. Then on

August 20, 1951 the firm purchased all of the common stock of Lansburgh and Brothers of Washington, D. C. Lansburgh's owned a 280,000 square foot store and operated two warehouses.

Oppenheim Collins was responsible for the only new acquisitions in 1952. Its Haddonfield, New Jersey, unit was opened in August and its Wilmington, Delaware, unit on November 20. The following year it added the Cross-County Center at Yonkers. Franklin Simon purchased Lousel, a ladies' specialty store in Philadelphia, in February, 1953. The important announcement of the year, however, was that Lit Brothers planned to develop a shopping center in co-operation with Food Fair.

During 1953, Lowenstein's East was expanded (tripled), and Maison Blanche opened its Budget Annex in September. The front of the main Maison Blanche store was modernized during the year. Franklin Simon closed its Newton, Massachusetts, unit and opened one in Boston. Oppenheim Collins added a unit in Greenwich.

Lit Northeast, 152,000 square feet in size, was opened in February, 1954, and White established a branch in Worcester on March 17, 1954. Loveman, Joseph & Loeb added two new units during the year. The first, an acquisition, was Erlick's Department Store in Bessemer, Alabama. This fifty-year-old firm began the operation of its two-story, 24,000 square foot store under the Loveman name in March, 1954. In October the 100,000 square foot, two-story, plus basement, Montgomery branch of Loveman's was completed. Operations at Hartford (Wise, Smith & Co.) were terminated on March 13, 1954. At this time, the firm consisted of eighteen department stores and twenty-two specialty shops.

In October, 1955, Lit Camden opened. The three-story building and basement of 145,000 square feet capacity had been built on the site of the former courthouse. The City of Camden had agreed to provide parking facilities for the unit. Lansburgh opened its unit in Langley Park shopping center in October also.

Another existing firm joined the City Stores group in March of 1955. This was Bry-Block, a store in Memphis, Tennessee, which had been founded in 1902. Franklin Simon opened two stores (in Memphis, Tennessee, and Miami, Florida) during the year; Oppenheim Collins-Brooklyn closed.

The number of units operated by City Stores increased from forty-four in 1955 to fifty-four a year later. Franklin Simon added stores in Baltimore; Seven Corners, Virginia; Cincinnati; and Manhasset, Long Island. Oppenheim Collins added units at the Thruway Plaza, Buffalo, New York; Willow Grove, Pennsylvania; and Hicksville, New York. In August, B. Lowenstein's Whitehaven Plaza, 72,000 square feet in area, began operations and, in November, the Maison Blanche opened at Airline Highway. Hearn's Bronx was added to the firm when controlling interest in the Hearn Department Store was acquired on October 27, 1956.

Expansion was even more rapid during 1957. Richards North Miami, 88,000 square feet in size, opened, and about the same time Lit Brothers established a 30,000 square foot store at a Morrisville, Pennsylvania, shopping center. The West Side Store, a 65,000 square foot branch of Maison Blanche, opened in January, 1958. Oppenheim Collins sold its Greenwich store but opened three others, units in Bay Shore and Valley Stream, New York, and Paramus, New Jersey.

R. H. White Boston was closed, although the branch at Worcester, opened in 1954, was operating successfully. Major addition of the year, however, was the acquisition of the Kline's stock. This company operated a junior department store at Kansas City, Missouri, and six specialty shops in St. Louis, Clayton, and Cincinnati, Ohio; and in Detroit, and Eastland and Northland centers in Michigan. The St. Louis unit was closed in 1958 and the Cincinnati unit in 1959, but the others continued with apparently successful operations. At the end of 1957, City Stores was comprised of twenty-six department stores, one junior department store, and thirty-eight specialty shops.

Expansion again slowed in 1958. Oppenheim Collins in Harundale, Maryland, opened and Kline's in St. Louis closed. The net total of units operated remained unchanged.

Major alterations were also undertaken in 1957. Oppenheim Collins' main store at 34th Street, New York, was overhauled and an escalator installed. Lit added a fourth floor and 30,000 square feet to its 69th Street unit. Lansburgh's (Washington) added a new specialty shop on the street floor and refixed its first floor lighting. Hearn's Bronx store was air conditioned. Perhaps the biggest alteration was the remodeling of Maison Blanche, New Orleans, which resulted in the addition of 78,000 square feet of space.

During 1959, both expansion and modernization continued. Lansburgh's, Washington, was renovated, modern lighting was provided, and escalators installed. Richards of Miami was improved. Nine new units were added. Franklin Simon closed the downtown Cincinnati store (formerly Kline's) and Oppenheim Collins' Garden City, Long

Island, and downtown Baltimore units were closed. Newer, larger units took the place of these last two in shopping centers. Roosevelt Field shopping center opened on Long Island, and the Towson Plaza, Baltimore, store was completed. In addition, Franklin Simon opened units at Crestwood Plaza, St. Louis; Lenox Square (a regional shopping center) Atlanta; Charlottetown at Charlotte, North Carolina; and Las Olas Center in Fort Lauderdale. These additions increased the number of specialty shops operated to forty-one. Two department stores were also added during 1959. Kaufman-Straus opened a 60,000 square foot suburban store in Dixie Manor, and Lansburgh's added a 150,000 square foot unit in suburban Shirlington, Virginia. Twenty-nine full line department stores and one junior department store were in operation in 1959.

City had grown from six units to seventy-one units during the fifteen-year period. Of the seventy-nine stores added during this interval, nine existing stores were acquired and three chains with a total of twenty-two units were purchased. The other stores were new operations. Two of the nine purchased units were terminated within the fifteen-year period: the R. H. White Boston store, and the Wise, Smith & Co. Hartford unit.

Allied Stores Corporation. - This firm's acquisitions, terminations, new properties, and disposals are difficult to compute. First, there are many units operated by the firm. The multiplicity alone makes the task of accounting for units difficult. Moreover, the listing of stores owned found on the covers of the report represents locations, not units. Therefore, it does not, in most years, agree

with the number of stores operated shown in the statistical section of the report. For example, a count of the stores listed in the 1958 report totals eighty-three; however, statistics in the same report indicate eighty-six as the number of stores operated. The situation is further complicated by the existence of several chains. In most years locations of these chains are not given; only the number of units in each of several states is indicated. In the earlier years, the number of units operated by the chains did not agree with the units listed by states. Also, from time to time, some of the units have changed names or shifted between independent and chain categories.

In addition, there is the usual problem of units which have opened between the fiscal year end and the date of the issuance of the letter to the stockholders. Despite these difficulties, I have endeavored to compute changes in the number of stores by year for the period. Undoubtedly the tabulation could be improved; however, I feel that the correction would not materially alter the general picture.

In 1945, sixty-nine stores were operated by the firm. During 1946, the Anderson's chain purchased three units. Laubach's in Easton, Pennsylvania, was purchased for cash, as were A. M. Jensen of Walla Walla, Washington, and an unidentified unit in Harley, Idaho.

The Bon Marché Spokane unit was opened in 1947. This same year, Herpolsheimer's (Grand Rapids) added a small unit in Muskegon. The Wm. D. Hardy and Co., a large department store in Muskegon, had burned in 1946. Herpolsheimer's (Grand Rapids) purchased the

working assets and good will of the company and undertook to construct a building which would merge the older firm with the new unit. This merger produced Hardy-Herpolsheimer, which is still in operation in 1960.

Troutman's, another chain owned by Allied, purchased the capital stock of Metzger-Wright in Warren, Pennsylvania, and this became another of its chain stores. It was to operate until 1958. The Fashion Co. in Columbus was acquired through an exchange of capital stock in September. It was later merged in 1950 with Morehouse-Martens, a firm already owned and operated by Allied. A similar merger was being prepared in Cleveland. In 1948 the Linden Co., a women's specialty shop, and W. B. Davis, a men's shop, were acquired. The first was a cash transaction, the second an exchange of Davis stock for Allied Preferred. These two were merged and later merged again with the Sterling-Lindner Co., which was acquired in 1949. Allied also opened two new units in 1948: the first, Maas of St. Petersburg, the other, Joske's of Houston.

Bon Marché, Everett, was opened in 1949. This and the Sterling-Lindner acquisition were the only additions that year. About this time, six of the Anderson units were terminated.

Expansions of existing stores had not been neglected over this period. In 1947 Gertz of Jamaica added 130 per cent more space to its existing unit, while Rollman's (Cincinnati) and Polsky's (Akron) were expanded and improved. Donaldson's in Minneapolis, Golden Rule in St. Paul, and Bon Marché in Spokane were modernized. The following year, construction was reported under way at Jordan Marsh, Boston; Herpolsheimer's, Grand Rapids;

and Meyer's, Greensboro. A new building was completed for Maas, St. Petersburg. In 1949, improvements and modernization continued in Minneapolis, Seattle, Tampa, and Lowell. Five stores were refixedtured.

In 1950, Bon Marché at Longview, Washington, was opened, and Northgate was completed on April 21. Two more Anderson's units in the West were closed this year. Major additions were completed at Dey in Syracuse, Pomeroy's in Reading, Pomeroy's in Harrisburg, Peck's in Kansas City, Laubach's in Easton, Donaldson's in Minneapolis, and Sterling-Lindner in Cleveland. Three more stores were refixedtured that year.

Modernization continued at seven stores in 1951, and an additional seven Anderson's units closed. Three stores were acquired through exchange of stock. Troutman's acquired the New Castle Dry Goods Co. in Pennsylvania, and Stern's of New York became a subsidiary on April 10, 1951. The Palace in Spokane, Washington, was acquired for cash. It was to be merged with the Bon Marché Spokane unit the following year. In addition, Gertz opened a branch at Flushing, New York. With the completion of the first major shopping center in Framingham, the Jordan Marsh store there opened as the dominant unit in the plaza. This major event will be further discussed in Chapter IV.

Another Anderson's unit was closed in 1952, and the firm acquired three small units: Robinson-Schwenn at Hamilton, Ohio; John Ross in Middletown, Ohio; and Wren's in Springfield. A small unit was also purchased and merged with an existing unit in Washington.

In 1953, Allied acquired the Jordan Marsh unit at San Diego, but this unit was terminated in 1957. Read's in Bridgeport, Connecticut, and Donaldson's in Rochester, Minnesota, were also acquired that year. Another two units of the Anderson's group were eliminated, and the total stores operated, according to the Allied annual report, was seventy-three.

In 1954, the Joslin store was modernized and enlarged and opened in March as Jordan Marsh, Malden, Massachusetts. Levy's of Savannah was enlarged to triple its former size. Bon Marché-Russell's in Eugene, Oregon, was added in September, and Maas in Sarasota in November. In addition, on February 1, 1954, the firm acquired the assets of an existing store, Kennington's, in Jackson, Mississippi. The O'Neill store in Baltimore was closed when its leases terminated in 1954. This same year, a major addition was completed at the Gertz, Jamaica, store, and the Titche-Goettinger's addition, which had doubled its size to over one-half million square feet, was completed. Pomeroy's Pottsville unit was enlarged and modernized.

In the fall of 1955, Polsky's Canton was added to Allied's list of firms, and Cain-Sloan, with a long record of profits, was acquired. Stern's opened a branch at Great Neck in September, and Pomeroy's unit at Levittown began operations in March.

An additional floor was added to the Paris of Montana store, and four floors were added to Bon Marché, Seattle. Field's of Jackson, Michigan, was expanded, and Quackenbush in Paterson, New Jersey, was refixed.

Six units were added in 1956, and these brought an additional

1,130,000 square feet to Allied's existing space. Shopping center stores were opened in Swifton (Rollman's); Gulfgate (Joske's); Southdale, Minnesota (Donaldson's) and Hicksville (Gertz). Branch stores were opened by Maas at Sarasota and Jordan Marsh at Miami. The Miami store, a three-floor unit, was leased. Plans called for future expansion, and by 1958 two additional floors were added. The shopping center unit at Hicksville was also planned for expansion. However, the full five floors were built in 1956 though only four were used initially. The fifth was fixtured and placed in operation in 1959. In 1956 another Anderson's store was terminated. Anderson's at Boise was modernized with escalators, and Black's in Waterloo was enlarged.

Joske's at Las Palmas opened in 1957, and Bon Marché at Bellington, Washington, was placed in operation. In November Stern's opened its 315,000 square foot branch at Paramus at the Bergen Mall shopping center. Cain-Sloan moved into a new building of 350,000 square feet, with a parking garage of 175,000 square feet. An addition of 106,000 square feet was added to Bon Marché Spokane. In Boston, Jordan Marsh completed the third section of its five-section rebuilding program. Jordan Marsh San Diego was closed.

In 1958, for the first time since 1951, more units were closed than were opened. The Warren store acquired by Troutman's in 1948 was closed, and another small Anderson's unit in Ogden, Oregon, terminated. A Jordan Marsh unit, 250,000 square feet in size, opened in the Northshore shopping center at Peabody. This brought the number of stores operated by Allied to eighty-six.

In 1959, two junior department stores were liquidated, and only one unit was added. The firm acquired the assets of an existing junior department store, Missoula Mercantile in Montana.

The firm expanded over the period from sixty-nine units to eighty-five units. Twenty-nine units were closed, but of these, five were the result of mergers of two or more stores in one city. An additional two were regular department store units, named individually in the listings by Allied. The remaining twenty-two were Troutman's or Anderson's units. These apparently are smaller units. Apparently all the Anderson's units and most of the Troutman's stores had been owned at the beginning of the period.

The firm has followed a policy of acquiring existing units when available and has also established downtown, branch and shopping center units. Of the forty-five stores added, at least twenty-one were units which had been in operation before their acquisition by Allied.

Mercantile Stores Company, Inc. - In its 1945 report, Mercantile announced that its expansion program, begun in 1944, was being accelerated. The 1944 report was very brief, and it is difficult to separate the activities which took place into the two years. The 1945 report indicates that twenty-five department stores were opened in the two-year period and that fifty-six appliance stores had been leased. For our table purposes, we shall group all of these as being acquisitions of 1945. Major department stores were operated under sixteen different names.

Mercantile's expansion program was initiated to take advantage of the pent-up demand for appliances which had not been available during the war. The build-up of appliance stores was to prove none too profitable, for by the end of the period all but five units had been eliminated.

To arrive at the totals indicated in the 1946 report, we must conclude that five of the appliance stores and two of the junior department stores acquired in this first surge of expansion were temporary ventures.

In October, 1945 the company opened a new department store in Greenville, South Carolina; this store was in operation less than ten years.

Fourteen appliance stores and five junior department stores were added to the operation during 1946. The Mt. Vernon, Washington, unit operated until 1957; the Orangeburg, South Carolina, unit closed in 1956. Jones in Pittsburg, Kansas; Montgomery Fair in Opelika, Alabama; and Joslin in Lakewood, Colorado, however, are still in operation.

The percentage of stores opened which have had success in operations was about as small in 1947. Of seven junior department stores opened, only four were to survive. These were Bacon's in Jeffersonville, Indiana; Peoples in both South Tacoma and Port Angeles, Washington; and Right House in Brantford, Ontario. The shortest-lived store was the Carbondale, Pennsylvania, unit which opened in July, 1947 and closed in 1951. The Shamokin, Pennsylvania, unit, opened in December, 1947, closed in 1954. An additional two of the junior department stores which were acquired or opened in

in the 1944 - 1945 period also closed during 1947. The last of the appliance stores, four in number, were opened during 1947. Thereafter, the annual reports indicate only terminations of these unprofitable units.

Expansion slowed in 1948. Five of the junior department stores initially acquired were eliminated, as were two of the appliance units. The percentage of successful openings climbed, for only one of three junior department stores opened in 1948 was not in operation at the end of the period. The Pittston, Pennsylvania, unit was terminated in 1958, but Jones at Muskogee, Oklahoma, and Root's at Robinson, Illinois, have apparently been successful.

During 1949, nineteen of the appliance stores were terminated, bringing the total in operation at the end of the year to forty-six units. This contrasts with the peak of 1947 when sixty-seven units were in operation. Three junior department stores must have closed, for the total of the department and junior department stores remained constant in the two years while the annual report informs us that three new stores were added. All three, Jones at Kansas City, Missouri (which opened in March, 1949), J. B. White at Columbia, South Carolina, and Joslin's junior department store in Aurora, Colorado, remain in operation today. Two warehouses were added in 1950, one at Louisville, Kentucky, a second at Tacoma, Washington. The firm also opened a new junior department store at Fremont under the Lion name in November. During the year a major department store was added through acquisition of its stock. The unit, C. J. Gayfer's in Mobile, Alabama, was established in 1879 and is a leading department store

in that area. Real estate next to Gayfer's was purchased a few months thereafter, and major expansion was begun. Upon completion of the expansion at the end of 1951, Gayfer's was doubled in size. Three more of the appliance units closed in 1950.

Additions in 1951 were fifty per cent successful. A new building erected in Independence, Missouri, for a Jones store continued through 1960; a Lazarus unit, opened in a leased building in Nanticoke, Pennsylvania, operated but seven years. Eighteen appliance stores and the Carbondale, Pennsylvania, junior department store were closed in 1951.

In 1952, seven more appliance units and a junior department store in Bozeman, Montana, were terminated. Joslin's in Merchant Park, Denver, opened in March and the Right House operation acquired an existing junior department store in Galt, Ontario.

In 1953 the appliance stores were reduced to thirteen with the closing of five more units. In August Bacon's in St. Matthew's was added. Another existing unit located in Paris, Illinois, was purchased and opened under the Root's name in October upon completion of remodeling. The Right House in Galt was remodeled in 1953, and a new warehouse was acquired in Kansas City, Missouri.

By the end of 1954, the appliance units operated had decreased to nine. In November, McAlpin's in Western Hills, Ohio, was opened. This is the first mention of a shopping center location. Two Denver, Colorado, junior department stores were moved that year to larger locations. The Greenville, South Carolina, unit of J. B. White, opened in 1945, and the junior store in Paris, Kentucky, opened in 1947, both terminated by the year's end.

In July, 1955, another major unit, O. J. DeLendrecies, in downtown Fargo, North Dakota, which had been founded in 1879, was acquired by Mercantile. Castner-Knott added a shopping center branch in Nashville in August, and Peoples acquired a new unit in the suburbs in May. The Fair Store of Cincinnati, Ohio terminated in November. This was the only store closed during the period of our study which was large enough to be listed by name in the 1946 report. Merchantile operated in Cincinnati both a McAlpin downtown unit and its new Western Hills shopping center branch; these two were much more profitable than the Fair store and would benefit from its closing. In addition, there were plans at this time for the opening of another suburban unit of McAlpin.

Two major units were air conditioned during 1955, and Jones in Kansas City, largest of the Mercantile units, was modernized.

During 1956 five new units were added, one store was relocated, and two junior department stores were closed. Bacon's in Jeffersonville moved from a suburb to a shopping center, and its capacity was doubled. The units terminated were those at Orangeburg, South Carolina (opened in 1946) and Chehalis, Washington (apparently one of the 1944-1945 acquisitions).

Another well-established and well-known department store, Crews-Beggs, in Pueblo, Colorado, which had been founded in 1888, was acquired in 1956. McAlpin's second shopping center opened in September in Kenwood. The market potential of this unit had been underestimated for in March of 1959 it was necessary to enlarge it by 30,000 square feet.

Gayfer's Pensacola branch opened in a shopping center.

In August Bacon's completed its twelve-acre shopping center branch in Shively, Louisville. Not all the new units, however, were in shopping centers. Joslin's downtown Boulder, Colorado, unit was completed in November.

The total number of units operated did not change from 1956 to 1957. A Lion branch was added in Westgate, a suburb of Toledo, and Montgomery Fair of Alabama opened a shopping center branch. Two junior department stores acquired in 1946 and 1947 (Mt. Vernon and Shamokin) closed during the year.

In 1958, the units at Pittston (opened in 1948) and at Nanticoke, Pennsylvania (opened in 1951) were eliminated. In October of this same year Jones Prairie Village was established in a shopping center.

In September, 1959, the McAlpin's division added its third shopping center branch in Cherry Grove. Two months later, the McAlpin's Middletown unit was relocated from a downtown area to a shopping center. Capacity of the unit was doubled.

During the year, a branch store in Bellingham, Washington (MacDougall's) was eliminated, as was an appliance store (Bacon's) in Elizabethtown. At the end of the period, only five appliance stores were in operation. Three new stores and a major expansion are planned for the future.

Mercantile has expanded during the period both through new facilities and through acquisitions of existing units. At least five established firms were purchased during this period, and the early reports indicate that at least some of the twenty-five initial junior department stores added had been previously operated.

Appliance stores have been unprofitable, for had they been successful, more of them would exist today. About sixteen of the twenty-five junior department stores acquired in 1944-45 were eliminated by the end of the period. Several more added in 1946, 1947, 1948, and 1951 also closed before 1960. Perhaps this firm was just too anxious to grow rapidly, and purchased or established units without adequate investigation. Its recent choices of locations appear to have been more successful. New units used the name, and trade on the reputation of, the established downtown stores. The trend of Mercantile seems to be to acquire established firms in areas where it has not penetrated and to add branch units around its present dominant stores.

Spiegel, Inc. - In 1944, Spiegel announced in its annual report that initial steps had been taken in its five-store plan. This plan called for the eventual establishment of five chains of stores: fashion stores, boys and girls stores, stores for men, stores for the home, and hardware, farm and auto stores. This plan was never to be realized by the firm. In fact, by 1955 the firm announced intention to dispose of all remaining stores as soon as possible and to continue operation of only the catalog units.

In April, 1944, a chain of forty-six fashion stores, the Sally Stores, was acquired. An additional chain of twenty-six fashion stores, the Beverly Stores, was purchased in December and placed under the Sally management. Two retail units were opened during 1944, initiating the boys and girls division. In August the firm acquired the Federal chain of twenty stores in the West

(California and Nevada). These units sold home furnishings, clothing, and jewelry. Five one-price dress shops with catalog order desks were opened in the Chicago area. These acquisitions total ninety-nine units, but the annual report states that one hundred were opened or acquired in 1944. While I cannot reconcile the unit difference, we shall proceed from Spiegel's indicated total.

The first of the home stores was opened in January, 1945 when the firm acquired the Straus and Schram chain of five furniture stores in Chicago. Three more existing home furnishings stores were acquired later during the year: Harbour-Longmire of Oklahoma City; Dorris-Heyman of Phoenix, Arizona; and Morrison-Neese of Greensboro, North Carolina. One of the five Straus and Schram chain was apparently closed during the first year of operation, for the 1945 report refers to four stores rather than the five mentioned in 1944.

During the year, various catalog order desks were installed in the retail units, and the names of some of the Sally and Beverly stores were changed to Spiegel. Under an unusual arrangement made at the time the Whitney Department Store in San Diego was acquired, Mr. Clement D. Ryan, President of the store, continued with the unit and held an option to repurchase the store after March 1, 1948. Spiegel felt sure that in the interim time it would receive a "substantial return on its investment."¹

Acquisitions continued at a rapid pace in 1946. Four new home stores were acquired: the Robert Keith store of Kansas City,

¹Annual Report of Spiegel For the Year Ended December 31, 1945, p. 5.

Missouri; Sydnor & Hundley of Richmond, Virginia; Stoehr-Fister of Scranton, Pennsylvania; and Miller Brothers of Chicago. In April, 1946, the J. & R. Motor Supply Company chain of fifty-five stores was acquired and these became the first units in the hardware, farm, and auto division of the Spiegel Co. These acquisitions brought the number of units operated by Spiegel to 167.

Efforts were directed to consolidation and improvement in 1947. Two stores were closed. The Whitney Department Store acquired with its peculiar repurchase contract was lost by the company in this year. Mr. Ryan died on October 24, and his option reverted automatically to the original owners of the store. They exercised the option on December 31, 1947. Spiegel reported that the firm had "realized a sizeable return on the Whitney investment."²

The first separate catalog stores, eight in number, appear in the 1948 statistics although many of the 164 retail units operated at this time also had catalog order desks. By 1949, the catalog units increased to twenty-six, and an additional two were opened in 1950. In 1950 the retail stores numbered only 153. There were in operation seventy fashion stores, fifty-two hardware, farm, and auto stores, eleven home stores, and twenty Federal stores. This would indicate that in the period since 1946 the two boys and girls stores had either closed or changed in character. In addition,

²Annual Report, Spiegel, For the Year Ended December 31, 1947, p. 4.

eight fashion stores and three hardware stores had been eliminated.³

In 1951, a net of six catalog stores were opened, and eight retail stores were closed. Three of the retail stores were Federal units located in California. In addition four fashion stores and one auto-hardware store were eliminated.

In 1952 both catalog and retail store units increased in number. Thirty-two new catalog stores and four auto-hardware units were opened. However, three fashion stores were closed. Some reclassification also took place about this time. There is a discrepancy between figures reported in the 1953 and 1956 annual reports. The 1953 report shows sixty-six catalog stores for 1952 and seventy-five for 1953. The same year, 146 retail units are reported operating in 1952, while 139 retail units are indicated for 1953. In the 1956 report, a summary of stores going back a number of years is listed: it shows catalog units of 110 for 1952 and 120 for 1953. It was during this period that Spiegel decided to abandon the retail divisions and its five-store plan. We can conclude from the comparison of the figures that forty-four of the retail units in 1952 were relocated or changed to catalog units, and an additional unit was so relocated the following year. If this assumption is correct, then an additional nine catalog units (exclusive of transfers) were opened in 1952. The 1953 report indicates that eight retail units were closed that year, and (following our assumption) seven of these were discontinued, while the eighth was replaced by a catalog unit. We would then have ninety-four

³The fourteenth store is the unit unreconciled when the firm reported 100 units, but I could account for only ninety-nine.

retail units at the end of 1953. Various ones were sold in 1954 and 1955. Seven furniture stores and the fashion chain were sold in 1954, and the remaining furniture stores and the auto chain were eliminated in 1955. Only the Federal group on the West Coast remained in operation and this group had been reduced to twelve units. By 1958, the chain contained but nine stores. No information is available concerning the remainder of these units.

The catalog stores, however, were increased beginning in 1955. There had been a net reduction of three units between 1953 and 1955. Then the reports indicate additions of twenty-five units, twelve units, twelve units, and twenty-two units in 1956, 1957, 1958, and 1959, respectively. One unit was closed in 1958.

All of the catalog units at present are within a 300-mile radius of Chicago. However, the firm announced that areas outside the present perimeters are being tested. Expansion plans call for an additional thirty-five to forty units in 1960.

Spiegel's expansion had been primarily through the acquisition of existing chains and individual units. We know that one department store, ninety-two fashion units, fifty-five auto-hardware units, and twelve home furnishings stores were purchases of existing units. These total 160 of the 172 units acquired. We do not know the character of the one unit unaccounted for prior to 1945. This unit, the two boys and girls shops, the five one-price shops, and the four auto-hardware shops added in 1956 could have been new facilities. However, even if these were new units, the greater part of the expansion in the retail outlet division was through acquisition. On the other hand, the catalog units are new units.

And it is these new units which have proved to be profitable for the firm.

Aldens, Inc. - Aldens is a story of policy reversal during the fifteen-year period. The 1945 report indicates that the firm closed all catalog order stores in 1944 and intended to have order departments only in its retail units throughout the country. No more is mentioned of the catalog office until 1949, when the firm reported that it had two catalog offices and fifteen telephone units throughout the country. By 1950, telephone and catalog offices had increased to fifty. Two catalog offices and four telephone units were opened in 1951. The following year, the number of these combined units was reduced to fifty-two. No mention is made of the units in 1953, but by 1954 there were seventy telephone and catalog offices listed in the annual report.

For the next three years, a breakdown of units is available. Seven units were added in 1955, and at the end of that year there were fourteen catalog offices and sixty-three telephone units in operation. In 1956, twelve catalog offices were opened, while twenty-five telephone units were closed. The following year ten more telephone units were eliminated, and fourteen catalog units were opened. The 1958 and 1959 reports do not distinguish between the two types of units, but only indicate a net decrease of eight for 1958 and an increase of five for 1959. At the end of the period, then, Aldens had sixty-five telephone and catalog offices in operation, as opposed to none at the beginning of the period.

The most interesting innovation in catalog order offices

was put into effect in 1957. At that time, Aldens entered into an agreement with National Tea Company whereby six units were installed in their stores (National Food Stores). In 1958 there were five such units operating successfully, and the 1959 report listed four. The 1958 report indicated that the firm felt that the "super-market traffic and parking facilities offer good sales potential."⁴ The 1959 report did not comment on the National Food Store units, and the decrease in units may mean that this has proved less successful than anticipated. However, the company is following a policy of increased catalog offices. Their expansion plans for this division include "the opening of additional locations at the rate of one each month, which we have found to be at as rapid a pace as profitable sites can be found and personnel properly trained."⁵

In 1944, when the catalog stores were closed, the firm embarked on a program of acquiring retail stores. At that time two such units were owned and operated by the firm. One was the Aldens store in Chicago; the second unit was the Aldens Famous store in Springfield, Illinois. The latter unit was sold in December, 1945 soon after the September purchase of Gebhard-Gushard Co. of Decatur, Illinois. The Gebhard-Gushard unit was terminated early in 1949.

Of the five purchases made in 1946 four are operating in 1959. The five stores acquired were Merkel Co., Mason City, Iowa

⁴ Aldens Annual Report, 1958, p. 7.

⁵ Aldens Annual Report, 1959, p. 7.

(closed in 1955); Elmwood Park Department Store, Inc., Elmwood Park, Illinois; Strub-Wareham, Inc., Iowa City, Iowa; Windmiller's, Inc., Chicago, Illinois; and the Herz Store, Inc., Terre Haute, Indiana. The following year, Breeden and Co., Bloomington, Indiana, was acquired, and it too is still in operation.

No new stores were added from 1947 to 1949. Then Aldens opened three stores in two years. These, unlike the prior acquisitions, appear to be new stores. At any rate, the annual report speaks of remodeling and "ready for occupancy" in connection with these units. In subsequent reports, no firm name is associated with these locations, although some of the prior acquisitions carried the prior name beside the city location. In 1952, the firm leased a store in Lansing, Michigan. This unit continued in operation until April, 1958. The Rockford unit, added in 1950, was eliminated in February, 1958, but the Bedford and Frankfort units have apparently been successful.

From late 1954 through 1956 another group of stores was acquired. The Gimbel and Bond store in Vincennes, Indiana, was added in October, 1954; followed by McAtee's in Owensboro, Kentucky, in March, 1955; N. Kaufman's of Uniontown, Pennsylvania in August, 1955; and in 1956, O. T. Johnson Dry Goods, of Galesburg, Illinois, and the Young Dry Goods unit in Alton, Illinois.

The greatest number of retail units operated was in 1955 after these last two acquisitions and the Merkel termination. Fifteen units were continued until 1958, when the Lansing and Rockford units were eliminated. All thirteen units operated in 1959 were classified by the company as junior department stores.

In various years the firm has indicated that catalog units and retail stores were refurbished and modernized. Occasionally relocations are also mentioned in connection with the catalog units, but no specific details are given.

The firm indicates that it plans expansion in the retail division, and that this expansion will take place through the "acquisition of additional well established businesses, as stores which meet our requirements are made available to us."⁶

In summary, this firm opened 112 telephone and catalog offices, and closed forty-seven; it added sixteen retail stores, and terminated five during the period. The catalog offices represent a reversal of policy initiated in 1944, when the firm decided to locate catalog stores only in its own retail units. Of the sixteen retail stores added, twelve were existing units. Two of the four units opened initially by Aldens were closed during the period, while only three of the twelve purchased stores were found to be unprofitable. Therefore it is not surprising that the firm has decided to expand its retail operations through acquisitions in the future.

In 1955 the building at 5000 West Roosevelt Road, Chicago, was completed. It now houses the executive offices, and the warehousing, buying, and operating functions which had been scattered throughout six buildings in the Chicago area. The location covers twenty-five acres and provides 650,000 square feet for office, warehouse, and service use.

⁶Ibid.

Montgomery Ward & Co., Inc. - Ward began expansion late in the period compared with any of the other firms. This was due to its colorful Mr. Avery's⁷ fear of recession. Ward had 632 retail units in 1945. From 1947 until 1956, seventy of these units were closed. In March, 1957, Ward opened its first retail unit in sixteen years in Portsmouth, Ohio, replacing a smaller unit. This same year twelve units were closed and Ward purchased ninety-nine per cent of the common stock of The Fair in Chicago. The acquisition added four retail units to Ward's operations. Major alterations were completed in six units, ninety-five stores were redecorated, and twenty-five stores were air conditioned.

Large capital expenditures continued in 1958. Five units were built and ten were closed. Ward rehabilitated and expanded sixteen units, ninety-seven stores were redecorated, and sixteen air conditioned. A major distribution center was completed.

During 1959 twelve new units were placed in operation, five of which were relocations of existing units. In addition to the five stores relocated, nine units were closed. Two more distribution centers were completed.

Precise data are not as available for the catalog units. There were 195 such units in operation in 1945, and for the years until 1955 only net increases or decreases in these units are available. Units were added in 1945, 1947, 1949, 1953, 1954, and 1955. In 1950, 1951, and 1952 there were net decreases in the number of units operated. By 1955, 301 units were operated. One hundred and

⁷ Mr. Avery was Chairman of the Board of Directors.

thirty-two new units were opened and eighteen closed in 1956 alone. The next year sixty additional units were opened, and in 1958 and 1959, fifty-five and forty-four new units were added. Three units were closed in each of these last two years. Eleven of the catalog stores that opened in 1957, five of those in 1958, and six of those in 1959, were replacements for retail units which had been found to be unprofitable ventures. Ward ended the period with 568 catalog units, an increase of 291 per cent over the base period. However, its retail units had decreased from 632 to 547, or about thirteen per cent. Capital expenditures reported by the company for construction from 1955 until 1959 were just short of \$98 million.

J. C. Penney Company. - At the beginning of the study, Penney had 1,608 units in operation. In the 1945 report, it announced a policy of selective expansion. Six units were closed in 1945, and an additional two in 1946. The latter year one unit was opened. There was a net increase of two units in 1947 and a net decrease of two in 1948. During this two-year period, however, 300 units were enlarged, renovated, relocated, or refixed.

In 1949 more complete statistics are available in the annual report. Seven new units were opened, and thirty-three were relocated, for a total of forty new units. One store (other than the relocations) was closed. The same year major expansions were completed in fifty units, and seventy-four units underwent either small alterations or improved fixturing. In 1950, eleven stores were opened in new areas, and twenty-three units were relocated,

for a total of thirty-four new units. The same year six stores were closed other than those which were relocated. Improvements, enlargements, or refixturing took place in 175 additional units.

This same pattern continued from 1951 until 1959. Each year, until 1958 stores opened exceeded stores closed. In 1958 and 1959 total units in operation decreased. Over the period many stores have been relocated, and over 100 stores each year have been enlarged, improved, or refixed. Since the easiest way to observe the growth and activity of this firm is through a summary, Table 4 has been included.

Penney has long followed the policy of having a Penney-trained employee open a new unit. None of its stores have been acquisitions of existing units. Its growth represents new or expanded facilities in the community.

Sears, Roebuck and Co. - Sears has expanded in several directions. There are units in the United States, in Latin America, and in Central America. Sears also has an interest in the Sears-Simpson stores in Canada, and in Waltons-Sears, Limited, in Australia.

In 1959 Sears sold the Sears Roebuck Australian Pty. Limited's interest of twenty-four per cent in Waltons-Sears, Limited, to the other stockholders. A capital gain of seventeen per cent was realized at the time. In 1958, Waltons-Sears operated twenty-nine retail units, nine catalog offices, and one mail order plant in Australia. These units are not included in this report, since the Sears interest was only a partial ownership, and did not extend to the end of the period.

TAE

J. C. PENNEY - E

Year	New Location	Relocations	Total Ur.
1951	12	27	
1952	14	21	
1953	8	17	
1954	18	28	
1955	33	26	
1956	30	31	
1957	26	35	
1958	19	47	
1959	22	36	
Total	182	268	45

SOURCE: Annual reports.

Year is defined on pages 10 - 12.

A - Represents units enlarged, improved

B - Annual report indicates that in ex
improved during the year.

Figure 1 consists of 18 micrographs arranged vertically, showing the development of a single embryo from fertilization to hatching. The images are labeled as follows from top to bottom: 1. Fertilized egg; 2. 2-cell stage; 3. 4-cell stage; 4. 8-cell stage; 5. Morula stage; 6. Gastrula stage; 7. Early neurula stage; 8. Late neurula stage; 9. Early tailbud stage; 10. Late tailbud stage; 11. Early hatching stage; 12. Late hatching stage; 13. Hatched embryo; 14. Hatched embryo; 15. Hatched embryo; 16. Hatched embryo; 17. Hatched embryo; 18. Hatched embryo. The images show the progression from a single cell to a fully hatched embryo, with various stages of cleavage and differentiation visible.

In January 1953, Sears purchased an interest in Sears-Simpson of Canada. Sears and Simpsons, Limited of Canada each own one-half of the venture, and have equal representation on the board. The purpose of the venture is to build Sears-type units in all cities except the five where Simpsons operates retail stores. The new company took over the four mail order plants already existing in Canada, but in 1952 no retail outlets of the Sears-type existed. By 1954, eleven units were in operation. In 1955, an A unit was opened in Ottawa, B units were completed at Port Arthur and St. John, and six other small units were placed in operation.⁸ This was the first report which mentioned mail-order units. These numbered 355 at the close of 1955. During 1956, eleven additional retail stores were opened and fifty-four mail-order offices were eliminated. One large retail store and three small ones were added in 1957. Units were added in Calgary, Alberta, in 1958 and Winnipeg in 1959. During this period eighteen additional mail-order houses were added. By the end of 1959 Sears-Simpson had thirty-seven retail outlets, 319 catalog units, and four mail-order plants in Canada.

The Latin American Sears story also has some incomplete areas. The 1952 report is the first which mentions total number of stores in operation. At that date, twenty-one stores existed. Of these, at least seven stores had opened in 1952. These were a large unit in Maracaibo and two smaller ones elsewhere in Venezuela;

⁸Sears groups its stores into three categories; the A store is its largest unit located in metropolitan areas; the B store, its medium-sized department store unit; the C store, its smallest unit, the specialty hard-line or appliance store.

units in Santiago, Holguin, and Havana, Cuba; and a unit at Puebla, Mexico. In 1951 a medium unit had opened in Puerto La Cruz, Venezuela, and two small units in Mexico. Units had been added in Caracas, Venezuela, in 1950, and in São Paulo and Rio de Janeiro, Brazil, in 1949. Mexico City's unit opened in 1947, and in that same year a unit in Havana was enlarged. This accounts, however, for only fifteen of the twenty-one units. The reports of 1953 and 1954 are also incomplete. Five units were opened in this period, but only the units at Bogota, Colombia; Ciudad Bolivar, Venezuela; and Barranquilla, Colombia, are mentioned by name. In the same period five catalog offices, also not identified (but believed to be in Mexico), were placed in operation. In 1955, ten retail stores were established. Large A units were completed at Lima, Mexico City, and São Paulo, and B units were placed in operation in Culiacan, Mexico, and Valencia, Venezuela. Five sales offices in Mexico (perhaps those established in 1953 - 1954) were converted to retail units. An additional nine sales or catalog offices were opened.

In 1956, one unit in Cuba was enlarged and a second unit was relocated. In addition twelve new units were operating by the end of the year. These included a medium unit at Cali, Colombia; one small unit each in Colombia, Brazil, and six in Mexico. The other three units were not identified, nor were two additional sales offices. Five new units were opened in 1957; three small units in Brazil, and medium units in Medellin, Colombia, and Chihuahua, Mexico. Four sales offices increased the total to fifteen. In 1958, additional units were located in Campinas,

Brazil, and Lima, Peru. Over the two-year period, five stores had been relocated and enlarged: one in Venezuela and two each in Brazil and Mexico.

Expansion ceased in 1959 when six of the existing retail units were closed. Seven sales offices, one in Venezuela and six in Mexico, also were eliminated. In 1959 forty-nine retail units and eight sales offices were operated by Sears.

The annual report for 1955 mentions the Central American stores for the first time. In this year, units were opened in Panama City and San José, bringing the number of units operated at the end of the year to three. In 1956, the number of units was doubled by additions of stores at Panama City and Colon, Panama, and in El Salvador. A small unit was closed in Panama in 1958. A medium store was opened in 1959 in Panama City to replace two small units. At the end of the period, three small and one medium B store were in operation in this area of the Americas.

The above statistics are not included in Table 1, since sales and income totals for these stores are not consolidated in the Sears annual reports. It is the consolidated totals which are used in the balance of the study; therefore, greater consistency results from total exclusion of these units. Because the other department stores being studied do not have units located outside the United States, Table 1 presents a comparison of expansion in the United States. Information on these units is summarized however in Table 5 to illustrate the extent of Sears' expansion in the Americas, outside of the United States.

Like Penney's and Ward's, Sears' expansion has been

TABLE 5

SEARS, ROEBUCK - PHYSICAL EXPANSION IN FC

Year	Retail Units			Total Units
	Units Added	Units Closed		
SIMPSON SEARS				
1953	..	.	0	
1954	11	.	11	
1955	9	.	20	
1956	11	.	31	
1957	4	.	35	
1958	1	.	36	
1959	1	.	37	
LATIN AMERICA				
1947	2A	.	n.a.	
1948	..	.	n.a.	
1949	2	.	n.a.	
1950	1	.	n.a.	
1951	3	.	n.a.	
1952	7	.	21	
1953	3	.	24	
1954	2	.	26	
1955	10B	.	36	
1956	13C	1C	48	
1957	6C	1C	53	
1958	6D	4D	55	
1959	1C	7C	49	
CENTRAL AMERICA				
1954	..	.	n.a.	
1955	2	.	3	
1956	3	.	6	
1957	..	.	6	
1958	..	1	5	
1959	1E	2E	4	

SOURCE: Annual reports.

Year is defined on pages 10 - 12.

n Amount is net increase or decrease; only total stores.

n.a. - Information is not furnished in annual report.

A - One store added, one enlarged.

B - Figure includes 5 sales offices converted to retail.

C - Figure includes one relocation.

D - Figure includes four relocations.

E - One medium unit replaced two small units.

so great that reiteration of the number of stores operated at new locations, the number of relocations, the number of stores closed, and enlargements, would make for monotonous reading. Therefore, the results of the expansion of Sears is summarized in Table 6.

Little is reported about catalog order offices opened in the United States. The number of stores in operation each year is indicated in the statistics, and from these we are able to compute the net new units opened each year. For two years, when the actual number of units added is given in the report, we are also able to compute the number of catalog stores closed. (See Table 1.)

When an operation as large as Sears is examined, much of the detail must be omitted, for to include it in annual reports would expand the report to book size. Sears has chosen instead to highlight certain phases of its operations each year. Often captions beneath illustrative pictures do not identify the location of the store shown. Some of the recent special features in annual reports have been Merchandise Testing in the 1952 report; Sears, the Citizen, 1953; Allstate Insurance Progress, 1954; Expansion and Improvement, 1952 - 1955, 1955; The Buying Story, 1956; The Latin American Story, 1957; Buying on Time, 1958; and The Sears Laboratory, 1959. Each of these special features includes much of interest to the reader and investor, but does not furnish any specific information on units which we can include here to dress up the cold statistics of growth. Even the special features on growth do not always agree with the summary tables here presented. This is especially true for the relocations. Where data in each of the summary issues (covering a period of four or five years

TAB I

SEARS, ROEBUCK - PHYSICAL EXP

Year	New Location	Relocations	Total Unit
1945	4	...	4
1946	6 ⁿ	n.a.	6
1947	15 ⁿ	38	53
1948	22	n.a.	22
1949	22	17	39
1950	11	16	27
1951	22	12	34
1952	14	6	20
1953	11	2	13
1954	11	14	25
1955	10	13	23
1956	11	15	26
1957	10	17	27
1958	10	13	23
1959	8	16	24
Total	187	179	366

SOURCE: Annual reports.

Year is defined on pages 10 - 12.

ⁿAmount is net increase.

n.a. - Information is not furnished in a

* - These represent only major enlargeme

with no breakdown by year) varied from data presented annually, I utilized the information from the annual reports. In each instance, the summaries indicated greater growth than that presented by the yearly statistics.

Sears' growth, with the exception of the few units acquired in the Canadian venture, represents new facilities in the community.

Summary. - An examination of the various expansion patterns of the fifteen firms leads to the following conclusions:

(1) All of the firms except Aldens and Spiegel have had programs of expanding the units which existed at the beginning of the period. In some cases many thousands of square feet of selling space have been added through these expansions.

(2) Penney and Marshall Field alone have added no existing retail outlet to their operations. Gimbel purchased but one outlet, and the Sears' purchase was the result of its Canadian venture. Macy and Hecht acquired fewer than half their new units through acquisition of existing firms. Aldens acquired three-fourths of its new units through this means; nearly all of Spiegel's retail units (exclusive of catalog offices) were units which had previously been in operation. In the remaining firms, existing units accounted for roughly one-half the total units added.

(3) Many of the firms are trading on the name and reputation of large established units in their organization when adding new units. The older established firm is treated as a parent firm, and the "branches" which ring the older firm are associated closely

with the older firm in advertising and customer relations. This tendency is especially noted in Marshall Field, Gimbel, and Macy. The tendency is less pronounced in Associated (Lord & Taylor), Mercantile, and May.

(4) Catalog units are important in the operations of all the mail-order firms. These units require little investment and are easily relocated. They represent the fastest, least expensive way to expand. However, three of the four mail-order houses are placing heavy reliance in their expansion on full department stores.

(5) Purchases of existing stores has not always proved profitable. Some of these units have been so well patronized that major expansion was required; other units purchased in the period were disposed of before 1960.

(6) Parking facilities have been greatly emphasized by the firms in their annual reports.

(7) Units added have been located in downtown areas. However the greater number of stores were established in suburbs and in shopping centers. Most of the firms operate the dominant store in the shopping centers, and some firms established the shopping centers themselves.

CHAPTER III

CREDIT EXPANSION IN SELECTED FIRMS

Introduction. - During the fifteen-year period, expansion occurred not only in number and size of physical units, but in volume of credit extended to customers. Since volume is measured by amount of accounts receivable, the totals reported at year end by each of the fifteen firms are summarized. These receivables are then stated for selected years as a percentage of the base year 1945 and as a percentage of sales for the year then ended. An attempt is made to relate accounts receivable for the fifteen companies to charge and installment accounts for all department stores. Finally, various types of credit plans introduced by the firms during the period are discussed.

Receivables for selected firms. - Accounts receivable for each firm for the fifteen-year period are presented in Table 7. These totals include all the various types of trade receivables, both accounts and notes. The amount shown is the year-end balance before deductions for accounts sold to banks and the allowance for uncollectible accounts. Since some of the companies in the study have not sold accounts to outside organizations during the period while other firms have used this method of financing to a great extent, meaningful comparison is possible only when these amounts are

YEAR E

Firm	1959	1950	
Sears	\$1,489,729	\$ 540,089	\$
Penney	22,651	1,517	
M. Ward	356,590	206,195	
Federated	167,076	71,501	
May	157,203	64,614	
Allied	127,239	84,989	
Macy	73,006	38,271	
Gimbel	80,437	44,612	
Associated	50,538	19,978	
City	66,563	36,630	
M. Field	29,909	29,783	
Spiegel	168,415	53,727	
Mercantile	27,713	21,284	
Aldens	47,037	14,368	
Hecht	-0-	23,952	
Total	\$2,864,106	\$1,251,510	\$

SOURCE: Annual reports.
Year is defined on pages
A - Amount is after deduc

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included in the total receivables of each company. It should be noted that the receivables for Sears, Roebuck in 1945 and 1946 do not include the total of accounts sold. These amounts were not disclosed in the reports for those years, and Sears does not include five- or ten-year summaries in its annual reports. Therefore when the company changed its method of reporting receivables in 1948, the comparative balance sheet showed a revised accounts receivable total for only 1947. Prior years' revised totals were not indicated. Sears' accounts receivable in each year since 1947 have been more than one-third of the total accounts receivable for the fifteen firms; consequently there is a serious omission in the total accounts receivable for the years 1945 and 1946. This omission makes the Sears' and total accounts receivable figures for the fifteen companies for these two years meaningless for purposes of comparison. However, from 1947 to 1959 total accounts receivable increased from \$743,378,000 to \$2,864,106,000, or approximately 270 per cent in thirteen years.

Generally, accounts receivable for each of the firms increased each year over the preceding year. Increases and decreases in receivables for Penney are unimportant until 1958, the first year that credit was extended by this firm to customers. Prior to 1958 receivables represent miscellaneous amounts due. Credit operations were initiated in twenty-four pilot stores in September, 1958. During 1959 the pilot group was expanded to 193 units.

From 1948 to 1949 accounts receivable decreased for Aldens and Marshall Field. Decreases are noted for Marshall Field,

Spiegel, and Mercantile in 1953, and Associated, Marshall Field, and Mercantile in 1954. Allied shows a decrease in 1957, and Macy in 1958. Each of these years was in a period of general economic recession (see Chapter V) and it is probable that the decreases in receivables noted above are attributable to this cause.

Montgomery Ward's receivables decreased in 1950, 1951, 1953, and 1954. Table 1 (Chapter II) shows that during this period the company was closing stores. Hecht's decrease in receivables in 1958 may be attributable to the termination of four stores in that year. Net decrease in number of units may also account for the decrease in Allied's and Mercantile's receivables in 1951. Aldens' one half of one per cent decrease in receivables in 1957 was due to its decision to hold expansion of time payment accounts to the level which could be financed within its available money supply.

In addition, decreases in accounts receivable are noted for Sears, May, and Gimbel in 1951, for Allied in 1956, and for Macy in 1959. These decreases are not accompanied by decreases in sales for the above firms (see Table 17, Chapter V). The decreases cannot be attributed to a decrease in number of units operated, nor general recessions. These decreases are unexplained.

Table 8 shows the accounts receivable for the years 1947, 1952, 1957, 1958, and 1959 as a percentage of the accounts receivable for 1945. The base year for Sears, Roebuck is 1947 rather than 1945 because comparable data for 1945 is unavailable. Penney, of course, shows the greatest increase because of its more recent

TABLE 8

ACCOUNTS RECEIVABLE AS A PERCENTAGE OF BASE YEAR, 1945

Firm	1959	1958	1957	1952	1947
Sears	556.8	480.3	433.3	258.8	100.0A
Penney	2097.3B	484.9B	214.4B	223.9B	150.2B
M. Ward	639.5	578.1	525.9	359.8	298.3
Federated	1631.9	1376.3	1331.4	855.5	396.3
May	1422.8	926.1	901.7	615.4	330.7
Allied	609.5	591.7	561.8	452.7	221.9
Macy	782.7	864.3	874.3	460.3	243.9
Gimbel	419.5	388.2	369.4	230.9	185.6
Associated	587.7	512.8	488.0	263.3	216.8
City	739.1	722.6	713.1	510.7	181.4
M. Field	235.5	221.0	213.9	253.4	186.2
Spiegel	1278.8	861.4	762.3	562.2	259.6
Mercantile	860.4	741.4	732.3	629.2	320.0
Aldens	1278.9	965.1	902.5	506.2	267.0
Hecht	C	396.0	406.8	369.7	194.5

SOURCE: Annual reports.

Year is defined on pages 10 - 12.

A - Base year for Sears is 1947.

B - J. C. Penney did not offer credit until 1959.

C - Hecht merged with May in 1959.

entrance into credit operations. Federated, May, Spiegel, and Aldens show the next greatest increases in credit. Marshall Field and Gimbel are the only two firms whose credit increased less than four hundred per cent over the period.

Receivables as a percentage of sales. - In Table 9 accounts receivable for selected years are shown as a percentage of sales for the year then ended. Accounts receivable as a percentage of sales increased more than three times from 1945 to 1959 for Penney, Federated, May, Spiegel, and Aldens. These are the companies whose accounts receivable increases exceeded 1,000 per cent for the same period. Accounts receivable as a percentage of sales increased less than 125 per cent for Marshall Field and Gimbel. These are the two firms whose accounts receivable increases were less than four hundred per cent for the period.

All other companies had increases in accounts receivable as a percentage of sales from 1945 to 1959 of between 125 per cent and three hundred per cent. Table 9 shows that the trends in accounts receivable increases are not solely the result of changing price levels or value of the dollar because in each year sales and accounts receivable are expressed in approximately the same purchasing power dollar. Virtually the same percentages as obtained in Table 9 would result if sales and accounts receivable figures were each deflated, or expressed in constant dollars, and then divided. Differences between the two sets of ratios would be the result of price changes during the year. To obtain a deflated series, one would divide sales by an average of twelve months'

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TABLE 9

YEAR END ACCOUNTS RECEIVABLE AS A PERCENTAGE
OF SALES FOR THE YEAR THEN ENDED

Firm	1959	1958	1957	1952	1947	1945
Sears	36.9	34.5	32.2	23.6	13.5	A
Penney	1.6	.4	.2	.2	.2	.2
M. Ward	29.2	29.5	27.3	18.5	14.4	8.5
Federated	22.0	21.9	21.5	19.6	13.3	5.5
May	23.0	18.9	18.7	15.2	10.2	5.5
Allied	18.7	19.2	18.5	18.8	11.8	7.4
Macy	17.0	17.7	18.2	12.9	8.0	4.7
Gimbel	19.9	19.4	19.2	15.2	11.8	8.3
Associated	17.4	16.9	17.7	14.3	11.0	7.4
City	24.2	24.2	24.3	19.8	12.5	8.9
M. Field	12.8	12.9	12.4	14.2	11.2	7.8
Spiegel	77.6	68.8	67.0	47.0	25.4	17.5
Mercantile	16.5	15.1	15.3	15.7	9.1	4.4
Aldens	40.9	36.2	33.9	21.6	12.4	7.7
Hecht	B	30.3	30.8	28.5	21.2	16.2

SOURCE: Annual reports.

Year is defined on pages 10 - 12.

A - Accounts receivable figure on a comparable basis
is not available.

B - Hecht merged with May in 1959.

value of the dollar, while accounts receivable should be deflated by only the average of the number of months for which the account had been outstanding. However, since accounts receivable agings are not available in annual reports, the deflated series could only be approximated. The result would be little more accurate than the amounts shown in Table 9. This table certainly reveals that there has been considerable expansion in credit extended to customers in the postwar period.

Total department store credit. - The Federal Reserve Bulletin publishes figures for department store consumer credit. Separate totals are given for noninstallment charge accounts and installment accounts. The sum of these two series should approximate total department store receivables. The totals shown in Table 7, however, cannot be compared with this sum, because accounts sold to banks are excluded from the government series, but included in Table 7 totals. We do not know the extent of accounts receivable sold each year for all department stores. However, we do know that, at the very least, all accounts receivable sold by the fifteen firms in our study have been excluded from the government statistics. Therefore the government series should be increased by this total and some unknown amount more. The total department store credit before sales of receivables scheduled in Table 10 is, therefore, an approximation, an understatement of the unknown actual total. If our total receivables for the fifteen companies are compared with this approximate series, we find that the fifteen firms have accounted for between sixty-five per cent and seventy-four per cent

TABLE 10

AN APPROXIMATION OF TOTAL DEPARTMENT STORE CREDIT

Year	Percentage 15 Firms to Total	(Thousands of Dollars)	
		Approximate Total Credit	Estimate of Accounts Sold (A)
1959	68.0	4,040	782
1958	69.3	3,402	613
1957	73.3	3,103	834
1956	69.1	3,099	798
1955	67.5	2,791	418
1954	69.4	2,398	363
1953	68.7	2,290	454
1952	69.5	2,116	281
1951	66.3	1,828	206
1950	68.8	1,819	423
1949	67.8	1,492	309
1948	68.0	1,345	300
1947	65.5	1,135	224

SOURCES: Department Store Consumer Credit - Federal Reserve Bulletin.

Estimate of accounts sold - Annual Report
 Year for estimate of accounts sold is defined as the calendar year for Department Store Consumer Credit is calculated.
 A - Sum of all accounts which the fifteen selected firms reported were sold at year end to banks and

of the series figure in each of the years from 1947 to 1959. In fact, except for the years 1947 and 1951 (in which the percentage was lower) and 1957 (when the percentage was higher), the fifteen firms have accounted for between 67.5 per cent and 70.0 per cent of the approximate series each year. If other department stores have also sold accounts to banks, the percentages should be lower. Also, if these other stores sold varying amounts of receivables in the years 1947 - 1959, the range of percentages would be wider. However, it appears reasonable to conclude that the other department stores have followed the same general pattern of increased accounts receivable as that indicated by the companies in the study.

Terminology used in annual reports. - Categories of receivables reported in annual reports have varied from year to year. In 1945 Aldens and Ward reported time accounts; May, Spiegel, Mercantile, and Sears referred to their accounts as installment accounts. Gimbel Brothers, Associated, Allied, and Hecht reported deferred accounts and Macy's reports listed a total for cash-time and other installment accounts. Federated has called its accounts thirty day and deferred since 1954. (Prior years' complete annual reports were not available; photostats of portions of the annual report obtained from Federated and other supplementary material did not contain analyses for accounts receivable for prior years.) Marshall Field and City Stores have not shown a segregation of accounts by type in any year of this study. Hecht changed its classification of accounts from deferred and regular to installment and regular

in 1955. Macy did the reverse: accounts were classified as installment and regular until 1954; thereafter the terms deferred and regular were used. Associated called its accounts deferred payment until 1954; from 1955 to 1958 these accounts were called installment; in 1959 Associated returned to the title deferred payment. Allied used the title deferred accounts until 1956, when the categories revolving, installment, and regular were used. Gimbel Brothers introduced the category rotating accounts in 1951 and has continued its use through the end of the period. Associated used the same title in 1954. In 1957, the term was changed to revolving accounts. This same description was used by Sears in its reports for the years 1954 to 1957. Aldens changed its classification in 1959 from time to installment. Its report indicates that, in prior years, a service charge had been added at the time of the sale. Beginning in 1959, all Aldens' accounts were converted to revolving credit, wherein the service charge is added monthly on the basis of the unpaid balance.

J. C. Penney, when it introduced credit in its pilot stores, offered two credit plans. Under the first, the thirty-day account, there was no interest charged if the balance was paid within thirty days. Thereafter, a charge of 1-1/2 per cent of the unpaid balance was added to the account each month. Its second plan, the time payment account, could be used only for units of apparel over \$49, or for household furnishings priced at \$30 or more per unit. An eight per cent charge was added to the purchase price. Payments were scheduled over a fixed period of time. Penney intends to extend credit to four hundred units in 1960 and have credit in all its units by 1963.

Macy has had several special credit plans which involve its New York store and Macy's bank. These plans have been peculiar to the one store in the firm and it is the only department store in the study which has a bank as an affiliated organization.

Various credit plans. - Whatever the term used to describe the type of accounts receivable, the fact remains that various types of accounts have been introduced, and older forms of credit plans have been expanded to cover additional types of purchases. As particular types of plans are utilized to a greater extent, the year-end balances in those kinds of accounts become material. Under acceptable reporting standards, these must be disclosed in the annual report. If the types of accounts used had remained unchanged or if balances in each type had increased only in total dollars but not as a percentage of total receivables, there would have been no revision in balance sheet terminology in the annual reports. The extensive rewording indicates new buying patterns of consumers.

Both the installment plan and open account are old forms of credit, extending back to primitive societies.¹

By the close of 1922 (in the United States) the principal techniques of consumer credit had been developed and the dramatis personae of this volume was, for all practical purposes, complete. No technical developments comparable with the rise of the specialized cash-lending agencies or with the beginnings of instalment financing occurred during subsequent years.²

¹Robert M. Cole and Robert S. Hancock, Consumer and Commercial Credit Management (Homewood, Illinois: Richard D. Irwin, Inc., 1960), pp. 38, 111.

²Ibid., p. 92.

The nature of installment sales changed however, after 1922. World War I, price changes in 1919-21, and inadequacy of financing facilities had held down the volume of credit sales.

In the period 1923 - 1938, a significant change took place:

The growth of installment sales of automobiles tended to remove the stigma which installment selling had acquired at the hand of low grade installment merchants in the 1890's. All social and economic classes were represented among installment purchasers of automobiles; hence installment buying acquired respectability.³

Many department stores began to promote installment sales of fur coats, jewelry and draperies. . . . Several mail order houses rapidly increased their sale of clothing on installment terms.⁴

Most rapid expansion of customer receivables occurred among mail order houses. These firms applied installment plans to all merchandise from dresses to refrigerators to farm machinery.⁵

Under mail-order house sales plans, the consumer could purchase various soft goods, or a combination of hard and soft goods, and pay for the whole order over a period of months.

In 1938 Wanamaker's created a considerable stir in retailing circles by announcing its new credit service which it dramatically chose to call "revolving credit". This plan, which was quite different from the revolving credit plans commonly in effect today, called for the sale of soft goods to the customer on an account which would be completely liquidated in four monthly payments. No service or extra charges were posted to the account.⁶

At the beginning of this study Regulation W was in effect.

³Rolf Nugent, Consumer Credit and Economic Stability (New York: Russell Sage Foundation, 1939), p. 96.

⁴Ibid., p. 98.

⁵Ibid., p. 107.

⁶Robert M. Cole, Revolving Credit (Urbana: University of Illinois, 1957), p. 3.

This regulation set forth minimum down payments and maximum length of installment contracts for selected items. It also froze ordinary thirty-day charge accounts on which a specific item had been purchased if payment was not made by the tenth of the second month following the purchase. Additional legislation removed charge accounts from this ruling effective December 1, 1946, and all restrictions on installment contracts were lifted from November 1, 1947 to September 20, 1948. Regulation W was reinstated until June 30, 1949, and again during the Korean conflict from September 18, 1950 to June 30, 1952.⁷

Goods unavailable since June, 1942 returned to the market place in late 1945 and 1946 (the beginning of the period selected for this study). Expenditures for goods and services rose sharply during this period. Personal holdings of liquid assets increased from \$58.9 billion in 1942 to \$138.6 billion in 1945. Nevertheless, both installment credit sales and open account sales increased in 1946, and department stores began reintroducing revolving credit plans about this time.

As late as 1956, stores were altering and changing the terms and conditions of these plans, trying to find the one which would best fit their customers' wants and meet competitive situations.⁸

The majority of the presently used plans call for a master contract signed by the customer, which spells out the terms and

⁷Robert Paul Shay, Regulation W: Experiment in Credit Control, University of Maine Bulletin, LV (April, 1953).

⁸Proceedings of the 1956 Controllers' Congress Convention, Cincinnati, Ohio, Wednesday June 6, 8:15 A.M., Retail Control, XXV (October, 1956), 3-37.

conditions for the original purchase and all add-on purchases. The maximum amount of credit to be extended is mutually agreed upon by the customer and the credit department employee of the store. The minimum payment per month is stated (generally \$5.00 or \$10.00), and the monthly payment is determined by the balance of the invoice at the billing date. The period of time over which the entire balance would be paid (provided there are no add-ons) varies from store to store. One-sixth, one-fourth, or one-third of the balance may be due within thirty days after the invoice date. With no additional add-ons, an initial bill of \$150.00 payable one-quarter each month would be liquidated in just over eleven months, if a minimum payment of \$5.00 was required. If the minimum payment were \$10.00 per month, liquidation would occur in about nine months. Of course, the stores prefer to have the customer make purchases each month approximately equal to his monthly payment, thus maintaining an open balance rather than liquidating the account. Therefore the customer is allowed to purchase whatever and whenever he desires, without additional visits to the credit department. The only condition is that the purchases must not bring the account balance to a level exceeding the limit agreed upon when the master contract was signed. The service charge is assessed each month on the basis of either (1) outstanding balance at the beginning of the billing period or (2) this amount less credits and payments. Initially, the rate charged was 1/2 to one per cent per month. In 1956, when credit plans were discussed at the Controllers' Congress, those in attendance indicated that five stores were then charging 1/2 per cent; eight or nine

1-1/2 per cent; ten were going to increase the charge from one per cent to 1-1/2 per cent. The majority of the group represented stores charging one per cent.⁹ Since that time, most of the department stores have increased the charge to 1-1/2 per cent.

In a variation of this plan, the customer is furnished with a chart showing the minimum payment required depending on the balance of the account. For a balance of \$100.00 - \$150.00, the required minimum payment may be \$20.00; while if the balance is \$70.00 - \$100.00, a minimum payment of only \$12.00 may be required. The customer may still add on as he desires. His required payment varies as he increases or decreases his debt.

Other stores have introduced plans which are a variation of the traditional installment or deferred payment plan. These allow the customer to make one or many purchases, with no minimum dollar amount per purchase. He then takes his sales invoices to the credit department for revision of his contract. The credit department employee determines the service charge, adds it to the purchases and the outstanding balance. A new monthly payment is determined and agreed upon by the customer and the store. The amount of service charge is, of course, determined by the length of time the debt will be outstanding.

At the time of the 1956 Annual Convention of Controllers' Congress, many of the stores had a ninety-day charge account without service charge. About one half of the stores were eliminating this credit plan and introducing instead a six-, eight-, or ten-month plan which included a service charge. These plans are

⁹Ibid.

variations of the basic plans described above. It was generally agreed, by those attending the Congress, that customers wished either to pay the entire balance monthly, or to have some kind of flexible plan by which the balance of the account would vary to meet seasonal needs. Most of the stores continued the traditional installment or deferred payment account for hard goods. However, seven or eight stores were encouraging customers to purchase hard goods on their revolving or rotating plans.

Summary. - The increase in time allowed the customer to pay for his purchases is the primary cause of the increase in accounts receivable as a percentage of sales. Most of the firms in 1945 had percentages of less than 8.33 per cent which is one-twelfth of the year's sales. By 1959, only three had percentages less than 16.66 per cent, which is one-sixth of the year's sales. Popularity of the extended payment plan is indeed obvious.

This popularity has resulted in a need for greater working capital for the firms. Since they are now financing accounts for a longer period of time, more capital is tied up in receivables. It must be diverted from other purposes, or obtained from new sources. One solution, already noted, has been the sale of receivables to outside organizations. This and other methods of financing are discussed in Chapter V.

Table 11 shows the percentage of regular accounts to total accounts outstanding for 1945, 1952, and 1959 for the various firms. Regular accounts have decreased for Sears and Ward to the point where they are no longer stated separately in annual reports.

TABLE 11.

PERCENTAGE OF REGULAR ACCOUNTS TO TOTAL ACCOUNTS RECEIVABLE

Firm	1959	1952	1945
Sears	B	3.21	6.86A
Penney	Not segregated	No credit sales to customers	
M. Ward	B	4.56	7.37
Federated	32.00	32.06	77.38
May	35.81	65.90	82.97
Allied	43.97	42.96	76.28
Macy	18.39	20.65	Not segregated
Gimbel	51.27	68.37	83.23
Associated	68.27	89.85	89.95
City	Accounts not segregated in any year		
M. Field	Accounts not segregated in any year		
Spiegel	1.25	4.66	18.71
Mercantile	35.91	29.02	65.01
Aldens	1.80	11.26	44.89
Hecht	C	28.78	26.93

SOURCE: Annual reports.

Year is defined on pages 10 - 12.

A - Percentage is for 1945.

B - No regular account totals are shown in annual report.

Accounts are principally installment accounts.

C - Hecht merged with May in 1959.

Macy's report in 1945 did not segregate deferred accounts because they were not significant. This table shows the importance of the extended payment plan offered to the customer during the period of the study.

CHAPTER IV

MEANS OF FINANCING THE EXPANSION

Introduction. - The expansion in the department stores discussed in the preceding two chapters has resulted in a demand for funds by these firms. This demand has been satisfied in a number of ways. In this chapter, some of the ways in which funds were obtained are discussed. Details of these transactions are provided where possible. However, at times the annual reports present information in such a way that desired details cannot be extracted. Sometimes the sources and kinds of borrowings are so voluminous that it has not been practical for the firms to list details. Some of the companies have set up real-estate subsidiaries; properties, with their related debt, have been transferred to the subsidiary companies. In these cases, details are frequently omitted. Moreover, some sources may have been overlooked in error. Therefore, the information herein is presented as a survey of various types of financing used, not as an all-inclusive listing.

Cash purchases. - As noted in Chapter II, some of the firms have purchased existing facilities totally or partially for cash. The J. & R. Motor Supply Company was purchased for \$2 million in 1955 by Spiegel, Inc.; in 1945, Mercantile purchased Duluth Glass Block Co.; Allied purchased Lindner Co. in 1948, Metzger-Wright in 1949, and

Palace (Spokane) in 1951. We will not dwell on this kind of acquisition for, of course, funds used to purchase these properties had to be acquired from some source.

Sale of fixed assets. - Occasionally, the firms have used as a source of funds the sale price of other assets. Marshall Field, in its attempt to get out of other types of businesses, has perhaps obtained more funds from this source than any of the other firms. The Merchandise Mart was sold in 1945. This building, famous landmark in Chicago, had housed the company's wholesale division in prior years. But the wholesale division was eliminated during 1935 - 1937. Thereafter, the firm's occupancy decreased from forty-two per cent of the area to about seven per cent in 1945. During the war years, the federal and state governments were important tenants, but many of the leases were subject to cancellation in 1945 and 1946. On November 13, 1945 Marshall Field sold the Merchandise Mart to Joseph P. Kennedy of Boston. The reported sales price was \$20 million.¹ The firm realized \$2.5 million profit after taxes (as a result of the carry-back, carry forward provision of the tax code) although the property was sold at a loss. However, Marshall Field had funds for its use equal to the total sales price which greatly exceeded the profit on the sale. A textile mill was sold in 1946 for \$1 million; the equipment of a woolen mill in 1948; and a lace curtain mill in 1952. In 1953, Fieldcrest Mills division was sold. Because the wholesale division was

¹Joe McCarthy, The Remarkable Kennedys (New York: The Dial Press, 1960), p. 145. However, Newsweek (September 12, 1960, p. 29) reported a sales price of but \$12.5 million.

eliminated in the 1930s, Marshall Field found it was purchasing less and less of the total output of the mills division, and sale price of this division on October 1, 1953 (with the reduced federal income taxes resulting from a loss on the sale) brought the firm \$26,600,000. These funds were used to reduce debt of the firm and to buy properties, including land for a warehouse three miles southwest of the loop.

Associated also acquired funds through sales. In 1953, a \$390 thousand gain after taxes was realized on the sale of McCreery, and in 1954, a New York site netted a profit after taxes of \$2 million. This property, located between 52nd and 53rd Streets on Fifth Avenue, had been acquired in 1945 to be used as a new site for Lord & Taylor. However, it was decided in 1954 to renew the lease on the store at 38th Street and Fifth Avenue, rather than to relocate uptown. The uptown property was sold on May 29, 1956. Of course, the total proceeds in each of these two cases would be far in excess of the gains reported by the company, because each of the assets would have had some net book value.

Federated acquired an additional amount of cash from a real-estate transaction in Texas. Federated desired to acquire Foley of Houston, but Foley was not interested in selling. Foley had plans and a site for relocation after World War II. Federated purchased a site in Houston and threatened to build a competing firm there. As a result, Foley agreed to sell. Federated then owned two relocation sites. The one was used; the second, purchased for \$1,250 thousand in 1945, was sold to Woolworth two years

later at a profit of \$1,805 thousand.² As a result, Federated had \$3,055 thousand of funds (the sales price) available for expansion.

City Stores also gained from a short-term real-estate holding. Property purchased in 1946 in the northern section of Philadelphia was sold in 1947. Like Marshall Field, City Stores realized funds when it sold nonretailing property. Radio equipment and a franchise for WFIL and WFIL - FM were sold to the Philadelphia Inquirer for \$1.9 million. Its Oppenheim Collins Brooklyn property was sold on favorable terms in 1958. Montgomery Ward turned land and buildings into cash in each of the years from 1949 to 1955.

Sale of receivables. - As extended payment contracts with customers became more important and represented a larger percentage of total receivables, firms made arrangements with banks and others to obtain funds by selling the uncollected balances of receivables. The store retains the debtors' records and makes collections on the accounts. As payments are received on sold accounts, the company must either make payments to the new owner of the accounts or substitute other accounts in an amount equal to the payments received. The amount received by the firms for the receivables is generally less than the face amount of the accounts sold, and the accounts may be sold with recourse. In the latter case, the firm agrees to reimburse the new owner of the receivables for amounts not paid by the debtor on the account.

In 1956 Sears formed a subsidiary, Sears Roebuck Acceptance

²Federated Department Stores, Inc., Annual Report, 1947,
p. 5.

Corporation, which has since purchased some of its installment accounts. Sears still continues to sell installment accounts to banks, however.³

Table 12 indicates the amount of receivables sold at year end by each of the firms for the period. Only nine of the fifteen firms report year-end outstanding balances from this type of financing. Sears also sold accounts in 1945 and 1946, but the amounts of such sales are not disclosed in the annual reports.

Borrowed funds. - Table 13 lists various borrowings of the firms during the period, in chronological order by type of loan. Table 14 shows type of loan by year, by firm. Interest rates have tended to increase through the period. There also appears to be a minor indication that the larger of the firms borrow at lower interest rates. However, there is not sufficient information available to draw firm conclusions in these areas.

Because identical information concerning these borrowings was not furnished in annual reports, these items are further discussed in the next section. As in Chapter II, it is possible to read the two tables and turn directly to Sale of equity securities, the section on page 122, thus avoiding reiteration of details.

Bank loans. - One of the major sources of funds for the firms in the study is the banks. Banks extend credit on revolving

³Sears, Roebuck & Co. Annual Report, 1959. Balance of installment contracts sold at January 31, 1960 were \$604 million; balance of installment contracts at January 31, 1960 purchased from Sears by the Acceptance Company were \$460 million.

AMOUNTS
TO

Year	Total	
1959	\$781,654	
1958	612,978	
1957	833,787	
1956	798,460	
1955	417,643	
1954	363,328	
1953	454,216	
1952	280,661	
1951	206,153	
1950	423,290	
1949	308,977	
1948	300,384	
1947	224,318	
1946	2,001	
1945	31	

SOURCE: Annual re
Year is defined on

VARIO

Type of	Amount	Firm
Bank loans:		
Revolving credit	\$ 10,000,000	Allied
Revolving credit	10,000,000	M. Field
Revolving credit	10,000,000	Federated
Revolving credit	7,000,000	Allied
Term loan	10,000,000	Gimbel
Term loan	6,000,000	M. Field
Term loan	22,000,000	M. Field
Construction loan	20,000,000	May
Construction loan	5,500,000	Macy
Stand-by credit	12,000,000	Macy
Convertible to ser	15,000,000	Associated
Serial term loan	4,850,000	Hecht
Serial loan and si	10,000,000	Gimbel
loan		
Other:	3,400,000	City
Three-year loan	6,500,000	Mercantile
Five-year loan	200,000,000	Sears
Six-year loan	4,000,000	City
Seven-year loan	7,000,000	Allied
Eight-year loan	5,250,000	Spiegel
Unclassified		
Unclassified	8,000,000	Federated
Unclassified	7,500,000	City
Unclassified	6,000,000	City
Unclassified	2,500,000	Mercantile
Unclassified	1,500,000	City
Insurance company loa		
Short-term	15,000,000	Associated
Long-term	25,000,000	Spiegel
Fifteen year	425,000	City
Seventeen year	2,000,000	Hecht
Twenty year	25,000,000	Allied
Twenty year	13,200,000	Federated
Twenty year	7,000,000	Hecht
Twenty year	5,000,000	Mercantile
Twenty year	15,000,000	Allied
Twenty year	15,000,000	Macy

Type of	Amount	Firm
Insurance company 1		
Twenty year		
Twenty-five year	\$ 50,000,000	Spiegel
Thirty year	5,500,000	Macy
Thirty-five year	50,000,000	May
Miscellaneous:	7,500,000	Mercantile
Note with lien		
Unsecured note	4,000,000	May
Unclassified	3,650,000	May
Unclassified	13,500,000	City
	23,000,000	Aldens
Institutional invest		
Educational and p		
Unclassified	3,300,000	Gimbel
	30,000,000	M. Field
Miscellaneous loans		
Mortgage loan		
Long-term mortgage	4,000,000	Associated
Fifteen-year prom	2,500,000	Hecht
Long-term mortgage	7,600,000	Aldens
	2,600,000	Hecht
Sinking fund debentu	3,000,000	Aldens
Sinking fund debentu	15,000,000	May
Sinking fund debentu	13,300,000	Gimbel
Sinking fund debentu	20,000,000	Macy
Sinking fund debentu	10,000,000	Gimbel
Sinking fund debentu	6,000,000	City
Sinking fund debentu	25,000,000	May
Sinking fund debentu	25,000,000	May
Sinking fund debentu	4,500,000	Aldens
Sinking fund debentu	15,000,000	Allied
Sinking fund debentu	25,000,000	May
Sinking fund debentu	50,000,000	Sears
Sinking fund debentu	25,000,000	Sears
	350,000,000	Sears
Convertible subordin		
Convertible subordin	3,700,000	Aldens
Convertible subordin	12,000,000	Macy
Convertible subordin	4,500,000	Aldens
Convertible subordin	15,000,000	Spiegel

SOURCE: Annual repo
Included above are d

Firm	1945	1
Sears	....	.
Federated	....	.
May	....	.
Allied	A	.
Macy	....	B-
Gimbel	....	.
Associated	C	A-4-1/2
City	B-4	.
M. Field	....	.
Spiegel	....	A- B-
Mercantile	....	B-
Aldens	D-3	.
Hecht	....	.

SOURCE: Annual report
Year is defined on page
A - Bank loan.
B - Insurance company
C - Loans from institution
D - Sinking fund debt
E - Convertible sinking

arrangements, term loans, mortgage notes, construction loans, and notes.

At least four of the firms arranged for revolving credit during the period of the study. In 1945, Allied had an arrangement to borrow up to \$10 million at any time until 1951. This was not used. Again in 1951, the company entered into an agreement with a bank for a \$7 million revolving credit arrangement which was converted into a long-term note in 1954, with repayments scheduled over seven years, 1955 - 1961. Interest was two to three per cent. Marshall Field made arrangements with banks in September, 1947 to have \$10 million available at low interest rates with favorable provisions for a period of eight years, but it was apparently not used. Federated entered into a revolving credit agreement in 1949 whereby \$10 million could be borrowed. The amount was increased to \$20 million in 1950, when \$10 million was actually outstanding at year end. Gimbel arranged with a bank to borrow \$10 million on a ninety-day maturity to November 1, 1953. It had an option to extend the loans so that they would mature in seven equal annual installments beginning November 1, 1954. Under this agreement, the amount outstanding at January 31, 1952 was \$3 million; at January 31, 1953, none.

Term loans were used by six of the firms. At January 31, 1948, Hecht had outstanding \$4,850,000 of short-term loans under an agreement with two banks. The loans were convertible, at the option of the company, into serial loans payable in eight annual installments beginning January 1, 1950. In 1950, Marshall Field borrowed \$6 million to finance accounts receivable and improve

working capital. A \$10 million, seven-year serial term loan was arranged with banks by Gimbel in 1953 and in November, 1955 that amount was actually borrowed. In 1957, Associated arranged a two-year stand-by credit agreement with its principal banks for total borrowings up to \$15,000,000 at rates of 4-1/2 to 4-3/4 per cent. Some of the funds were used to purchase Sibley, Lindsay & Curr Company, and some for branch store expansion. Half of the amount was never borrowed. Mercantile borrowed \$6,500,000 from three banks in January, 1957, payable over a three-year period. In 1959 May borrowed \$20,000,000 under a five-year four per cent term loan. Proceeds were used for working capital.

Irving Trust Company agreed to lend one of R. H. Macy's subsidiaries, the R.H.M. Properties Corp., a \$5,500,000 construction loan for the Macy's (New York Division) store at Roosevelt Field. Funds were available in installments as required, at the prime rate on the date borrowed. By July 28, 1956, \$4,700,000 had been borrowed. Another subsidiary of Macy, Garden State Plaza Corporation, arranged to borrow \$12,000,000 on a construction loan from a group of banks headed by the Irving Trust Company for the Bergen County, New Jersey, shopping center. This agreement bore an interest rate of five per cent and was to mature no later than December 31, 1957. At July 28, 1956, \$4,550,000 was outstanding under this agreement.

Sears arranged a five-year loan (1950 - 1955) with seventy-four banks to finance accounts receivable. The agreement allowed a maximum borrowing of \$200,000,000. Bankers Security and Chase National loaned \$3,400,000 to City Stores in 1944 to enable the

firm to purchase the R. H. White Company of Boston. In 1946 City borrowed \$7,500,000 from Chase National and First National Bank of Boston at 2-1/2 per cent interest. Proceeds were used to liquidate mortgages. In 1949 the firm borrowed \$6 million from these last mentioned banks to purchase the Wise Smith Company. First National of Boston again loaned City \$1,500,000 at 3-1/4 per cent interest in 1951. This was repayable in annual installments of \$300,000. The same bank in 1954 loaned City \$4,000,000 repayable over six years at 3-1/2 per cent interest. Federated Department Stores borrowed \$8,000,000 from First National of Chicago and other banks in 1946. These funds were used to retire mortgage debt and to supplement working capital. This was refinanced by an insurance company term loan of \$13,200,000 in 1952. Hecht borrowed \$4,800,000 from two banks in 1947. This was convertible on January 1, 1949 to serial loans payable in eight annual installments, the first of which would be due in 1950. Proceeds were used for capital improvements. In 1947 Spiegel borrowed \$5,250,000 at 2-1/2 per cent, payable by 1955. Mercantile borrowed \$2,500,000 on short-term loans from banks during 1950, and repaid \$500,000 before year end. Marshall Field borrowed \$22,000,000 in 1951 for a short period of time. This was repaid with proceeds from notes issued to an institutional investor.

Notes to insurance companies. - Insurance companies were also liberal lenders of funds on both mortgage notes and other notes. In 1945, Prudential Insurance Company loaned City Stores \$425,000 at four per cent, payable in monthly installments over fifteen years.

A warehouse used by the R. H. White Company of Boston was security for the loan. Allied borrowed \$25,000,000 from two insurance companies in 1947 to reduce bank loans and add to working capital. The rate of interest on its note was 3-1/8 per cent and repayments were scheduled until 1967. In 1951, a 3-1/2 per cent, twenty-year \$15,000,000 note was given the same two insurance companies.

City also borrowed an initial amount of \$13,500,000 from Prudential in November, 1951. It was committed to borrow \$5,000,000 more in 1952 and had an option to borrow an additional \$5,000,000 in 1953. Interest on the loan was 3-3/4 per cent and annual installments began in 1957, with maturity in 1971.

Hecht borrowed \$7,000,000 at 3-1/8 per cent on twenty-year notes in 1948. In 1951, the company obtained an additional \$2,000,000 for seventeen years at three per cent from the same insurance company. Wholly owned subsidiaries of the firm placed \$2,500,000 in long-term mortgage debt the same year. In 1953, the wholly owned subsidiaries added an additional \$2.6 million to complete Parkington shopping center's retail stores and parking ramp.

Mercantile borrowed \$5,000,000 at 3-3/8 per cent interest from Metropolitan Life Insurance Company. The loan, negotiated in 1948, had a twenty-year life. Metropolitan also loaned Mercantile \$7,500,000 at 5-1/8 per cent interest in January, 1957, with \$5 million repayable in the fifteen years 1964 - 1979. The balance is due in 1984. No payments are required during the first five years of the loan.

In 1948, Federated borrowed \$13,200,000 on a twenty-year note from New York Life. May's real-estate subsidiary acquired the

Railway Exchange Building in St. Louis in 1951, and with this property assumed an unsecured note of \$1,233,834. The property was also subject to a mortgage of \$2,419,132. Both the note and mortgage were payable to Massachusetts Mutual Life Insurance Company. A large insurance company loaned May Store Shopping Centers, Inc., a subsidiary of May, \$50,000,000 on a thirty-year, five per cent mortgage loan. The notes are exchangeable for bonds at the holder's option.

Equitable Life Assurance Society of United States loaned Associated \$15,000,000 in 1955 at 3-5/8 per cent interest. This was repayable by 1958.

Marshall Field borrowed \$30,000,000 in 1951 to repay its temporary bank loans. An institutional investor took 3-3/4 per cent notes, and required repayment of \$20,000,000 in 1952; the remaining \$10,000,000 was due in 1953.

Macy's real-estate subsidiaries had arrangements with Massachusetts Mutual Life Insurance Company for a twenty-five year first mortgage loan of \$5,500,000 in 1956. These funds would be available at 4-1/8 per cent interest upon completion of the Roosevelt Field shopping center. The proceeds would retire the construction loan from Irving Trust. Macy's other subsidiary had a commitment from Metropolitan Life Insurance Company for a \$15,000,000 first mortgage loan, with 4-1/4 per cent interest, available upon completion of the Garden State Plaza. Funds were advanced in two stages, \$12,000,000 and \$3,500,000. Maturity is twenty years after the first advance.

In 1957 Prudential arranged to loan Spiegel \$25,000,000

at 5-1/4 per cent interest. In 1957, \$5,000,000 was advanced to Spiegel and the balance was to be made available in 1958 and 1959. In 1959 Spiegel converted its \$25,000,000 fifteen-year note held by the Prudential Insurance Company of America to a \$50,000,000 twenty-year maturity note bearing interest at 5-1/2 per cent.

Aldens entered into loan agreements, on November 30, 1959, with fourteen insurance companies and one state investment board. On or before May 10, 1960, the firm could borrow \$23,000,000; interest was 5-1/2 per cent on \$9,000,000 and 5-3/4 per cent on \$14,000,000. At January 31, 1960, the firm had borrowed \$6 million at the lower interest rate, and \$1 million at 5-3/4 per cent.

Firms also obtained funds on notes from undisclosed lenders. Associated acquired \$4,000,000 on additional mortgage loans in 1945. Aldens borrowed \$7,600,000 on February 16, 1951 on a fifteen-year, 3-1/2 per cent promissory note. The proceeds were used to retire outstanding sinking fund debentures and to increase working capital. Gimbel Brothers acquired Gimbel's Philadelphia property in July, 1951 from an educational and philanthropic institute for \$1,000,000 subject to a mortgage of \$3,300,000. The property had been sold to the institute in 1943.

In addition, the real-estate subsidiaries of various of the companies acquired properties, often through third parties, which were subject to various notes and mortgages. Sometimes the firms assumed the debts; at other times the properties were purchased subject to the debt.

Sale of debentures. - Funds were often obtained by the companies

in the study through sale of various types of debentures. Sometimes these were issued through underwriters; at other times the issues were privately placed. Sinking fund debentures were most popular, although several companies sold convertible debentures. In 1945 Aldens issued three per cent sinking fund debentures, due in 1960. Part of the proceeds was used to retire 3-1/2 per cent sinking fund debentures. During 1955, the Aldens real-estate subsidiaries sold 4-1/2 and 5 per cent sinking fund bonds in the amount of \$4,500,000. The bonds bear a five per cent interest rate until the maximum principal amount is reduced by twenty per cent. After that date, interest will be 4-1/2 per cent. Final installment on the bonds is in 1976. Insurance companies also loaned funds through debentures. Equitable Life purchased \$13,300,000 of Gimbel's three per cent sinking fund debentures in 1947. Proceeds were used to retire short-term debt. The following year, Metropolitan Life Insurance Company purchased \$10,000,000 of the same debt instrument.

In 1947 May sold \$15,000,000 of 2-5/8 per cent sinking fund debentures, due July 1, 1972, in the open market. In 1953, it issued \$25,000,000 of 3-1/4 per cent sinking fund debentures due in 1978 in order to retire bank and insurance company loans. In 1955 an additional \$25,000,000 of 3-1/4 per cent sinking fund debentures due in 1980 were placed. These provided additional working capital and funds for capital expansion.

Macy issued twenty-five year 2-7/8 per cent sinking fund debentures in the amount of \$20,000,000 in 1948. Amortization of these began in 1952; the entire issue is due in 1972. City placed

\$6,000,000, four per cent twenty-year debentures in 1950 to retire its issue of six per cent preferred stock (\$4,000,000) and to reduce bank debt. In 1956, Allied issued \$15,000,000 of 4-3/4 per cent sinking fund debentures through underwriters. These debentures are due in 1976. In 1959 Sears floated 4-3/4 per cent sinking fund debentures, due August 1, 1983; \$350,000,000 was obtained and the issue was oversubscribed. Sears' subsidiary, Sears Roebuck Acceptance Corporation, in 1957 issued \$50,000,000 of 4-5/8 per cent debentures, due in 1972. The following year, the Acceptance Corporation placed \$25,000,000, 4-5/8 per cent subordinated debentures through a syndicate of investment bankers. Later in 1958, the same syndicate sold \$50,000,000, five per cent senior debentures, due in 1982.

In 1955 Aldens issued 4-1/2 per cent subordinated debentures, convertible into common stock at \$25.00 per share. About \$3,700,000 of debentures were sold, and retirement was to have been completed in 1970. In 1959, however, nearly all the outstanding bonds of this issue were converted into stock. A new five per cent convertible subordinated debenture issue of \$4,500,000, due in 1979, was sold in August. In 1957, Macy issued \$12,281,000, five per cent convertible subordinated debentures to its common stockholders. The issue is due in 1977 and the bonds are convertible at their principal amount into common stock at \$32.00 per share. In 1959, Spiegel sold \$15,000,000 five per cent subordinated debentures, convertible into common stock prior to June 1, 1969. This issue will mature in 1984.

Sale of equity securities. - The firms not only borrowed funds for expansion, but also placed new equity securities. Sometimes the equity instruments were sold directly; at other times, the securities were exchanged for securities of firms acquired during the period. Both common and preferred securities were involved in each kind of transaction.

The inclusion in this chapter of various financings which are used substantially to retire some other form of debt or equity may well be questioned. Very often the new financing resulted in an additional amount of cash over the requirements for the retirement of the other security. Even when this did not occur, there is generally a benefit to the firm over the life of the new security. Refinancing may result in smaller interest or dividend charges, or smaller principal payments (or sinking fund charges) in the near future. In both of these situations, the firm has more cash funds available after refinancing. The additional funds are available for expansion of receivables, properties, or both.

Gimbel issued \$4.50 cumulative preferred stock for its outstanding \$6.00 cumulative preferred shares in 1945. The exchange rate was one and one-twentieth share of the \$4.50 stock for each \$6.00 share. In the same year, Hecht Company sold 56,000 shares of 3-3/4 per cent cumulative preferred stock to a group of underwriters and used the proceeds to retire the outstanding shares of 4-1/2 per cent cumulative preferred. Marshall Field also sold \$15,000,000 of 4-1/2 per cent cumulative preferred shares in 1945, and the money thus obtained was used to call the same principal amount of two six per cent series. Allied reduced its interest

charges in the same year by a like sale and issuance. Proceeds from 200,000 shares of \$100 par four per cent stock, sold through a banking syndicate, were used to retire a larger issue of five per cent preferred stock.

May Department Stores in April, 1945 sold 400,000 shares of 3-3/4 per cent preferred stock through underwriters. In 1946, Aldens issued 40,000 shares of \$100, 4-1/5 per cent cumulative preferred stock and used the proceeds to retire \$1,500,000 of three per cent sinking fund debentures and to increase working capital. Macy, in 1950, exchanged 100,000 shares of four per cent cumulative preferred stock, series B, for notes of \$7,500,000 and \$2,500,000 previously given to Prudential Insurance Company of America and Metropolitan Life Insurance Company. The preferred stocks are subject to sinking fund payments in 1971 - 1975 sufficient to retire the issue. An unnamed insurance company purchased 50,000 shares of Allied's four per cent cumulative preferred stock in 1951. The series, known as the second series, is subject to the same provisions as the first series (1945 - see above) except for sinking fund requirements during 1971 - 1975. In January, 1951, City sold 60,000 shares of 4-1/5 per cent convertible stock publicly through an underwriting group.

Four of the firms in the study have issued common stock during the period. Montgomery Ward increased its working capital in 1946 through the sale of \$64,000,000 of common stock. This issue was sold to shareholders through rights which permitted them to purchase one share for each four previously held. Subscriptions were received for 98.5 per cent of the offering. Allied in 1946

issued to its stockholders rights to buy 257,840 shares. One share of stock was issued for each seven rights. The remaining shares were purchased by others who acquired rights sold on the open market. Proceeds were used to retire \$500,000 of Allied's preferred stock and to increase fixed assets. In February 1955, Allied also sold 300,000 shares of common to underwriters. Proceeds of over \$1,500,000 were to be used for "future needs." Federated sold 250,000 of its common shares for cash in December, 1951. On October 21, 1952, Hecht Company offered 135,000 shares of common to the public. The issue was oversubscribed. Most of the proceeds of \$3,700,000 were used to retire short-term bank loans.

Exchange of stock for new properties. - The various firms acquired a number of existing units in part or in whole through exchanges of stock. Federated Stores issued preferred for Foley Brothers in 1945; common stock was exchanged for Milwaukee Boston in 1948 and Sanger in 1951. Both preferred and common were issued in the acquisition of Burdine's in 1956.

Macy used preferred stock in its purchase of Davison-Paxson Co. in 1945. City Stores Company issued both preferred and common in exchange for properties. Purchase of the Richards Stores in 1946 involved common stock. In 1950 Oppenheim Collins was acquired for common, while both preferred and common were given in the Franklin Simon purchase. Lansburgh's was acquired for both common and preferred shares in 1951. In the same year, preferred was issued to the minority holders of Lit Brothers.

Spiegel issued shares of common for the J. & R. Company in 1946. Allied, like City, used both preferred and common stocks as a basis for exchange. In 1947, W. B. Davis was acquired for 11,185 shares of common, and the Fashion Company for 87,962 shares. The same year, Sterling and Welch was acquired for 27,163 shares of preferred, and common was exchanged for the Cain-Sloan firm. Preferred was exchanged for the New Castle Dry Goods Company in 1951 and for D. M. Read Company in 1953. In 1955 the property under the Donaldson Store in Minneapolis was acquired for preferred.

The May Department Stores Company used common stock in its acquisition of Strouss-Hirshberg in 1948; T. S. Martin in 1949; the Sharon Store in 1953; and Erlanger in 1957. Without a doubt the largest number of shares issued during the period for an acquisition was the 827,633 shares of May common issued to the stockholders of the Hecht Company when the two firms consolidated February 2, 1959.

Associated issued both common and preferred in its acquisitions. In 1951, the minority interests of Lord & Taylor were eliminated. The Diamond was acquired in 1956; Sibley, Lindsay & Curr in 1957.

Stock options. - Funds were provided to all firms in the study except Aldens, Gimbel, and Penney through stock option plans. These plans vary widely, and the number of options outstanding at year end and the number exercised during each year are presented in the various annual reports. Basically, officers and key employees of the firms are granted options to purchase shares at a fixed

price over some future period. The fixed price generally exceeds ninety-five per cent of the price of the stock at the date of the option grant. If the price of the stock rises, the employee is able to purchase the stock at a favorable price from the firm and resell it on the market. Profits resulting from the sale are capital gains instead of regular income. These gains in most cases are taxable to the employee at lower rates than is his regular income. However, if the option price of the stock is between eighty-five per cent and ninety-five per cent of the current market value of the stock on the date the option is granted, the employee must include in his income at ordinary rates the lesser of:

(1) the fair market value of the stock at time of disposition over the option price, or

(2) the fair market value of the stock at the time the option was granted over the option price.

If the option price is less than eighty-five per cent of the current market value of the stock on the date the option is granted, the employee may be required to pay (in the year in which the option is exercised) ordinary rates on the difference between the option price and fair market value on the date the option is exercised. (In the other cases, payment of tax is deferred until the stock purchased on option is sold.)⁴ Thus the stock option plan has been utilized as a method of providing highly paid officers and key employees with financial benefits which are more favorable than an increased salary. The plan has also provided the firms with new equity capital.

⁴1960 U.S. Master Tax Guide (Chicago, Illinois: Commerce Clearing House, Inc., 1959), pp. 197-98.

Miscellaneous forms of financing. - Miscellaneous sources of funds include lines of credit, commercial paper, and deeds of trust. The first two sources are used by Sears Roebuck Acceptance Corporation. In 1959, Sears had lines of credit with 435 banks which totaled \$474,764,500. The 1957 annual report also indicated that this subsidiary placed short-term notes directly with banks and institutional investors. At January 31, 1958, \$53,000,000 of such notes had been placed in addition to the \$127,000,000 available under its established lines of credit.

Deeds of trust on land and buildings under construction secured notes payable of subsidiary companies of Hecht Co. in 1951. The notes were for \$1,100,000 at 3-3/4 per cent and \$1,092,423 at 3-1/2 per cent at year end, although the lender agreed to extend credit to \$4,350,000 as construction progressed.

Sale and leaseback. - Many department stores have long been well-known for leasing properties whenever possible instead of buying the facilities. When this leasing practice is followed, the firm has greater flexibility to relocate. It does not have to tie up large amounts of funds in noncurrent assets. Its only expenditures for fixed assets are for fixtures and perhaps leasehold improvements. Some of the firms have also been successful in agreeing to larger rental payments in return for leasehold improvements made by the landlord. This practice conserves the firm's funds for there is no initial outlay of capital to be amortized over the period. The firm has the use of a declining portion of the funds each year of the lease as the cash is not expended

until each year's rental is due.

The lease plan was especially acceptable to landlords where the units involved were not too large and were readily adaptable to use by other tenants. In the postwar period, when stores began to move to suburban communities and to shopping centers where units were not yet constructed, a new form of lease was introduced. This type of lease allows the firms much greater flexibility in designing personalized or company-distinctive units. The new plan is known as sale and leaseback.

Generally, the organization designs and builds its own unit. Funds are obtained on a short-term basis from banks or other investors. Upon completion of the unit, it is sold and the firm enters into a long-term lease with its buyer. The corporation receives funds to repay its short-term borrowings; it has a unit designed to its own tastes and needs; its funds are not tied up in fixed assets. The purchaser of the unit has a long-term lease with a reputable firm; the property can be depreciated substantially over the term of the lease; the investment is a sound and profitable one for the purchaser. Very often, additional rentals accrue to the purchaser of the unit if sales of the unit exceeded a set amount. Sometimes the sale and leaseback agreements grant the department store the option of renewing the lease or even purchasing the unit for a moderate sum upon expiration of the lease.

Insurance companies are willing participants to the sale and leaseback agreements. Among the firms dealing with insurance companies are Sears, Macy, Associated, Hecht, and Federated. Sears sales to insurance companies in 1949 and 1950 produced \$23 million

and \$72 million. Sears has sold at least seven properties to Mutual Life, two Wisconsin stores to Northwestern Mutual, and a Cincinnati store to Life Insurance Co. of Virginia. Macy sold New Jersey real estate to Aetna Life, and Flatbush and White Plains property to an undisclosed insurance company. Associated in 1957 expanded its Westchester County shopping center through a sale and leaseback arrangement with New York Life Insurance Company. Federated sold Filene property to Equitable Life Assurance Society. Hecht's Arlington store was sold to an undisclosed insurance company.

The sale and leaseback arrangement appealed to other than insurance investors. Federated sold Foley's Houston unit to the Foley Brothers Store Foundation for the Relief of Foley Employees. Its Abraham & Straus Brooklyn unit property was sold to a subsidiary of Union College in Schenectady. City Stores sold some Philadelphia property to the University of Pennsylvania for \$4,000,000 and leased it back for twenty-three years with option to renew the lease for an additional twenty-three years. Gimbel Brothers sold Philadelphia properties to a syndicate composed of Yale, Cornell, the University of Rochester, and Lawrenceville. Proceeds of the sale were \$5,000,000. Allied Stores sold property to Union College for \$16,150,000.

In 1952 Macy sold \$4,500,000 of property to its Retirement System for Employees. Trustees of the pension and profit-sharing plans of Hecht and Sears each purchased properties from the respective firms. Sears received \$30,000,000 from The Savings and Profit Sharing Pension Fund of its employees and three insurance companies

in 1954. Terms of the agreement included a ninety-nine year lease with option after thirty years to (1) purchase the leased property for the fair value of the land alone, (2) terminate the lease, or (3) continue to lease at a reduced rental. Spiegel also entered into a sale and lease agreement with an undisclosed purchaser in 1947. The arrangement involved \$1,212,000.

Subsidiary companies. - One further device has been used by many of the firms in the postwar expansion. Many of them have organized real-estate subsidiaries. The subsidiary can legally operate and borrow independent of the parent firm. It is also taxes separately. Several of the firms consolidate the activities of the real-estate subsidiaries with the retailing activities of the parent for financial statement purposes. However, at the close of the period, five firms had subsidiaries which are large and important enough so that the two types of activities are segregated into two or more sets of statements. Within the covers of the annual reports for these firms, financial statements for the normal retailing activities of the firm and for the real-estate subsidiaries' activities are presented individually. Allied formed its subsidiary, Alstores Realty Corporation, in 1947. City presented statements for its real-estate subsidiaries beginning in 1950. Associated consolidated all subsidiaries except those devoted exclusively to real-estate operations in 1951. Separate statements for these subsidiaries are presented for each year since that date. CiroLand Company and Alco Realty Company were formed by Aldens in 1954. The May Company formed the May Stores Realty Corporation in 1957 and

The May Stores Shopping Center, Inc., in 1958. Interestingly enough, the very first firm to have a real-estate subsidiary, unconsolidated, was the J. C. Penney Company. It dissolved the subsidiary in 1954, just after the other firms began to organize and segregate their subsidiaries. The reason for this divergence in pattern is Penney's well-known policy of leasing where possible, and encouraging landlords to finance improvements. In most years of the study, Penney's annual reports indicated that landlords had spent on improvements as much or more than the firm did.

The real-estate subsidiaries, consolidated or unconsolidated, purchase the properties of the parent. The units, warehouses, etc., are leased to the parent. This procedure results in more flexible and often more favorable lease terms to the parent company. When the subsidiaries are not consolidated, the procedure also results in the removal from the parent company statement of properties, depreciation, depreciation reserves, and debt acquired to finance the properties.

Some of the real-estate subsidiaries have not confined their activities to the purchase and lease of property to the parent company alone. At least two of the firms have rented to nonaffiliated tenants. Allied has been the leader in these activities. In 1958, nearly twenty-five per cent of its rental income was from outside interests. It owns four regional shopping centers; these are designed to satisfy nearly all the shopping requirements of the residents in the vicinity. Northgate, north of Seattle, the firm's first regional center, opened in May, 1950. The company's Bon Marché store occupies 200,000 square feet, while an additional 450,000

square feet is leased by the subsidiary to about eighty other tenants. The center contains food supermarkets, variety stores, specialty shops, shoe stores, a second department store, a motion picture theatre, an office building, and a modern hospital. Shoppers' World, opened in October, 1951, near Framingham, Massachusetts, contains a 150,000 square foot Jordan Marsh store which was scheduled for expansion beginning in 1958. The investors who constructed the center did not succeed in drawing a second department store to the center, and while Jordan Marsh's has been successful from its opening, the lesser stores have not fared as well. Insufficient financing resulted in a mortgage default in 1953. The center was taken over by Equitable Life Assurance Society, the sinking fund bond holders. Alstores Realty Corporation acquired the common stock of the center in 1957. Favorable long-term financing was obtained, including funds needed to expand and modernize the center. Some 250,000 square feet of floor space is leased to forty other tenants.

Alstores has added two more regional shopping centers; Bergen Mall (Paramus), New Jersey, in 1957 and North Shore at Peabody, Massachusetts, in 1958. Each of these centers contains an Allied store and other nationally known tenants. In subsequent phases of construction, supermarkets and other activities are added.

Macy's largest shopping center, Garden State Plaza, is owned by its consolidated subsidiary, the Garden State Plaza Corporation. It was also built in stages. The first stage contained the Bamberger branch and about sixty other small stores. Stage II added 250,000 square feet of selling space and included a

Penney store, a supermarket, a variety store, drugstore, and small apparel shops. Stage III, scheduled for completion in 1960, was the addition of a Gimbel unit. Stage IV will add more specialty shops. Thus we have the unusual situation of property leased by two large firms appearing on the operating statement of a rival firm.

A new type of subsidiary was introduced by Sears, Roebuck in 1956. This subsidiary is the financial corporation, Sears Roebuck Acceptance Corporation. The purpose of the subsidiary is to supplement the banks in the financing of the firm's installment accounts. The firm announced that accounts in an amount approximately equal to those financed by banks in 1956 were sold to banks in 1957. In addition, the Acceptance Corporation had nearly \$159 million of accounts receivable on its balance sheet at year end. Montgomery Ward, in February, 1960, formed a like subsidiary for the purchase of its installment accounts. Short articles on its financing appeared in 1960 issues of the Wall Street Journal.⁵

Retained earnings. - Of course, all the firms have utilized earnings as a source of funds for expansion. However, two of the firms, Montgomery Ward and Penney, have used this method as a primary source. It is interesting also to note that of the fifteen firms only Penney has no long-term debt outstanding.

The advisability of using retained earnings depends on many factors. Among the more important are cost of borrowing and

⁵Wall Street Journal (Midwest Edition), (April 5, 1960) 14; (May 2, 1960) 19; (December 22, 1960) 11.

anticipated total earnings rate. If a firm is earning a higher rate of return on stockholders' equity than the current cost of financing, excessive earnings should be retained in the business only if management can continue to earn the same rate of return. Otherwise the needed funds should be borrowed at the lower cost, and the stockholders will benefit from leverage. Earnings on stockholders' equity will increase by the difference between the return on the borrowed funds invested in the business and the cost of these funds.

Leverage may, however, work to the disadvantage of the stockholder. If the borrowed funds are employed in a project which does not return to the firm an amount equal to the cost of borrowing, the difference reduces the total earnings of the stockholder.

Since 1954 Montgomery Ward has had a decreasing return on average total assets invested (see Chapter VI). Since the cost of borrowing would undoubtedly exceed the return per dollar invested, debt would further reduce the stockholders' future earnings. In the choice between borrowing or retaining earnings, management has wisely selected the latter.

Penney has maintained the highest rate of return on average total assets (see Chapter VI). In each year the rate of return has exceeded general cost of borrowings. Yet the firm has not taken advantage of the leverage factor which would elevate its return on stockholders' equity.

Sears and Federated each have had high rates of return on average total assets (see Chapter VI). Both have also borrowed

substantial amounts during the period. Yet since each has earned much more with each dollar borrowed than the cost of financing the debt, the excess earnings accrue to the stockholders. Each would show higher return on stockholders' equity than would Penney.

Summary. - Expansion, then, has been financed from retained earnings, new equity capital, debt of various types, and through subsidiary companies. Lenders have been insurance companies, various other institutions and corporations, both related and unrelated to the companies, and banks. Sale and leaseback arrangements and conventional leases have been utilized to acquire facilities without committing funds over a long period of time. The methods of financing used by the various firms are summarized in Table 15.

Typ

Retained earnings

Equity capital

Sale of common

Sale of preferred

Refinancing

Exchange of

Exchange of

Stock option

Subsidiary corporation

Debt - notes:

Revolving credit

Term loan (bank)

Construction

Insurance company

Other

Debt - debenture

Sale of receivables

Sale and leaseback

Insurance company

Others

Miscellaneous:

Lines of credit

Commercial paper

Deed of trust

Sale of other property

SOURCE: Annual

A - Real-estate

CHAPTER V

THE FIFTEEN-YEAR SALES PATTERN

Introduction. - In the field of business and economics, it is often difficult to determine cause and effect. It could be argued that the expansion of physical facilities which was discussed in Chapter II was the cause which produced the department store sales trends during the period. Proponents of this position hold that if the department store firms did not provide place utility (shopping facilities in locations desired by the shoppers) other types of marketing firms would do so. As a result, a portion of the sales which normally would go to department stores would be channeled to these other marketers. In other words, expansion was necessary to maintain the status quo. An equally strong argument can be presented to support the position that the sales trend was the cause of the expansion. Proponents of this position would argue that department store firms expanded in anticipation of the sales growth. The anticipated increase was based on increasing population, increasing gross national product, and increasing disposable income.

Actually, neither sales nor expansion is entirely a dependent or entirely an independent variable. There is an interrelationship between the two variables.

In the same way, sales and accounts receivable are inter-related. The change in credit plans and policies during the period has affected sales. However, the level of sales has also affected accounts receivable. Neither factor, therefore, is entirely independent.

It would be possible to determine statistically degrees of dependence and independence for these variables. However, such an undertaking lies outside the scope of this study. For simplicity of presentation, it will be convenient to treat one group of factors as dependent; the other as independent.

Expansion and credit policy changes required active decisions by the heads of the department store companies. Therefore we will arbitrarily treat the physical and credit expansion as causal factors. Sales and profits will be referred to as the effects.

A frame of reference may be helpful before the sales and profits of the fifteen firms are discussed. Therefore the general economic history of the period is reviewed briefly. Sales of department stores are then analyzed. Profits are discussed in Chapter VI.

The over-all economic picture. - June 6, 1945 marked the close of hostilities in Europe, and in August of that year war ceased in the Pacific. United States industry could return to normal operations and increased production of consumer goods. Products long absent from the retailers' shelves were soon to be available as wartime restrictions ended.

In the ensuing fifteen years there was a steady growth trend with pronounced upward movements in 1950 - 1951 and 1956 - 1957. The trend was interrupted by three recessions, 1948 - 1949, 1953 - 1954, and 1957 - 1958.¹

The first recession, 1948 - 1949, was marked by sharp inventory reductions and an equally sharp decline in nonresident construction and production of durable goods. The anticipated demand for consumer goods had resulted in a build-up of inventories to a peak in the fourth quarter of 1948. By the second quarter of 1949, inventories had reached a trough. In the same period of time, nonresidential construction and durables production fell from an annual rate of \$30 billion to \$25 billion, a decline of one sixth.

While gross national product dipped, the disposable income did not decrease in proportion. Three reasons can be given for the increased stability of disposable income. First, as workers were unemployed, two built-in stabilizers began to function - federal income taxes (based on income) decreased and unemployment insurance payments increased. In addition, despite decreases in corporation profits, dividend payments for the most part were continued without reduction.

By early 1950, a trend toward accumulation of inventory was noticeable. With the Korean War, which began June 25, 1950, a scare-buying spree developed. This increased impetus continued from the summer of 1950 until mid-1951. Business inventories

¹The following analysis is based largely on material in U.S. Income and Output - 1958, a supplement to The Survey of Current Business, pp. 1 - 24.

climbed. Activity eased from 1951 until mid-1952, marking the end of the first of the pronounced upward movements. Government spending for defense tapered off from mid-1952 through 1953.

The recession of 1953 - 1954 was, like the 1948 - 1949 downturn, primarily a period of inventory liquidation and residential construction decline. Stocks of goods were decreasing most of 1954. Residential building picked up in 1954 as credit eased. Gross national product dropped \$10 billion from the second quarter of 1953 to the second quarter of 1954. Most of the decline was in durable goods. As in the first recession, disposable income held up despite the decrease in gross national product. In addition to the built-in stabilizers (unemployment benefits and reduced federal income taxes) and the continuation of corporate dividends payments, another factor contributed to increase disposable income while gross national product fell. The excess profits tax was abolished early in 1954 and corporations (especially manufacturing and transportation corporations) found that while before-taxes income fell, income after taxes increased.

The year 1955 was one of adjustment. Business firms expanded their fixed facilities and increased their stocks of inventory. These activities continued through 1956. A second upward movement resulted when consumers' demand for nondurables climbed, culminating in a peak in the fourth quarter of 1957. Purchases were stimulated as individuals decreased their savings and spent their additional social security receipts. These additional receipts resulted from an increase in social security coverage.

The upward movement was halted by a sharp drop in investment goods demand which ushered in the recession of 1957 - 1958. GNP decreased \$20 billion from the fall of 1957 to the first quarter of 1958, and business inventories fell nearly one-fourth from \$90 billion to \$69 billion. Consumers postponed purchases of big-ticket items. Automobile sales dropped twenty per cent. The inventory liquidation continued through the rest of 1957. From the third to the fourth quarter of 1957, inventories declined another \$5 billion. Again in this recession, while gross national product declined by \$20 billion, disposable income declined only \$4 billion. Once more the automatic stabilizers and maintenance of dividends (despite corporate profit declines of \$11 billion) sustained the disposable income of the population.

During 1959 business expenditures on new plant and equipment increased, employment rose, industrial production increased, department store sales and stocks increased, and the gross national product climbed nearly as many points as it had in 1956 - 1957.

Retail department store sales, 1945 - 1959. - There are several sets of retail sales figures available in published sources. The first is that found in the Federal Reserve Bulletin. It is the actual dollar sales reported to the Department of Commerce by department stores located in various cities. The department estimates that the reporting stores accounted for about forty-five per cent of the total United States department store sales in 1959. We could explode these sales to approximate the total department store sales. However, a set of such exploded figures can be found

in the Annual Retail Trade Report, published by the Bureau of the Census. The 1957 issue of that publication contained the following quotation:²

The reclassification of certain stores to "Department Stores," in large measure stores previously included in the "Dry Goods and General Merchandise" category significantly affects the comparability of the estimates with those for prior years. Consequently separate figures for department stores and dry goods and general merchandise stores are not available for the year 1956 and previous years on a basis comparable to 1957. However, statistics for these two groups of stores combined provide reasonably consistent estimates, based on both the old and new methods of classification.

Much the same information on retail sales can be found in The Economic Almanac. Here for the years prior to 1957, one finds four series of sales: the general merchandise group, and as components of that total, amounts for department stores (including mail order sales), general merchandise stores, and variety chains. After 1957 only two series of sales are available - the general merchandise group totals and one subclassification, the variety chains. Since the Department of Commerce has stated that general merchandise stores and department stores totals together for the prior period are about equal to and comparable with department store sales in later years, a continuous series should be obtainable by deducting variety chain sales from the total general merchandise group sales for each of the years 1945 to 1959. These totals are shown in Table 16.

²U.S. Department of Commerce, Bureau of Census, Annual Retail Trade Report, 1957 (Washington: U.S. Government Printing Office, 1958), p. 12.

TABLE 16

NATIONAL INCOME STATISTICS AND ESTIMATED DE

Calendar Year	(Billions of dollars)			I
	Gross National Product	Personal Disposable Income	Personal Consumption Expenditures	
1960	500.2	345.4	321.1	
1959	479.5	334.6	311.6	
1958	441.7	316.5	293.0	
1957	440.3	305.1	284.4	
1956	419.2	290.4	269.4	
1955	397.5	274.4	256.9	
1954	363.1	256.9	238.0	
1953	365.4	252.5	232.6	
1952	347.0	238.7	219.8	
1951	329.0	227.4	209.8	
1950	284.6	207.7	195.0	
1949	258.1	189.7	181.1	
1948	259.4	189.3	178.3	
1947	234.3	170.1	165.4	
1946	210.7	160.6	147.1	
1945	213.6	150.3	121.7	

SOURCES: National Income Statistics, 1945 - 1957 - Income and Output - 1958, A Supplement to Survey of Current Business, U.S. Department of Commerce, Office of Business Economics, and National Income Statistics, 1958 - 1960 - Reserve Bulletin, XLVI (May, 1960), 561. Department store sales - Annual Retail Trade Reports, U.S. Department of Commerce, Bureau of Economic Analysis, and the Census.

A - Change in series. 1951 based on old series is

A comparison of this series of retail sales with gross national product, disposable income, personal consumption expenditures, and the facts discussed above indicates the following:

(1) Although there were three periods of recession in the fifteen-year period, yearly gross national product declined in only two of these periods. Moderate declines occurred in 1949 and 1954. The severest decline was in 1946, the postwar readjustment period.

(2) Yearly personal disposable income and personal consumption expenditures show no decline over the fifteen-year period.

(3) There were quarterly declines in gross national product in 1948 - 1949, 1953 - 1954, and 1957 - 1958.

(4) Disposable income, measured quarterly, declined (but less than the decrease in GNP) in 1948 - 1949 and 1957 - 1958. In the recession period of 1953 - 1954, disposable income increased.

(5) In the government series of sales for general merchandise stores exclusive of variety chains, a decrease occurred in 1949 as compared with 1948, and from 1953 to 1954.

Table 16 also presents department store sales as a percentage of gross national product and personal consumption expenditures. Here true rates of growth can be determined, for all series are affected by the changing value of the dollar. Both series of percentages show declining trends for the period. The percentages increase in 1946, reflecting postwar purchases. Department store sales as a percentage of GNP increase in 1949 and 1954, years when the GNP decreased. The only year in which department store sales as a percentage of personal consumption expenditures increased was 1959.

The national income statistics and department store sales have been plotted on logarithmic graph paper (Graph 1). Here like distances represent like percentage increases or decreases. This graph again shows that department store sales have not increased proportionately to increases in the national income statistics.

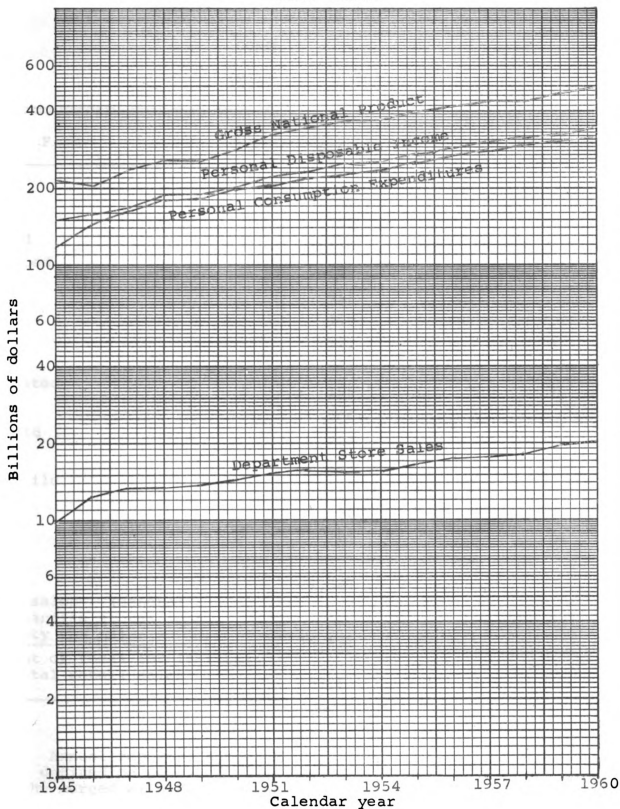
Sales for the selected firms. - Table 17 contains sales by year for each of the fifteen firms in the study and total sales for the group. The pattern of the total sales for the fifteen companies reflects closely the series of sales for general merchandise stores exclusive of variety chains. There are two decreases in yearly sales in each series and the 1948 - 1949 dip is much more drastic than that of 1953 - 1954.

Individually, three of the fifteen firms survived the recession of 1948 - 1949 without a decrease in sales. Federated's increase in sales is undoubtedly due to the fact that the Milwaukee Boston store, with two branches, was purchased in November, 1948, and a branch of Bloomingdale's at Fresh Meadows was opened in May, 1949. Sales of several months from the branch and half a year from the purchased existing stores could account for the increased sales of \$12 million. The president's letter in the annual report of 1949 called attention to the increase in selling space and disclosed that "the average sales check dropped from \$4.82 to \$4.52."³

City Stores Company acquired the Franklin Simon stores (eight in number) in September, 1949. Two new units were added

³Federated Department Stores, Inc., Annual Report, 1949,
p. 4.

GRAPH 1
NATIONAL INCOME STATISTICS AND ESTIMATED DEPARTMENT
STORE SALES



SOURCE: See Table 16, page 143.

COMP

(Mill

Firm	1950
Sears	2,556
Penney	950
M. Ward	1,170
Federated	389
May	417
Allied	440
Macy	321
Gimbel	291
Associated	150
City	206
M. Field	223
Spiegel	144
Mercantile	125
Aldens	80
Hecht	85
Total	7,547
Retail sales - (General merchandise stores less variety chains)	14,648
Per cent of total for 15 firms to total retail sales	51.5

SOURCE: Annual reports, Annual R
Year is defined on pages 10 -12.

A - Hecht merged with May, Februa

B - There is a change in series.

and one relocated the same year. Loveman, Joseph & Loeb also expanded, adding 33,000 square feet. City's increase in sales over 1948 can be attributed largely to all this additional selling space.

Hecht's president admitted to a decline from \$7.00 to \$6.62 in the average gross sales check⁴ but attributed the increase in sales to customer satisfaction, which had resulted in an increase of 8% in sales checks written. I feel that the addition of a small home furnishings store at Annapolis, Maryland, on February 10, 1949 (increasing the number of stores from nine to ten) may have been a material factor in this increase.

The milder recession in 1953 - 1954 brought decreases in sales to nine of the fifteen individual firms in the study. In each of the firms where sales increased, I believe that the increases were due primarily to changes in units operated. Allied Stores' president's letter states that sales increased 2.8% after excluding the "sales of all stores not owned at all times during both years."⁵ This would allow them to exclude for both years sales of the faltering O'Neill unit in Baltimore, which closed in December, 1954 upon termination of its leases. Other sales excluded by Allied in their computation of the 2.8% increase in sales are those of its 1953 additions, Jordan Marsh, San Diego; Read's Bridgeport; and Donaldson's Rochester, Minnesota. Also excluded are sales of Kennington's Utah, acquired February 1, 1954;

⁴The Hecht Company, 1949 Annual Report, p. 6.

⁵Allied Stores Corporation, 1949 Annual Report, p. 4.

the Bon Marché store in Oregon, Utah, and Maas Brothers branch at Lakeland, Florida, all added in 1954. The figures apparently do not exclude, however, the effect of the enlargements and additions which occurred during the year. The Joslin store in Malden, Massachusetts, was enlarged, as were Levy's of Savannah and Pomeroy's of Pottsville, Pennsylvania. The Gertz store in Jamaica, New York, opened a major addition, and the Dallas Titcher-Goettinger store was doubled in size. Exclusion of the effect of these increases in selling area would undoubtedly materially affect sales for the year.

Macy's 1954 sales include a full year's sales of two units of Macy's San Francisco and a branch of Davison-Paxon, opened in 1953, plus a partial year's sales of Bamberger's Plainville unit, opened in May 1954. The 1953 units added over 290,000 square feet. Enlargements added at least an additional 60,000 square feet.

Federated's sales increase could be attributable to the first full year's operations of the Fedway pilot stores. Gimbel opened two branches during the year; the Gimbels-Milwaukee branch was a 200,000 square foot unit, while Saks White Plains unit utilized 70,000 square feet.

Hecht, one of the smaller firms in the study, opened a 160,000 square foot unit at Northwood in September, 1954. Its sales for nearly half a year could be expected to have a substantial effect on total sales.

City Stores closed Wise, Smith & Co. on May 12, 1954 but opened five stores and enlarged Lowenstein's East in September. The branches opened were Lit Northeast (February 17, 1954), two

Loveman, Joseph, & Loeb branches (February and September), and R. H. White branch (March, 1954), and Maison Blanche's Budget Annex (September).

The recession period of 1957 - 1958 was reflected in the sales of only two of the fifteen firms in the study. However, a review of the units added in the years 1957 and 1958 indicates that Marshall Field and Hecht, the only two firms with decreased sales, were the only two firms which did not add units in 1957. Each added a unit in 1958, but the unit's effect on sales for that year would be negligible, for the Marshall Field Mayfair store did not open until January, 1959, and the Hecht Company's Prince George's Plaza store opened in mid-November. Sales of the last quarter from the new Hecht unit could not offset the downward trend of sales which had begun in 1953. This trend was arrested when a new unit was opened in 1954 but accelerated when additional units were closed or merged in 1956, 1957, and 1958. Hecht, at the beginning of our study, had eight units. When merged into the May Department Stores in 1959, it operated nine units.

There were occasional decreases in sales between years which were not recession years for several of the firms in the study. Marshall Field had decreases in 1953 and 1955. The 1953 sales decrease is somewhat baffling. The board of directors reported "small sales gains" for the Chicago stores and "substantial sales gains" for the stores in Seattle for 1953.⁶ Yet sales decreased nearly \$8 million. Sales of the two years, or for 1952

⁶Annual Report of Marshall Field & Company, Year Ended December 31, 1953, p. 3.

at least, must have included some sales for other activities if these statements are accurate. The 1955 decrease from 1954 sales undoubtedly results from the firm's change of fiscal year in 1954. That year's sales included thirteen months of operations. If 1954 sales were adjusted to reflect only twelve months' operations, an increase in sales from 1954 to 1955 would be apparent.

Federated's decrease in sales from 1946 to 1947 is also due to a change in fiscal year; 1946 sales reflect an eighteen-month period. The summary of sales, earnings, and dividends published by the firm in their 1954 report, page 17 (where all years have been adjusted to the Saturday nearest January 31 fiscal year) shows sales for 1945, 1946, and 1947 to be \$201 million, \$265 million, and \$305 million, respectively.

Three firms, Macy, Gimbel, and Aldens, had decreased sales in 1952. A survey of their annual reports shows no outstanding dominant reason for the decrease. Gimbel opened two Saks shops in Gimbels buildings in 1952, the others opened none that year. Only Aldens had opened a unit the previous year. Aldens' drop in sales was primarily in the mail-order category. Macy at this time was facing a \$6 million treble damage suit filed on October 30, 1951 by Sunbeam Corporation on the fair-trade issue.⁷ This could, perhaps, have affected its sales policies. If Macy discontinued its price cutting during this period, a decrease in sales would have resulted. Or perhaps the decreased sales for all three companies was the result of a return to normal following abnormally high

⁷"Macy Charged with 'Monopoly' in Cut Price Sale of Mixers," Publishers' Weekly, CLX (November 10, 1951), 1895-96.

sales from mid-1950 to early 1951, when consumers were on the Korean war scare-buying spree.

Gimbel's decrease in sales from 1952 to 1953 may have resulted from the strike of its delivery service employees in Pittsburgh from November 27, 1953 through late March, 1955. This strike would materially affect the store's sales of big ticket items. Spiegel's decline in 1953 was the result of lost sales in the catalog department, as was Aldens' 1952 decrease. These declines were thought to be the result of increased postal costs, which are borne by the customer.

Four firms, Penney, City, Spiegel, and Aldens, had decreases in sales from 1956 to 1957. This seems surprising, for this was one of the periods of "pronounced upward movement" in accordance with the over-all economic picture. Aldens attributed the decrease to its decision to operate within its available money supply. This resulted in reduced time payment sales. The other three companies closed units in 1957. Both City and Penney also opened units, but perhaps sales from the new units did not offset those of the established stores whose sales could have been material, though profits were poor.

The comparative sales for the other firms, the total sales for the fifteen firms, and the sales for general merchandise stores excluding variety chains indicate that this period was not one of "substantial upward movement" for this industry. M. J. Spiegel's comment that "consumers were looking for lower prices and better values"⁸ during this period offers a partial explanation for this

⁸Spiegel, Ninety-Second Annual Report, 1957, p. 2.

restrained increase in sales on the part of the industry. The year 1957 was one of increased demand for nondurables. During this year, variety chain sales increased from \$3,523 million to \$3,534 million. Sales of all retail stores increased from \$189,720 million in 1956 to \$200,001 million in 1957.⁹ These increases were much greater percentagewise than the sales increase for general merchandise stores less variety chains. Apparently, then, the consumers, in their search for bargains, were satisfying their nondurable goods demand in other outlets.

Montgomery Ward had a series of years of decreasing sales beginning in 1951. Sewell Avery (Board Chairman) was, of course, expecting the "depression to end all depressions," and several units (both retail stores and catalog offices) had been closed over the preceding years. Some new catalog offices were opened in 1953, but the effect of these additions could not offset the recession which affected sixty per cent of the firms being studied. Avery is an outstanding example of the truism that past experience does not always spell future success. He had conditioned U.S. Gypsum to ride out the depression after World War I, two years before the 1929 crash.¹⁰ In 1931 he was called upon to rescue Montgomery Ward by the Morgan interests.¹¹ He turned a deficit of nearly

⁹Frank J. Gaston (ed.), The Economic Almanac, 1960 (New York: National Industrial Conference Board, Inc., 1960), p. 128.

¹⁰F. A. Williamson, "The Battle for Control of Montgomery Ward," Magazine of Wall Street, XCIV (September 18, 1954), 739.

¹¹J. Richard Elliott, Jr., "Reviving Ward's," Barron's, XXXV (September 26, 1955), 3, 21, 23, 24.

\$9 million in 1931 into a \$2 million profit in 1933. His policies were successful on the whole until he was hospitalized with pneumonia in 1950. When he returned to work at the age of 76, he embarked on a course of action which would "trap" his rivals. He was loath to retire and obsessed with the conviction that a depression would come. During this period, Avery fired five presidents and thirty-two vice presidents¹² and his tactics caused the Massachusetts Investors Trust, which once owned one hundred million shares of Montgomery Ward stock, to decrease its ownership to twenty-five million shares.¹³ Wolfson (who tried to gain control of the company in a stockholders' proxy fight) sized up the situation by the comment, "Montgomery Ward, as it stands today, is a glaring and notorious example of private enterprise in reverse gear."¹⁴

In summary, then, it is apparent that the selected firms and the department store industry as a whole were affected more by the recessions during the fifteen-year period than they were by the upturns. Also, the 1948-49 recession affected our fifteen firms more drastically than did the other two recession periods. Undoubtedly the physical increase in selling facilities obscured some of the effect of the latter two recession periods. Various miscellaneous factors affected individual firms in individual years. Two firms showed tendencies toward long-range decreasing sales.

¹²Herrymon Maurer, "What Did Happen at Ward's?", Fortune, LIII (May, 1956), 207 - 208.

¹³"The Battle for Ward's," Time, LXIV (September 6, 1954), 76.

¹⁴Ibid.

Montgomery Ward's trend stretched from 1951 to 1955 and was the result of internal turmoil and misapplied experience. Hecht Company's trend ran from 1953 to 1959 with a minor recovery in 1954 - 1955. This trend was also apparently due to failure to keep in step with changing demands of the consumer.

Sales and receivables. - Table 18 shows sales for selected years expressed as percentages using 1945 as base year (except Sears where 1947 is used as base year). This table can be compared with Table 8 in Chapter III which reflects accounts receivable changes using the same base periods. Graphs 2 to 16 in Appendix B also indicate sales, accounts receivable, and profits for each firm.

Sales have increased less percentagewise than have the receivables. This is due to the change in credit plans discussed in Chapter III and is apparent from Table 9 (Chapter III). Similarities can be observed in Table 18 (page 156) and Table 8 (Chapter III). Only seven companies had less than a 125 per cent increase in accounts receivable over the base year in 1947. Of these seven, six had less than a fifty per cent increase in sales. In 1952 the same four firms whose sales increases were less than fifty per cent over the base period had increases in receivables of less than two hundred per cent over the base period. Receivables were expanding faster than sales, however, for in each company, the increase in receivables was more than three times greater than the increase in sales between 1947 and 1952. In fact, Gimbel's sales were less in 1952 than in 1947, while receivables increased an additional forty-five per cent of the base period.

TABLE 18
SALES AS A PERCENTAGE OF BASE YEAR, 1945

Firm	1959	1958	1957	1952	1947
Sears	204	188	182	148	100A
Penney	261	198	195	196	142
M. Ward	187	166	164	165	177
Federated	406	349	340	240	163
May	339	268	264	222	177
Allied	241	228	224	178	139
Macy	240	231	227	169	145
Gimbel	176	167	160	127	131
Associated	250	225	204	136	122
City	272	266	261	230	153
M. Field	144	135	135	140	130
Spiegel	310	219	199	208	178
Mercantile	227	214	208	174	153
Aldens	240	204	204	179	165
Hecht	...B	212	214	210	149

SOURCE: Annual reports.
Year is defined on pages 10 - 12.
A - Base year is 1947.
B - Hecht merged with May in 1959.

In 1959 Federated, May, and Spiegel rank first, second, and third in greatest percentage increase in sales during the period. These firms rank first, second, and fourth in percentage increase in accounts receivable. Marshall Field, Gimbel, Montgomery Ward, and Sears rank first, second, third, and fourth in smallest percentage increase in sales; they rank first, second, sixth, and third in smallest percentage increase in receivables.

Although the comparison of these tables shows some dissimilarities in direction and amount of growth, there is sufficient evidence to indicate that the two factors are closely interrelated.

Summary. - Using 1945 as a base year, the sales of the fifteen firms have each increased between forty-four per cent and 306 per cent during the period (see Table 19). At the beginning of the period, the fifteen firms were responsible for 39.8 per cent of total general merchandise store less variety chain store sales. By 1950 these same firms accounted for 51.5 per cent of the total sales; in 1955, 53.2 per cent; in 1959, 56.1 per cent (see Table 17). There is not a steady rising increase in percentage year by year. In 1949, 1951, 1953, 1954, and 1957, the percentage of total sales was less than in each preceding year. It is interesting to note that all but one of these years are recession years. In the year of economic upturn, 1951, sales of department stores increased but moderately, and profits of the total fifteen firms decreased. Apparently, then, in years of economic difficulty, the smaller firms in the industry fare better than the fifteen top firms, for in these years the small firms are able to

TABLE 19
GROWTH, 1945 - 1959

Firm	Number of Stores			Sales Millions of Dollars	
	1945	1959	% of 1945	1945	1959
Sears	606	734	121	1,045	4,0
Penney	1,608	1,683	105	549	1,4
M. Ward	632	547	87	654	1,2
Federated	16	45	281	187	7
May & Hecht	16	36	225	251	6
Allied	61	85	139	282	6
Macy	8	36	450	197	4
Gimbel	11	35	318	230	4
Associated	11	29	264	116	2
City	8	73	913	101	2
M. Field	6	9	150	162	2
Spiegel	103	9	...A	70	2
Mercantile	14	62	443	74	1
Aldens	2	13	650	48	1
Catalog stores:					
Sears	266	913	343	.....	...
M. Ward	195	568	291	.....	...
Spiegel	A	187	...	.....	...
Aldens	18	65	361	.....	...

SOURCE: Annual reports.

Year is defined on pages 10 - 12.

A - Spiegel had 103 retail stores in 1945; by 1958, but nine small stores had been sold, and all of them were being directed to catalog stores.

reverse the trend toward concentration in the industry. Perhaps this is because the larger firms are less willing to reduce prices drastically to move the goods.

Table 20 shows the percentage of sales of each of the fifteen firms relative to total sales in the industry. Montgomery Ward and Marshall Field each had decreases in percentage of sales, while Allied, May, Federated, Penney, and Sears increased their percentages of industry sales. Percentages of each firm's sales to the total sales for the fifteen firms at five-year intervals and for the past three years are shown in Table 21. These percentages underscore the results obtained in Table 20. In addition, it is apparent that Spiegel lost its position temporarily, at least, and that Associated is increasing its percentage in the more recent years. It is also interesting to note that four of the five firms whose positions are strengthening are in the top five when ranked by total sales.

Despite this growth, the department stores as a whole are decreasing in comparison with gross national product and personal consumption expenditures (see Table 16).

Fabian Linden¹⁵ indicates that these comparisons are not meaningful. He states that costs rose more slowly for department store merchandise than for total consumer expenditures, and the consumers changed their pattern of spending radically over the past ten or fifteen years. Much more of the country's disposable income, he continues, is now being spent for leisure and services.

¹⁵Fabian Linden, "Department Stores in a Decade of Change," The Conference Board Business Record, XV (July, 1958), 262-66.

TABLE 20

EACH FIRM'S SHARE OF TOTAL INDUSTRY SALES AND PROFITS (A)

Firm	Sales			Profits	
	1959	1956	1945	1956	1945
Sears	21%	21%	10%	13.2%	4.0%
Penney	8	8	6	3.7	2.0
M. Ward	6	6	7	2.9	2.6
Federated	4	4	2	1.9	.5
May	4	3	2	1.7	.9
Allied	3	4	3	1.2	.9
Macy	2	2	2	.6	.6
Gimbel	2	2	2	.6	.8
Associated	1	1	1	.7	.5
City	1	2	1	.4	.2
M. Field	1	1	2	.6	.3
Spiegel	1	1	1	.3	.1
Mercantile	1	1	1	.3	.2
Aldens	1	...	...	.1	.1
Hecht	...	...	...	.2	.2
Total	56%	56%	40%	28.4%	13.9%

SOURCE: Annual reports, Annual Retail Trade Reports,
The Economic Almanac, 1960.

Year for firms in the study is defined on pages 10 - 12.
Year for industry totals is calendar year.

A - Each firm's sales have been related to the total sales
of all general merchandise stores, exclusive of variety
chains.

Each firm's profits have been related to the total
profits of all corporations engaged in retail trade.

TABLE 21
EACH FIRM'S SHARE OF TOTAL SALES AND F

Sales					Firm	1959
1959	1958	1957	1952	1947		
37%	37%	37%	36%	31%	Sears	48%
13	14	13	13	12	Penney	13
11	11	11	13	18	M. Ward	7
7	6	7	5	5	Federated	8
6	5	5	5	6	May	6
6	6	6	6	6	Allied	4
4	4	5	4	4	Macy	2
4	4	4	4	5	Gimbel	2
3	3	2	2	2	Associated	2
2	3	3	3	2	City	1
2	2	2	3	3	M. Field	2
2	1	1	2	2	Spiegel	3
2	2	2	2	2	Mercantile	1
1	1	1	1	1	Aldens	1
...	1	1	1	1	Hecht	...
100%	100%	100%	100%	100%	Total	100%

SOURCE: Annual reports.
Year is defined on pages 10 - 12.

Tom Mahoney reports opinions which are more pessimistic:

Some say the department store is doomed. Its plushy services are no longer attractive to the new middle classes who have accustomed themselves to the supermarket and the vending-machine shortcuts to shopping. The suburban matrons who were its mainstay a generation ago are no longer so important a market as working girls and servantless housewives bound to their housing projects by their contribution to the post World War II baby boom. Newer distribution channels, the critics say, have made many of the department stores lines unprofitable, notably large pieces of electrical equipment which in the New York area seem to be the province of the discount houses.¹⁶

Robert Bleiberg in comparing the share of the market the department stores captured in 1946 with 1953 stated, "They must reverse the ominous downtrend of recent years or they will ultimately follow the old general store into merchandising limbo. Which it is to be isn't yet clear. The one sure thing is that they're putting up quite a fight."¹⁷

Others see in the department store industry great growth potential - a growth unparalleled in forty years.¹⁸

From the statistics presented here, it would appear that the optimists were more nearly correct. This has been an era both of concentration or merger of firms and of new expansion. Companies have expended considerable effort to give the consumer the services he desires in the locations he desires. Despite this, the industry's importance in the economy has declined. The writer believes, with Fabian Linden, however, that this is a result of changing and

¹⁶Tom Mahoney, The Great Merchants (New York: Harper & Brothers, 1955), p. 171.

¹⁷Robert M. Bleiberg, "Merchant Princes," Barron's, XXXIV (March 8, 1954), 3, 19-20.

¹⁸William P. O'Connor, Jr., "Department Stores Have Growth Potential," Trusts and Estates, XCV (August, 1956), 715-17.

expanding tastes and desires rather than a decadence in an established industry. As the income of the average family increases, more services not marketed by this industry - such as homes, automobiles, and travel - are purchased. As a result, the department store can continue to increase its sales, but probably not at a rate equal to increases in disposable income.

CHAPTER VI

PATTERNS OF PROFITABILITY

Introduction. - In previous chapters we examined various types of expansion in the department store industry and noted the extent that sales increased during the period. Now we shall attempt to determine the profitability of the expansion and evaluate it.

Adjusted income defined. - Profitability of the firm can be measured in several different ways. One of the easiest and most frequently used methods is to relate earnings to sales. Retail sales generally offer no difficulty in interpretation. However, importance of a qualifying statement is underscored by the fact that Spiegel in 1959 revised its 1955 - 1959 sales figures to include service charges to customers. Previously, these service charges had been deducted from selling, general, and administrative expenses. The sales figures used herein to determine the profitability ratio are in all cases the total retail sales figures listed by the firms in their annual reports.

The earnings figure is more difficult to define. There are earnings before taxes, after taxes, before special debit and/or credit adjustments, before and after dividends, etc., etc.

Some of the firms had special activities which produced revenue. For example, Macy operated radio and television properties

until 1952. Several of the firms have operated wholly owned subsidiaries which own and lease retail properties and facilities to the parent company. The firms formed these subsidiaries in different years and have occasionally changed their methods of accounting for the subsidiaries' profits during the fifteen-year period. Statements of some of these subsidiaries are consolidated with the parent company's statements. In other cases, the statements are presented separately. The firms have not even consistently decided that the unconsolidated real-estate subsidiary was a good idea. Penney, the first firm to have a real-estate subsidiary, dissolved it in November, 1954. To compare income figures of the fifteen firms, some adjustments will be necessary to make them consistent both among years and among companies. Since some operating units own their own properties, and some consolidate their realty subsidiaries, it will be necessary to combine the net addition to earned surplus after dividends for the unconsolidated realty companies with the net addition to earned surplus before dividends of the parent. The reason for this is that dividends paid by the subsidiary to the parent are already included in the net income figure of the parent. Therefore, to use the before dividend figure would be to duplicate income.

There may be a question about the use of the net addition to earned surplus figure instead of the figure published as "net income" for the various firms. The difference between the two figures is generally a special credit or debit resulting from less than perfect estimates in reporting previous years' income figures. Each year's statements include expenses which cannot be accurately

measured. The company must use judgment to determine the best possible estimates of these expenses. Subsequently, facts (often available only after many years) may indicate deviations between the actual and the estimate. At times the estimate may be inaccurate primarily because of the changing value of the dollar, a factor which the traditional financial statements do not even attempt to report. The result may appear on a subsequent financial statement as a gain or loss on sale of equipment, buildings, property, etc., liquidation of a subsidiary, or some like situation. The fact remains that income of prior years has been misstated when, in retrospect, one studies the full situation with current facts. Each firm could probably allocate each special credit or debit to the proper preceding years. However, the information to accomplish this is not available in the published reports. Therefore to reflect total income for the total period, the outsider can only reflect this correction of income in the year in which the adjustment was actually made by the firm. The adjustment will be used to increase or decrease income under the accounting concept of clean surplus. No amount will be treated as a special item.

During the period of the study, there has been one very obvious change in generally accepted accounting principles. At the start of the period, it was considered generally acceptable to set up specialized "reserve" accounts. Today these reserve accounts, which formerly appeared in a separate section between liabilities and stockholders' equity, are recognized either as estimated liabilities or segregations of retained earnings. Several of the annual reports of the earlier years of the study contained

these reserves. Where it could be logically assumed that these were estimated liabilities (example - deferred income taxes), no change was made in the earnings reported for the year. However, where these reserves could be interpreted as segregations of retained earnings, the change in the reserves was used to adjust earnings for the year involved. This adjustment is necessary to make all years of one company's earnings comparable.

In summary, then, earnings shown in Table 22 reflect the operations of the firm for the year, adjusted for special debit and credit items applicable to unidentifiable prior years, plus adjustments for reserves which are in reality appropriated surplus accounts. The like income from any unconsolidated realty subsidiaries has been added to the income of the parent to the extent that it had not previously been included either directly or through recognition of dividends.

This may appear to be an unrealistic profit figure to use in comparison with sales. Income from retail operations alone would result in a much better comparison. This income figure is available to the company accountant. Published statements, however, do not contain this amount. Because the only income figure which is available to us on a consistent basis for the fifteen firms for the fifteen years is the one described above, we must, of necessity, use it.

Profit for selected firms vs.
profit for retail trade corporations. - The Economic Almanac contains a series showing profit for corporations engaged in retail

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(M

Firm	1'
Sears	1.
Penney	
M. Ward	
Federated	
May	
Allied	
Macy	
Gimbel	
Associated	
City	
M. Field	
Spiegel	
Mercantile	
Aldens	
Hecht	
Total	30
Corporate retail trade profits (B)	1,90
Per cent of total of 15 firms to total corporate profits	

SOURCE: Annual reports, The Ec
Year for individual firms is de
Year for retail trade is calend
* Loss.

A - Merged with May in 1959.

B - Profit is after federal and
profits taxes but before in

trade for the period 1945 to 1956. Figures subsequent to 1956 are not available. Examination of this series (Table 22) indicates a trend of decreasing profits for the period 1947 to 1954 interrupted only by 1950 (a war year). I could find no series of profits for corporations engaged in specific types of retail trade. The retail trade group includes, in addition to the general merchandise stores, food stores, eating and drinking places, apparel stores, furniture, furnishings and appliance units, automotive units, gasoline service stations, lumber, building and hardware units, drug and proprietary units, liquor stores, and other retail units. Losses of corporations engaged in retail trade have been netted against profits.

The sum of profits for our fifteen firms indicates a different pattern. Profits decreased in 1947, 1949, 1951, 1953, and 1957. Three of these years are recession years. In the year of economic upturn, 1951, department store sales increased only moderately. In 1947, when adjusted sales for each of the fifteen firms rose, profits for twelve of the fifteen firms declined.

Profits relative to sales. - Table 23 shows profits as a percentage of sales for each firm and similar profit percentages for All Retail Stores. A study of this table and Graphs 17 to 24 in Appendix B points up four tendencies. First, Sears, Ward, Associated, Hecht, and Mercantile consistently have higher profits than All Retail Stores. Macy, May, Mercantile, City, Federated, and Penney have a tendency to follow the pattern of profitability for All Retail Stores more closely than the other companies. Two firms,

TA

COMPARISON OF PROFIT

Firm	1959	1958	1957	1946	1945
Sears	4.9	4.5	4.4	6.2	3.4
Penney	3.6	3.3	3.2	5.3	3.2
M. Ward	2.5	2.6	2.5	6.4	3.6
Federated	4.5	4.3	3.8	4.0	2.5
May	3.5	3.4	3.2	3.9	8.1
Allied	2.2	1.9	2.1	5.1	3.0
Macy	1.7	1.4	1.5	3.7	2.6
Gimbel	2.4	2.6	2.5	4.4	2.9
Associated	2.9	3.4	3.2	5.7	4.0
City	0.9	1.1	0.8	5.2	1.4
M. Field	3.9	3.4	3.1	7.1	1.7
Spiegel	5.1	3.3	2.8	2.6	1.6
Mercantile	3.0	2.7	2.5	6.0	2.4
Aldens	3.0	1.5	2.2	3.9	1.4
Hecht	...A	3.2	3.1	5.1	3.6
All retail stores	n.a.	n.a.	n.a.	4.4	2.9

SOURCE: Annual reports, The Economist
 Year for individual firm is defined
 Year for all retail stores is calendar
 Profit is defined on page 167.

* Loss.

A - Hecht merged with May in 1959.

Ward and City, appear to have declining profitability ratios over the period. Spiegel, after a decline to a loss in 1954, now appears to have a trend of increasing profitability.

In Appendix B are graphs of sales, accounts receivable, and profits for each firm, plotted on logarithmic graph paper. This type of graph paper was chosen because like distances equal like percentage increases. Therefore, although the dollar figures vary in size, comparative changes are obvious.

Profit measured by assets utilized. - Another measure of profitability which is often used is comparison of some type of earnings with some category of invested capital. For an individual firm, common stock equity¹ is the capital category most usually chosen. The resulting profit ratio measures yearly performance for the theoretical original investor. This is acceptable for comparison among firms, however, only if those firms have like capital structures. In this study we have one firm with only common equity on its balance sheet. Other firms have both preferred and common equity and various types of debt. The percentage of debt to ownership equity within one firm over the period varies considerably in several instances. Therefore comparability will not result using either common equity or preferred and common equity as a capital category.

¹If only one class of stock is outstanding, this is determined by adding to par or stated value of common stock all surplus and retained earnings amounts. If a preferred issue of stock is outstanding, this total must be reduced by (1) all unpaid preferred dividends and (2) any premium payable to the preferred stockholders on liquidation or purchase of their stock.

If the study were concerned with profitability from the (present or prospective) individual stockholder's point of view, it would be necessary to pick one or more particular moments of time. Then anticipated future profits to the stockholder and anticipated payments to him could be matched with the market price of stock at that point of time. Or one could calculate the advisability of divestment of a block of stock in one firm to purchase stock in another firm whose future profitability appeared more attractive. From the standpoint of the individual investor who is contemplating a profit decision, this is the only way to judge profitability.

However, our study is not concerned primarily with the individual investor. We desire a measure of profitability of the economic unit as a whole. Therefore profit should be measured against the capital advanced to the company from all sources - owners or lenders, whether on a long or short-term basis. Profits should be measured before deduction of contractual payments for the use of all these funds.

In other words, capital should be total equity or, the reverse side of the equality, total assets used in the business. Generally assets are averaged, since this indicates more accurately the capital employed to produce the profits. The best average would be of monthly or at least quarterly total assets figures. Because only annual figures are available, we must employ average of beginning and ending assets in computing our ratio of profitability. For consistency, assets of realty subsidiaries have been added to assets of the parent company, and duplication is eliminated by

subtracting the "investment in subsidiary" amount reported on the parent company's books.

To obtain the earnings figures we desire to compare with average assets, another adjustment of the earnings figures listed in Table 22 is necessary. These earnings are before deduction of dividends (which are payments to stockholders for use of their monies). However, interest payments to lenders have been deducted. Interest payments by both parent companies and unconsolidated subsidiaries must be added to the Table 22 figures. Unconsolidated subsidiary interest payments to the parent company are not added, since these amounts are offset by income on the parent company income statement. To lend to its subsidiary, the parent company either had to borrow funds or lend funds it could have utilized in its operations to produce greater profits. In either case, it is at the parent level that the cost of the funds should be recognized. In most cases, the annual reports indicate the amount of interest payments made by the subsidiary to the parent. In those cases where no such figure is disclosed, one can only assume that all interest payments were made to unrelated parties.

A different problem was encountered in the reports of City Stores. Here, balance sheets are presented for the realty company, but no income statements are available. A request for information about interest paid by the realty firm brought the reply that such information could not be made available "because of our policy of limiting financial information to that contained in the report that we made public."² In order to reflect at least a portion of the

²Letter from J. Karl Fishbach, Controller of City Stores Company, dated September 17, 1959.

interest payments which must have been made, I adjusted the City Stores earnings figure by an amount equal to four per cent interest on the average of beginning and ending debt reported on the balance sheets of the realty company subsidiary. The four per cent figure was arbitrarily chosen.

Perhaps a word concerning income taxes would be desirable. It is true that interest and dividend payments receive different income tax treatments. The effect of income taxes on the firm cannot be ignored when tax rates are at the levels existing in the past fifteen years. Therefore a sensible comparison between firms can only be made after consideration of the taxes each must pay. Since the rates are the same for all firms, only the profits, management decisions, and shrewdness in tax planning can affect the income tax figure. We shall accordingly treat income taxes as costs rather than distributions of earnings. The earnings figure, then, represents total revenue less deductions for all purposes other than costs for the use of capital which provided the assets at the disposal of the firm. The earnings figure is after calculation of taxes, but before payments of interest or dividends.

Table 24 presents the results of the profitability ratio determined by comparison of average assets with this revised earnings figure. The most obvious tendency noted in the table is that ratios are higher for the years 1946 (the immediate post World War II period) and 1950 (the year of the Korean War scare buying). Seven of the firms, Allied, Mercantile, Hecht, Sears, Ward, Penney, and May have failed to reach the peaks of these years since 1950. Gimbel and Aldens reached the 1950 peak once since then;

COMPARI

Firm	1959
Sears	10.3
Penney	12.0
M. Ward	4.1
Federated	12.4
May	7.0
Allied	5.0
Macy	6.4
Gimbel	5.7
Associated	6.0
City	4.2
M. Field	6.3
Spiegel	9.0
Mercantile	7.5
Aldens	9.6
Hecht	A

SOURCE: Annual report
 Year is defined on p
 Profit is defined on
 Average assets is de
 A - Hecht merged with

the remaining six firms have attained a comparable profit level in two or more years. There also appears to be a tendency for the ratios to hover within a three percentage point range for the period 1951 to 1959. The range is narrower for May, Sears, Penney, Allied, and Hecht. Mercantile, Gimbel, Federated, and Associated have wider fluctuations, but lack the extremes between the 1946 - 1950 period and the 1950 - 1959 period. Montgomery Ward and City have ratios which appear to decrease throughout the period. Aldens, Spiegel, and Macy, on the other hand, show tendencies toward increasing ratios from 1955 to date.

Since many of the companies have been organizing unconsolidated subsidiaries, comments have been made that department stores are realizing more and more of their profits from nonretailing activities. Therefore ratios of profits to average total assets have been computed for these organizations. In each case except City (where interest was estimated) it is interesting to note that the ratios for the unconsolidated subsidiaries for each full year of operation are less than those for the organizations' total activities. (Tables 24 and 25). In other words, the parent company's ratio for retail activities alone would be even greater than the ratio shown in Table 24. This ratio has been deflated by the adverse leverage of the realty subsidiaries' activities.

In computing ratios for Sears, Roebuck, the activities of the Sears Roebuck Acceptance Corporation were not added to those of the parent. Combination of unconsolidated realty subsidiaries was necessary because some firms in the study consolidate their subsidiaries while others do not. For the years of the study,

TABLE 25

PROFIT AS A PERCENTAGE OF AVERAGE TOTAL ASSETS
FOR UNCONSOLIDATED SUBSIDIARY COMPANIES

Year	I	II	III	IV	V	VI	VII
1959	2.56	....	4.10	4.49	3.78	4.51	2.75
1958	3.24	....	6.03	4.06	2.42	4.36	3.98
1957	4.03	....	11.40	3.71	2.06	4.14	3.91
1956	2.23	....	.....	4.14	2.80	4.37	3.51
1955	....	....	.....	4.01	2.61	2.20	3.57
1954	....	....	.....	4.46	1.85	A	3.09
1953	....	2.96	.....	4.94	8.39	....	.73
1952	....	2.92	.....	4.48	1.94	....	4.87
1951	....	2.33	.....	4.46	4.05	....	5.74
1950	....	3.07	.....	3.76	....	....	....A
1949	....	2.30	.....	3.02	....	....	....
1948	....	3.64	.....	2.70	....	....	....
1947	....	3.50	.....	1.83	....	....	....
1946	....	3.90	.....	....	....	....	....
1945	....	4.56	.....	....	....	....	....

SOURCE: Annual reports.

Year is defined on pages 10 - 12.

Profit is defined on page 174.

A - Indicates loss.

I - Sears Roebuck Acceptance Corporation, financial subsidiary of Sears, Roebuck.

II - J. C. Penney Building & Realty Corp., realty subsidiary of J. C. Penney.

III - The May Stores Shopping Centers, Inc., and The May Stores Realty Corporation, realty subsidiaries of The May Company.

IV - Alstores Realty Corporation and Subsidiaries, realty subsidiaries of Allied Stores Corporation.

V - Realty subsidiaries of Associated Dry Goods Corp.

VI - Alco Realty Co. and Ciro Land Corp., realty subsidiaries of Aldens.

VII - Realty subsidiaries of City Stores Corporation.

however, only Sears had a finance company subsidiary. Sales of accounts to S.R.A.C. and to banks were treated identically, and this treatment is consistent with that used by the other firms which sell accounts.

In computing a ratio of profit to average total assets for S.R.A.C., interest expense had to be estimated, for the firm publishes no income statements for the subsidiary. Interest was computed at the stated rate or four per cent if no rate was indicated. (This total was the same as that arbitrarily chosen for City Stores.) Principal was assumed to be the average of beginning and end of the year debt. As in the case of the realty subsidiaries, the ratio is very low. However, even if the interest were doubled, the ratio would still be less than that computed for Sears, Roebuck in Table 24.

We must conclude, therefore, that the nonretail activities are not providing large direct profits to the companies. Quite obviously, the subsidiary is providing services to the parent at a price which approaches cost. The subsidiaries are not earning on the parent's investment as much as they are paying for borrowed capital, for in most cases interest rates on debt exceed the profit per dollar of total equity. The subsidiary exists to provide low cost services to the parent. Its function is not to make profit but to prevent other nonaffiliated organizations from making profit on the parent. Rather than making profits on nonretail activities, the companies appear to be reducing costs through expanded operations. Industrial corporations have been doing this same thing for many years.

Profit summary. - From the above data, we can state that there is but limited relation between the trend in profits of our selected department stores and the sales trend for the same years. Also the pattern of increases and decreases in profits for corporations employed in retail trade and the total profits of the fifteen firms are dissimilar. Fluctuations in profits as a percentage of sales for the fifteen firms are generally similar to fluctuations in profits as a percentage of sales for All Retail Stores. Comparison of profitability as a percentage of sales and profitability related to average assets indicates that the years 1946 and 1950 were generally more profitable for most of the firms. There seems to be no tendency for the larger of the fifteen firms to be more or less profitable than the others. It would appear that profitability is more related to factors other than size of firm - perhaps policies of markup or store ownership, for example. There seems to be a relationship between profit as a percentage of sales and profit related to average assets, however. A firm which has a high ratio relative to the group for the one also appears to have a high ratio relative to the group for the other measure of profitability. Conversely, firms with lower ratios in Table 23 tend to have lower ratios in Table 24 as well. Tendencies toward increasing or decreasing ratios through part or all of the period also are often noted in both groups of data, although the tendency may be more obvious in one of the groups.

In Chapter V, we measured industry concentration by comparing the percentage of sales made by the various largest firms in the industry to the industry sales (Table 20, Chapter V).

Table 22 (Chapter VI) shows each firm's percentage of the total profits for corporations engaged in retail trade. The profits of our selected firms show a general increasing trend from 1947 to 1956. Abnormal peaks occur in 1949 and 1954. Table 20 (Chapter V) expresses each firm's profits as a percentage of profits for all corporations in retail trade for 1945 and 1956 (the last year for which such total profits are available.) The percentage decreased for Gimbel, remained the same for Macy. Large increases are noted for Sears, Federated, Spiegel, Marshall Field, City, and Penney. Table 21 (Chapter V) shows the profits of each firm relative to the total profits for the fifteen firms. Somewhat different results appear here. Relative to the performance of the total group, Spiegel, Associated, Gimbel, Federated, and Sears are improving their profit positions, while City, Allied, May, and Montgomery Ward are regressing.

There has been concentration in the industry, and especially in the top five firms. There is a trend toward increasing profits for the fifteen firms relative to all corporations engaged in retail trade. Sears and Federated have increased their percentage of profit relative to both the retail trade group and the fifteen firms in the study. Other profit positions have changed, but no obvious trends are noticeable.

Growth over the period. - Table 19 presents data for each of the stores for 1945 and 1959 and shows 1959 as a percentage of 1945. Number of stores, sales, and profits are compared. (See page 158.)

There has been fantastic growth in the number of stores.

Among the top five, sales and income increases have kept pace with the increases in number of stores. For some of the other firms, the increase in number of units has far exceeded the increase in sales and income. This, in part, may be due to the base year used. Also, it may be partially the result of difference in size of units. All units are counted equally, although some of the firms which had only very large outlets at the beginning of the period have added units which are a fraction of the size of the initial units. Therefore sales and profits generated from the new units could not be expected to match the sales and profits from the units operated in 1945. Another reason for somewhat incomparable results is that the units operated in 1945 result in an extremely small base for some of the smaller of the fifteen firms. Therefore while they may have added a fraction of the number of units added by Sears, for example, the percentage increase is much greater. Undoubtedly a much more interesting picture could be presented if total selling space for each firm in the two years was compared.

A study of the percentage increases for sales and profits (Table 19) indicates mixed results. All firms have had an increase in both sales and profits. However, for some firms, profits have increased more than sales, while the opposite result is true for other firms. The increase in profits is greater than the increase in sales for the top two firms, and also for several of the smallest firms in our sample. There is, therefore, no apparent pattern of sales and profits increases relative to size of firm, at least among these retail giants.

CHAPTER VII

SUMMARY AND CONCLUSIONS

In the early 1950s there was some doubt about the future of department stores. Much of the concern was based on population exodus to suburban areas, inner city deterioration, and increased competition from discount houses, specialty shops, supermarkets, drug stores and variety chains. The department stores met the challenge successfully.

Beginning in 1945, but especially since 1950, there has been almost continual physical expansion. Empirical data from an examination of the annual reports of the fifteen largest department store firms for the fifteen-year period 1945 - 1959 indicates that this expansion has been a three-pronged attack. First, existing properties have been remodeled, renovated, modernized and expanded. Second, new stores have been built (or old stores relocated) usually in suburban areas or in shopping centers near the new population concentrations. Third, there has been a tendency toward concentration in the industry. Larger firms have acquired existing stores, many with generations of successful history.

In an attempt to make existing units more profitable, firms have attacked the parking problem in downtown areas. Many parking garages and parking ramps have been added during the period. When new stores were built or leased, much consideration was given to the

parking facilities as well as to the plan of the store itself.

The study clearly shows that in construction of new units the firms recognized the importance of the name and good will of existing stores. Companies like Marshall Field, Gimbel, and Macy who used only a few names for their stores in prewar days capitalized on these names by circling original main stores with groups of suburban satellites. This tendency was also noted in the actions of Associated, Mercantile, and May. These companies had in the prewar period used many store names. In addition to building satellites, these three firms changed the names of smaller stores which they purchased to names already used in their firms. When they purchased well-established units, they built satellites around them and took advantage of the good will of the purchased stores.

Analysis of annual reports shows that acquisition of existing stores was not always successful. Spiegel was particularly unsuccessful, since nearly all the stores it acquired during the period were disposed of by 1960. Mercantile also closed a number of acquired units, while May, City, and Allied disposed of a few.

Existing stores were acquired by all of the fifteen firms except Penney and Marshall Field. Hecht and Gimbel acquired but one each. Sears' only acquisition resulted from its association with the Canadian Simpsons company. Approximately one half of the new units added by the remaining ten firms were stores which had been previously operated.

There were more small stores (branches and appliance units) than large ones closed by the fifteen firms during the period. A number of units were relocated, but at least nine major downtown

stores were closed or sold. Catalog unit additions have been important to the four firms dealing extensively in mail-order selling, although three of these firms maintain many full line department stores as well.

Another important evidence of growth during the period supported adequately by the empirical data was the increase in accounts receivable. At the end of World War II there existed much pent-up demand for goods unavailable during the preceding four to five years. Regulation W was imposed and lifted several times during the early years of the study. The firms and individual stores within each firm experimented with various types of credit plans, all modifications of the regular thirty-day charge or installment contract. By the end of the period the percentage of long-term contracts to total accounts receivable had increased considerably for each of the firms. Total accounts receivable as a percentage of sales for the year then ended increased from the beginning of the period to the end of the period. However, the greatest increase in this relationship occurred in the first third of the years of the study. Even Penney, long known for its cash and carry policy, began introducing regular and installment charge accounts by the end of the period.

Physical growth and increased accounts receivable resulted in an increased demand for capital funds. The study indicates that this need was met in several ways. The firms borrowed from banks, insurance companies, and institutional investors. Both stocks and bonds were privately placed, issued publicly and sold through syndicates. All of the firms utilized retained earnings for expansion and twelve of the fifteen had some type of stock option plan in

operation. Seven firms used common stock, preferred stock, or both to acquire existing units.

Two firms, Penney and Montgomery Ward, borrowed little if any during the period. City, Macy, and Allied, on the contrary, borrowed many times. Most of the borrowing firms used various types of debt instruments and more than one source. This would indicate that, in all probability, the borrowing was decided in light of the need and the money market at the time funds were required.

Nine of the firms sold accounts receivable and nine used the sale and leaseback plan to finance new units. As in borrowing, the favorite source of capital for the sale and leaseback was the insurance companies.

It is difficult to determine cause and effect relationships in business and economics. However, both physical expansion and credit extension required management decisions. Perhaps the managements of the firms were acting in anticipation of increased sales resulting from the population explosion, increased gross national product and disposable income. Or perhaps they realized that place utility was necessary to maintain status quo. Whatever their reasons, the expansion of the fifteen firms resulted in increased sales during the period. The sales trend of all department stores (estimated by the Department of Commerce) followed roughly the general economic history of the country, but the recession of 1948 - 1949 affected department stores more than the recessions of 1953 - 1954 or 1957 - 1958. Department store sales in general are not keeping pace with growth in gross national product or personal consumption expenditures. This may indicate that the American consumer

is spending more of his income on items (leisure and services) not sold in department stores. I believe with Fabian Linden¹ that this change in mix of expenditures is a more realistic reason for the decline than the theory that department stores are dying. Both sales and profits of the fifteen firms show increasing trends, but the increases are not at as rapid a rate as those of the national income statistics.

A comparison of the sales of the fifteen selected firms with total sales for general merchandise stores (exclusive of variety chains) indicates that in recession years the top fifteen firms lost ground. It may be that the smaller firms do more price cutting and so maintain volume to a greater extent than do the giant firms. However, in good years the fifteen firms again account for a greater percentage of the total sales. Both Montgomery Ward and Marshall Field ended the period with a smaller percentage of the total sales than they had at the beginning of the period. On the other hand, Allied, Macy, Federated, Penney, and Sears each had a greater percentage in 1959 than in 1945. Spiegel has lost its position in the industry when these two years are compared. However, the decline occurred prior to 1954.

Profits decreased more than sales in the recession periods indicating that price adjustments were made to reduce inventories. Some of the effect of recessions in individual firms was obscured because of the addition of new units in recession years. It is interesting to note, however, that the two firms, Montgomery Ward

¹Linden, loc. cit.

and Hecht, with the least physical expansion during the study have extended periods of sales declines.

Graphs showing sales, accounts receivable and profits for each of the fifteen firms indicate that sales and accounts receivable move together much more than do sales and profits. Accounts receivable increased much more than sales in the early years of the study, and this can be accounted for by the trend to more long-term accounts since 1951.

Profits for each of the firms were compared with their sales and with their average assets. Of course, adjustments were necessary to make the income figures of the various selected companies consistent both among years and among firms. Since some companies owned properties while others used subsidiaries to hold their properties, the net income of the subsidiaries had to be incorporated with the income of the parent firms. Adjustments were also made for two additional reasons: to reflect the clean surplus reporting method and to offset changes in what has been generally acceptable in reporting standards during the years of the study. Changes in equity reserves which did not appear as adjustments of surplus were reversed.

The series of percentages resulting from comparison of profits with sales and with average assets moved together in most years for most of the firms. Over the period, Montgomery Ward and City show tendencies toward declining profits. Aldens, Spiegel, and Macy appear to have long-term increasing profit trends. Sears, Penney, Allied, and Hecht have narrower ranges of profit percentages compared with those of the other firms.

The best profit years for nearly all the fifteen firms were 1946 and 1950. In 1946, with the war just ended, consumers were reducing their accumulated savings and acquiring goods long unavailable to them. In 1950 a scare buying spree, resulting from war in Korea, caused sales and profits to leap.

Also interesting is the fact that the empirical data shows the subsidiary companies set up to manage real estate act as levers on the profits of the parent firms. Profits from these operations were compared with average assets invested in these operations. The profit ratios for the subsidiaries are less than those computed for the total operations of the parent firms (including the subsidiaries' profits). Hence, it would appear that these subsidiaries are operated solely for the benefit of the parent firm. Services are provided to the parent firm at a price which allows the subsidiary firm to cover all costs and accumulate only a very nominal retained earnings. The parent firm benefits by receiving needed services at a far lower cost than that which would be charged by a nonaffiliated company. If profit from retailing operations were compared with average assets of the parent company alone, the profit percentages for the five firms, May, Allied, Associated, City, and Aldens would be higher.

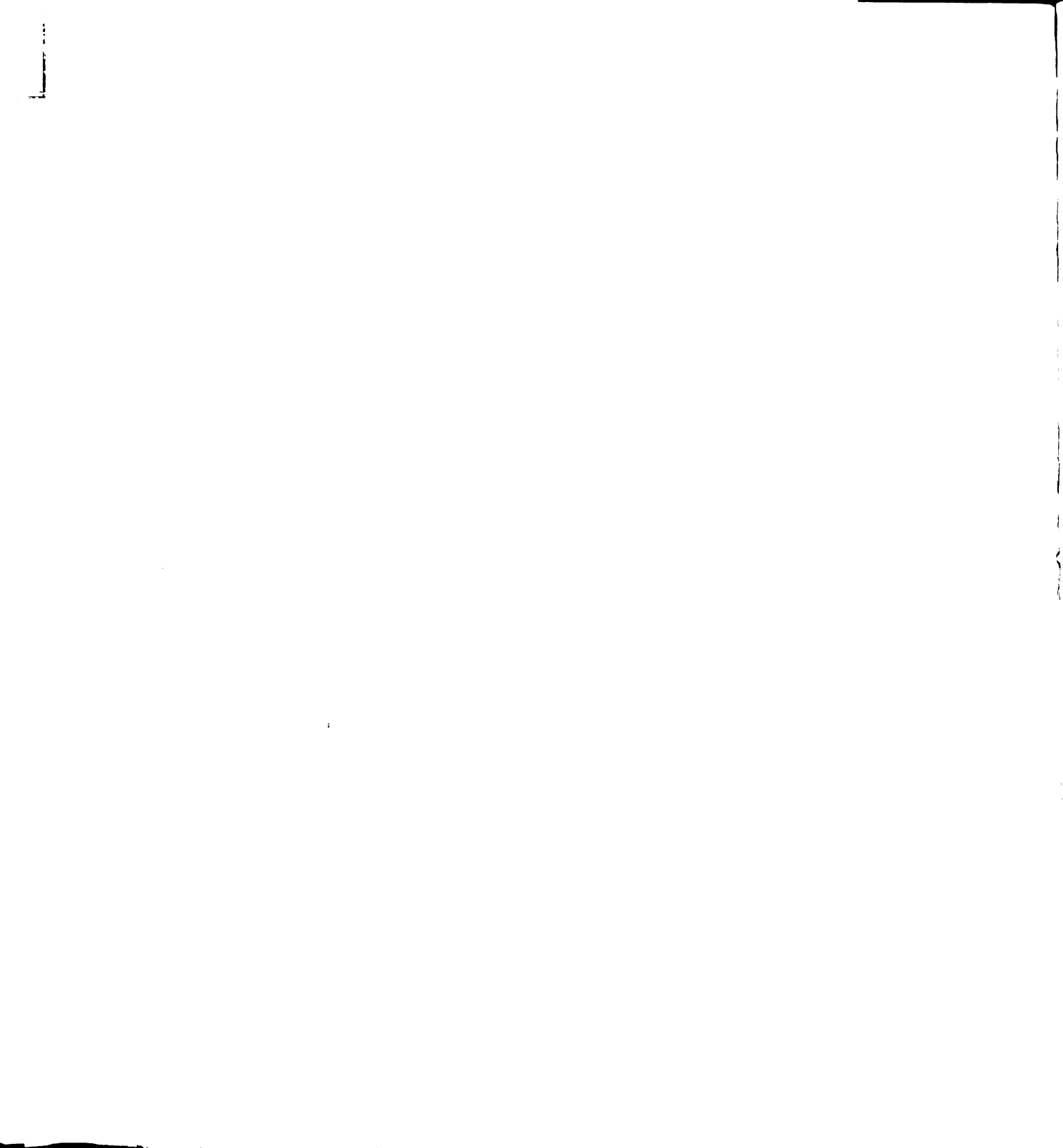
In the same way, Sears' subsidiary, organized to purchase its receivables, has a smaller percentage when its profit is compared with its average assets than the like percentage for Sears' retailing operation. (This subsidiary was not combined with the Sears retailing operation because none of the other firms used subsidiaries to discount their receivables in the years of the study.)

Obviously this financial subsidiary is also a service organization which is not expected to make large profits but is to render services at lower cost to the parent.

The study indicates that combined profits of the fifteen firms have been increasing more rapidly than the profits from all corporations engaged in retail trade. Only Aldens, Hecht, and Gimbel did not show in 1959 a substantial increase over 1945 in their percentage of the total corporate profits. Federated, Sears, May, City, and Spiegel all showed substantial increases.

Considering the factors of profits, sales, physical expansion, quality of reporting, and tendency to innovate, the leaders in this industry appear to be Sears, Federated, May, and Penney. Spiegel has had exceptional over-all performance since 1954.

Annual reports of the fifteen firms for the fiscal years which include most of the months of 1959 indicate that the period of expansion in these department stores has not come to an end. Further expansion and modernization of existing firms is being planned. New units are on the drawing boards. Unprofitable units are being eliminated or relocated. Moreover, there is indication that shopping centers and suburban sites are more carefully chosen at this time than they formerly were. Most firms appear to have arrived at the best credit plans for each unit in relation to its particular area and local competition, but another cycle of revision may be necessary as more variety chains offer their new credit plans. In the meantime, managements are turning to internal areas to increase sales and profits in the future. To quote from a statement of the May Company, one of the most successful firms in the



industry:²

The May Department Stores Company today announced a far-reaching, long range "Store of the Future" program based on a new merchandising concept which will "allow customers to shop the way they like to shop while retaining the fashion impact and unrivaled assortments that have been the strongest factors in the success of the company's stores."

Morton D. May, president, said the company would introduce self-selection, check-out merchandising in broad areas of its existing stores and carry this technique into the new stores to be constructed under a stepped-up expansion program.

"This S.O.F. (Store of the Future) program," Mr. May said, "will satisfy growing customer desires for quick-service, self-selection of a broad range of standardized merchandise while retaining the flexibility of providing personal assistance and help for merchandise that requires this treatment."

Mr. May said the new S.O.F. program will be carried out simultaneously in the company's existing stores and in the large number of new stores planned for the near future, and will be adjusted to local conditions in eleven metropolitan areas in which the company operates.

"The development of the S.O.F. program," Mr. May explained, "is the result of creative planning by our top executive team after extensive research and study. It will keep the company a leader in the retail field and contribute to its growth while performing the primary function of satisfying our only boss, the customer."

In all probability, this newest trend, if successful, will be introduced in the other firms. So long as the department stores continue to respond to changes in desires of the consumer, they will remain dynamic and continuing institutions in the economy.

²This quotation is from a letter to stockholders, dated June 1, 1961, which accompanied first quarter report (April 30, 1961) for the May Department Stores Company.

APPENDIX A

LISTING OF STORES OPERATED, 1959

FEDERATED DEPARTMENT STORES, INC.

ABRAHAM & STRAUS

- *Brooklyn, New York
- Babylon, Long Island
- Garden City, Long Island
- Hempstead, Long Island

BLOOMINGDALE'S

- *New York City, New York
- Bergen County, New Jersey
- Fresh Meadows, Long Island, New York
- New Rochelle, New York
- Stamford, Connecticut

BOSTON STORE

- Milwaukee, Wisconsin
- Bay Shore, Milwaukee, Wisconsin
- Point Loomis, Milwaukee, Wisconsin

BURDINE'S

- Miami, Florida
- 163rd Street, Miami, Florida
- Fort Lauderdale, Florida
- Miami Beach, Florida
- West Palm Beach, Florida

FEDWAY STORES

- Bakersfield, California
- Pomona, California
- Westwood Village, Los Angeles, California
- Albuquerque, New Mexico
- Oklahoma City, Oklahoma
- Amarillo, Texas
- Corpus Christi, Texas
- Longview, Texas
- Wichita Falls, Texas

FILENE'S

- *Boston, Massachusetts
- *Belmont, Massachusetts
- Chestnut Hill, Massachusetts
- Hyannis, Massachusetts
- Lewiston, Maine (B. Peck's)
- Peabody, Massachusetts
- *Wellesley, Massachusetts
- *Winchester, Massachusetts
- *Worcester, Massachusetts

FOLEY'S

- Houston, Texas

GOLDSMITH'S
Memphis, Tennessee

LAZARUS
*Columbus, Ohio

RIKE'S
Dayton, Ohio

SANGER'S
Dallas, Texas
Big Town, Dallas, Texas
Highland Park, Dallas, Texas
Oak Cliff, Dallas, Texas
Preston Road, Dallas, Texas

SHILLITO'S
*Cincinnati, Ohio

* - Operated at beginning of study.

THE MAY DEPARTMENT STORES COMPANY

COHEN'S

Jacksonville, Florida

FAMOUS-BARR CO.

*St. Louis, Missouri
Clayton, Missouri
Northland, St. Louis, Missouri
Southtown, St. Louis, Missouri

THE HECHT CO. - BALTIMORE

**Baltimore, Maryland
Northwood, Maryland
Edmondson, Maryland
**Annapolis, Maryland
Easton, Maryland

THE HECHT CO. - WASHINGTON

**Washington, D. C.
Silver Spring, Maryland
Parkington, Arlington, Virginia
Prince Georges Plaza, Maryland

KAUFMANN'S

Pittsburgh, Pennsylvania

THE MAY CO. - CLEVELAND

*Cleveland, Ohio
University Heights, Ohio

MAY - D & F

Denver, Colorado
University Hills, Colorado
Colorado Springs, Colorado

MAY CO. - CALIFORNIA

*Los Angeles, California
Crenshaw, California
Eastland, California
Lakewood, Long Beach, California
San Fernando Valley, California
*Wilshire, Los Angeles, California
South Bay, California

O'NEIL'S

- *Akron, Ohio
- Alliance, Ohio
- Barberton, Ohio
- Canton (Downtown), Ohio
- Canton Plaza, Ohio
- Coshocton, Ohio
- Cuyahoga Falls, Ohio
- Elyria-Lorain, Ohio
- Mansfield, Ohio
- Massillon, Ohio

STROUSS-HIRSHBERG

- Youngstown, Ohio
- New Castle, Pennsylvania
- Salem, Ohio
- Warren, Ohio
- Warren, Ohio (Griswold Co.)
- Sharon, Pennsylvania (The Sharon Store)

TAYLOR'S

- Cleveland, Ohio
- Southgate, Ohio

* - Operated by May at beginning of study.

** - Operated by Hecht at beginning of study.

ALLIED STORES CORPORATION (A)

ANDERSON'S

- *Boise, Idaho
- *Lewiston, Idaho
- *Idaho Falls, Idaho
- *Twin Falls, Idaho
- *Richland, Washington
- *Pendleton, Oregon

BLACK'S

- *Waterloo, Iowa

BON MARCHÉ

- *Lowell, Massachusetts

BON MARCHÉ

- *Ogden, Utah

BON MARCHÉ

- Bellingham, Washington

BON MARCHÉ

- Longview, Washington

BON MARCHÉ

- *Seattle, Washington
- Northgate, Washington
- Everett, Washington
- *Tacoma, Washington

BON MARCHÉ

- Spokane, Washington

BON MARCHÉ

- *Walla Walla, Washington

BON MARCHÉ

- *Yakima, Washington

BON MARCHÉ-RUSSELL'S

- Eugene, Oregon

BON TON

- *Lebanon, Pennsylvania

CAIN-SLOAN

- Nashville, Tennessee

DEY BROTHERS

- *Syracuse, New York

DONALDSON'S

*Minneapolis, Minnesota
Rochester, Minnesota
Southdale, Minnesota
*Rapid City, South Dakota

FIELD'S

*Jackson, Michigan

GERTZ

*Jamaica, New York
Flushing, New York
Hicksville, New York

GOLDEN RULE

*St. Paul, Minnesota

GUGGENHEIMER'S

*Lynchburg, Virginia

HARDY-HERPOLSHEIMER

Muskegon, Michigan

HEER'S

*Springfield, Missouri

HERPOLSHEIMER'S

*Grand Rapids, Michigan

JOSKE'S OF HOUSTON

Houston, Texas
Gulfgate, Texas

JOSKE'S OF TEXAS

*San Antonio, Texas
Las Palmas, Texas

JORDAN MARSH

*Boston, Massachusetts
Peabody, Massachusetts
Framingham, Massachusetts
Malden, Massachusetts

JORDAN MARSH - MIAMI

Miami, Florida

KENNINGTON'S

Jackson, Mississippi

LAUBACH'S

Easton, Pennsylvania

LEVY'S OF SAVANNAH

*Savannah, Georgia

MAAS BROTHERS

*Tampa, Florida
St. Petersburg, Florida
Lakeland, Florida
Sarasota, Florida

MEYER'S

*Greensboro, North Carolina

MISSOULA MERCANTILE

Missoula, Montana

MOREHOUSE-FASHION

Columbus, Ohio

MULLER'S

*Lake Charles, Louisiana

PARIS OF MONTANA

*Great Falls, Montana

PECK'S

*Kansas City, Missouri

POLSKY'S

*Akron, Ohio
Canton, Ohio

POMEROY'S

*Reading, Pennsylvania
*Harrisburg, Pennsylvania
*Wilkes-Barre, Pennsylvania
*Pottsville, Pennsylvania
Levittown, Pennsylvania

QUACKENBUSH

*Paterson, New Jersey

READ'S

Bridgeport, Connecticut

ROBINSON-SCHWENN

Hamilton, Ohio

ROLLMAN'S

*Cincinnati, Ohio
Swifton, Ohio

JOHN ROSS

Middletown, Ohio

STERLING-LINDNER

Cleveland, Ohio

· STERN'S

New York, New York
Great Neck, New York
Paramus, New Jersey

TITCHE-GOETTINGER

*Dallas, Texas

TROUTMAN'S

*Greensburg, Pennsylvania
*Butler, Pennsylvania
*Dubois, Pennsylvania
*Indiana, Pennsylvania
*Connellsville, Pennsylvania
*Latrobe, Pennsylvania
New Castle, Pennsylvania

WAITE'S

*Pontiac, Michigan

WREN'S

Springfield, Ohio

- * - These stores were operating in January 1960 and were not reported as being opened or purchased during the period.
- A - The annual report states number of stores, January 1960, 85. The cover lists the above 84.

R. H. MACY & CO., INC.

BAMBERGER'S NEW JERSEY

- *Newark, New Jersey
- Morristown, New Jersey
- Plainfield, New Jersey
- Princeton, New Jersey
- Paramus, New Jersey
- Menlo Park, New Jersey

DAVISON-PAXON COMPANY

- *Atlanta (Downtown), Georgia
- Atlanta (Lenox Square), Georgia
- Augusta, Georgia
- Macon, Georgia
- Columbus, Georgia
- Athens, Georgia
- *Sea Island, Georgia
- Columbia, South Carolina

THE LASALLE & KOCH COMPANY

- *Toledo, Ohio
- Bowling Green, Ohio
- Tiffin, Ohio
- Sandusky, Ohio
- Findlay, Ohio

MACY'S CALIFORNIA

- San Francisco, California
- Richmond, California
- San Rafael, California
- Hillsdale (San Mateo), California
- Valley Fair (San Jose), California
- Bay Fair (San Leandro), California

MACY'S MISSOURI-KANSAS

- Kansas City, Missouri
- Joplin, Missouri
- Wichita, Kansas
- Mission, Kansas

MACY'S NEW YORK

- *Herald Square, New York
- *Parkchester, New York
- Jamaica, New York
- Flatbush, New York
- White Plains, New York
- Roosevelt Field, Long Island, New York

* - operated at beginning of study.

GIMBEL BROTHERS, INC.

GIMBELS - MILWAUKEE

- *Milwaukee, Wisconsin
- Mayfair Center, Wisconsin
- Southgate Center, Wisconsin

GIMBELS - NEW YORK

- *New York, New York
- Bay Shore, New York
- Valley Stream, New York
- Yonkers, New York

GIMBELS - PHILADELPHIA

- *Philadelphia, Pennsylvania
- Cheltenham, Pennsylvania
- Upper Darby, Pennsylvania

GIMBELS - PITTSBURGH

- *Pittsburgh, Pennsylvania
- North Hills Center, Pennsylvania

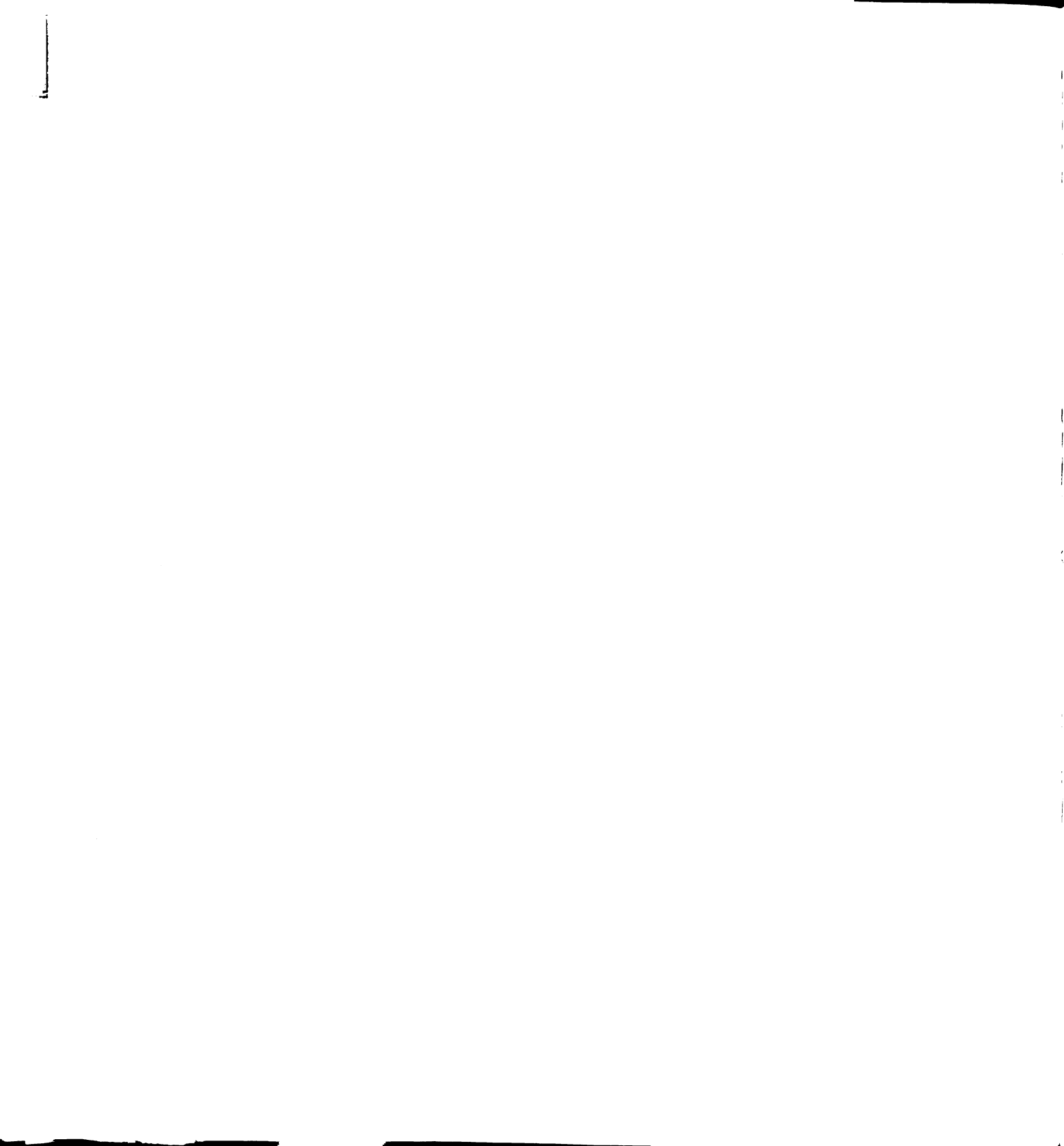
SAKS FIFTH AVENUE

- *New York, New York
- *Palm Beach, Florida
- *Miami Beach, Florida
- Pittsburgh, Pennsylvania
- White Plains, New York
- *Detroit, Michigan
- *Petoskey, Michigan
- *Ft. Lauderdale, Florida
- Philadelphia, Pennsylvania
- Springfield, New Jersey
- *Chicago, Illinois
- Skokie, Illinois
- St. Louis, Missouri
- *Southampton, New York
- *Beverly Hills, California
- Cambridge, Massachusetts
- Palm Springs, California
- *New Haven, Connecticut
- San Francisco, California
- *Princeton, New Jersey

SAKS - 34TH

- *New York, New York
- Massapequa Park, New York
- Stamford, Connecticut

* - Operated at beginning of study.



ASSOCIATED DRY GOODS CORPORATION

THE DIAMOND
Charleston, West Virginia

ERIE DRY GOODS COMPANY
Erie, Pennsylvania

HARNE & COMPANY
*Newark, New Jersey
*Montclair, New Jersey

THE WILLIAM HENGERER COMPANY
*Buffalo, New York
Amherst, New York

LORD & TAYLOR
*New York, New York
*Manhasset, New York
Westchester, New York
Millburn, New Jersey
West Hartford, Connecticut
Bala-Cynwyd, Pennsylvania
Garden City, New York
Chevy Chase, Washington, D. C.

POWERS DRY GOODS CO.
*Minneapolis, Minnesota
St. Louis Park, Minnesota

J. W. ROBINSON CO.
Los Angeles, California
Beverly Hills, California
Pasadena, California
Palm Springs, California

SIBLEY LINDSAY & CURR COMPANY
Rochester, New York
Eastway, New York
Irondequoit, New York
Newark, New York
Southtown, New York

STEWART & CO.
*Baltimore, Maryland
York Road, Maryland

THE STEWART DRY GOODS COMPANY
*Louisville, Kentucky
Lexington, Kentucky

* - operated at beginning of study.

CITY STORES COMPANY

BRY-BLOCK

Memphis, Tennessee

FRANKLIN SIMON

Westport, Connecticut
Washington, D. C.
Fort Lauderdale, Florida
Atlanta, Georgia
Lenox Square, Georgia
Boston, Massachusetts
Detroit, Michigan
Northland Center, Detroit, Michigan
Eastland Center, Detroit, Michigan
Crestwood, Missouri
Clayton, Missouri
East Orange, New Jersey
New York, New York
Garden City, New York
Manhasset, New York
Charlotte, North Carolina
Cincinnati (Swifton), Ohio
Cleveland, Ohio
Memphis, Tennessee
Seven Corners, Virginia

HEARN'S

Bronx, New York

KAUFMAN-STRAUS

*Louisville, Kentucky
Dixie Manor, Kentucky

KLINE'S

Kansas City, Missouri

LANSBURGH'S

Washington, D. C.
Langley Park, Maryland
Arlington (Shirlington), Virginia

LIT BROTHERS

*Philadelphia, Pennsylvania
69th Street (Upper Darby), Pennsylvania
Northeast Philadelphia, Pennsylvania
Morrisville, Pennsylvania
Trenton, New Jersey
Camden, New Jersey

1

LOVEMAN, JOSEPH & LOEB

*Birmingham, Alabama
Montgomery, Alabama
Bessemer, Alabama

B. LOWENSTEIN

*Memphis, Tennessee
Lowenstein's East, Memphis, Tennessee
Lowenstein's South, Memphis, Tennessee
Lowenstein's Home Service, Memphis, Tennessee

MAISON BLANCHE

*New Orleans, Louisiana
Carrollton, Louisiana
Gentilly, Louisiana
Airline Highway, Louisiana
West Side, Louisiana

OPPENHEIM COLLINS

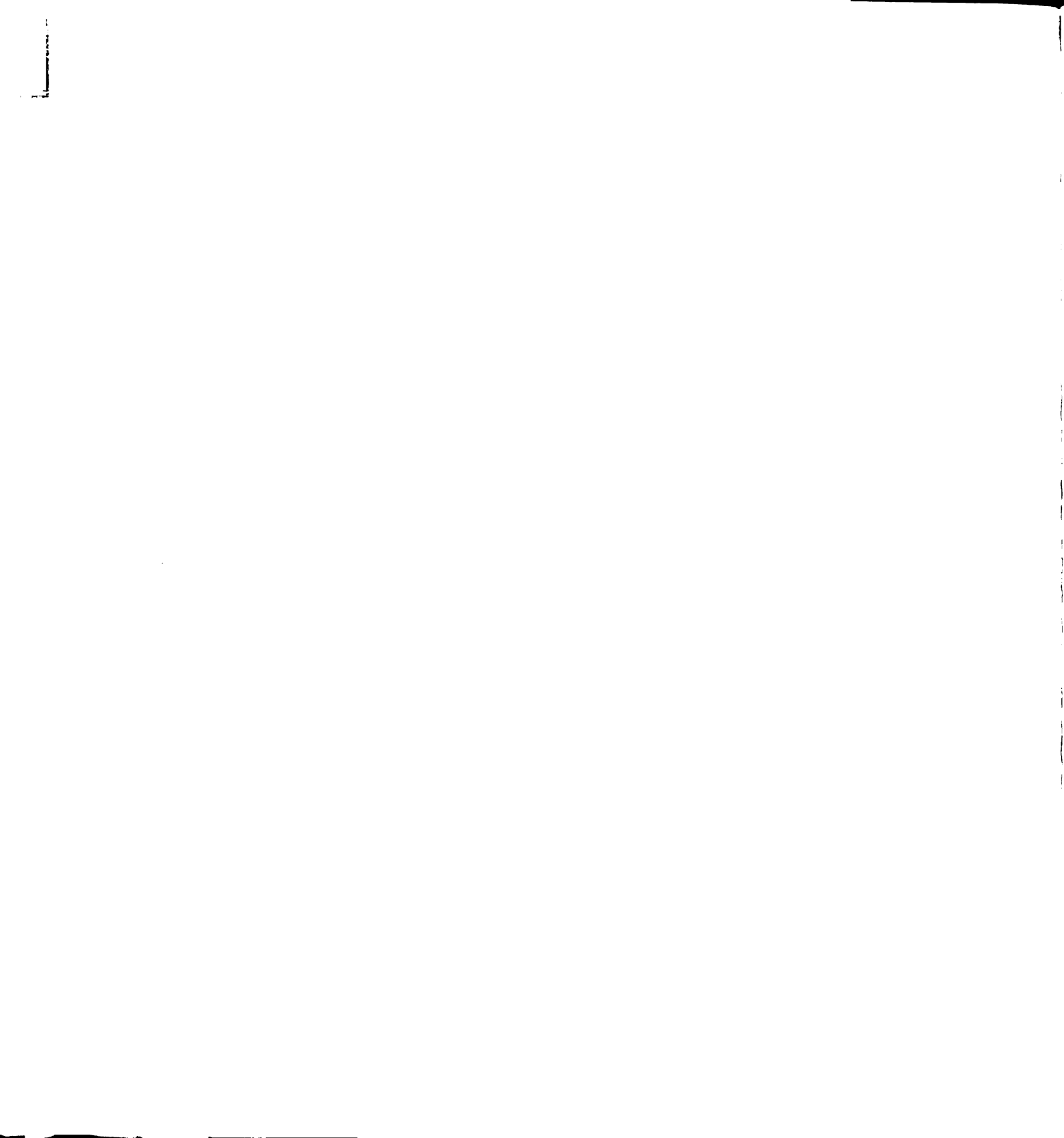
Wilmington, Delaware
Baltimore (Mondawmin), Maryland
Harundale Center, Maryland
Towson Center, Maryland
East Orange, New Jersey
Hackensack, New Jersey
Haddonfield, New Jersey
Morristown, New Jersey
Paramus, New Jersey
New York, New York
Buffalo (Downtown), New York
Buffalo (Thruway Plaza), New York
Bay Shore, New York
Cross County, New York
Hicksville, New York
Huntington, New York
Valley Stream, New York
Roosevelt Field, New York
Philadelphia, Pennsylvania
Germantown, Pennsylvania
Willow Grove, Pennsylvania

RICHARDS

Miami, Florida
163rd Street, Miami, Florida
Miami Beach, Florida

R. H. WHITE

Worcester, Massachusetts



MARSHALL FIELD & COMPANY

MARSHALL FIELD & COMPANY

- *Chicago, Illinois
- *Evanston, Illinois
- *Lake Forest, Illinois
- *Oak Park, Illinois
- Old Orchard, Skokie, Illinois
- Park Forest, Illinois

MAYFAIR

Wauwatosa, Milwaukee, Wisconsin

FREDERICK & NELSON

- *Seattle, Washington
- Bellevue, Washington

* - Operated at beginning of study.

MERCANTILE STORES COMPANY, INC.

BACON'S

*Louisville, Kentucky
St. Matthew's (Louisville), Kentucky
Shively, Kentucky
Jeffersonville, Indiana

CASTNER-KNOTT

*Nashville, Tennessee
Greenhills, Tennessee
Shelbyville, Tennessee

CREWS-BEGGS

Pueblo, Colorado

O. J. DE LENDRECIES

Fargo, North Dakota

GAYFER'S

Mobile, Alabama
Pensacola, Florida

GLASS BLOCK

*Duluth, Minnesota

HENNESSY'S

*Butte, Montana
Livingston, Montana

JONES

*Kansas City, Missouri
Troost Avenue, Missouri
Independence, Missouri
Muskogee, Oklahoma
Pittsburg, Kansas
Prairie Village, Kansas

JOSLIN'S

*Denver, Colorado
Englewood, Colorado
Lakewood, Colorado
Merchants Park (Denver), Colorado
Aurora, Colorado
Greeley, Colorado
Boulder, Colorado

LAZARUS

*Wilkes-Barre, Pennsylvania

LION

- *Toledo, Ohio
- Westgate, Ohio
- Bowling Green, Ohio
- Fremont, Ohio

MacDOUGALL'S

- *Seattle, Washington
- Wenatchee, Washington
- Appliance stores:
 - West Seattle
 - Kirkland
 - Lake City
 - Greenwood Avenue
 - South Seattle

McALPIN'S

- *Cincinnati, Ohio
- Cherry Grove, Ohio
- Kenwood, Ohio
- Western Hills, Ohio
- Middletown, Ohio

MONTGOMERY FAIR

- *Montgomery, Alabama
- Eastbrook, Alabama
- Opelika, Alabama

PEOPLES

- *Tacoma, Washington
- Port Angeles, Washington
- Lakewood, Washington
- Yakima, Washington
- South Tacoma, Washington

THE RIGHT HOUSE

- *Hamilton, Ontario, Canada
- Brantford, Ontario, Canada
- Galt, Ontario, Canada

ROOT'S

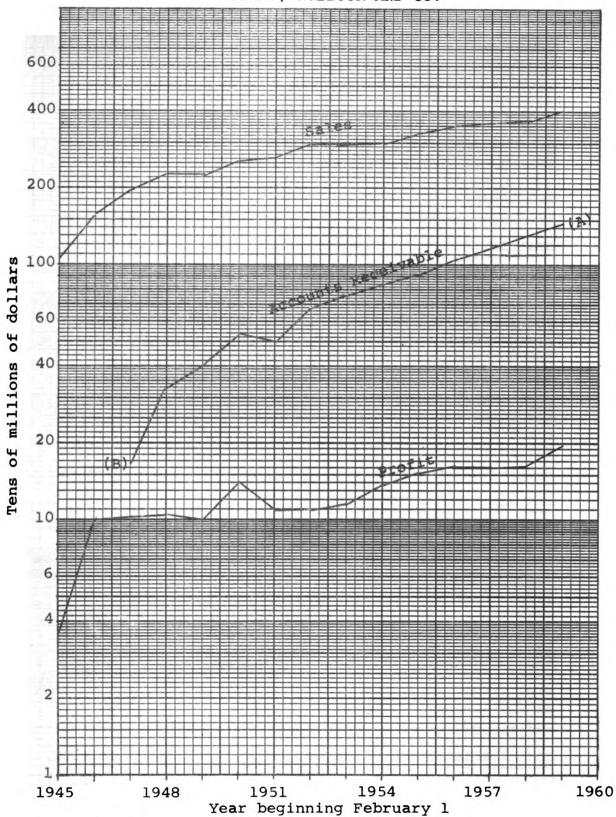
- *Terre Haute, Indiana
- Sullivan, Indiana
- Robinson, Illinois
- Paris, Illinois

J. B. WHITE

- *Augusta, Georgia
- Columbia, South Carolina
- Aiken, South Carolina

APPENDIX B
GRAPHS

GRAPH 2
SEARS, ROEBUCK AND CO.

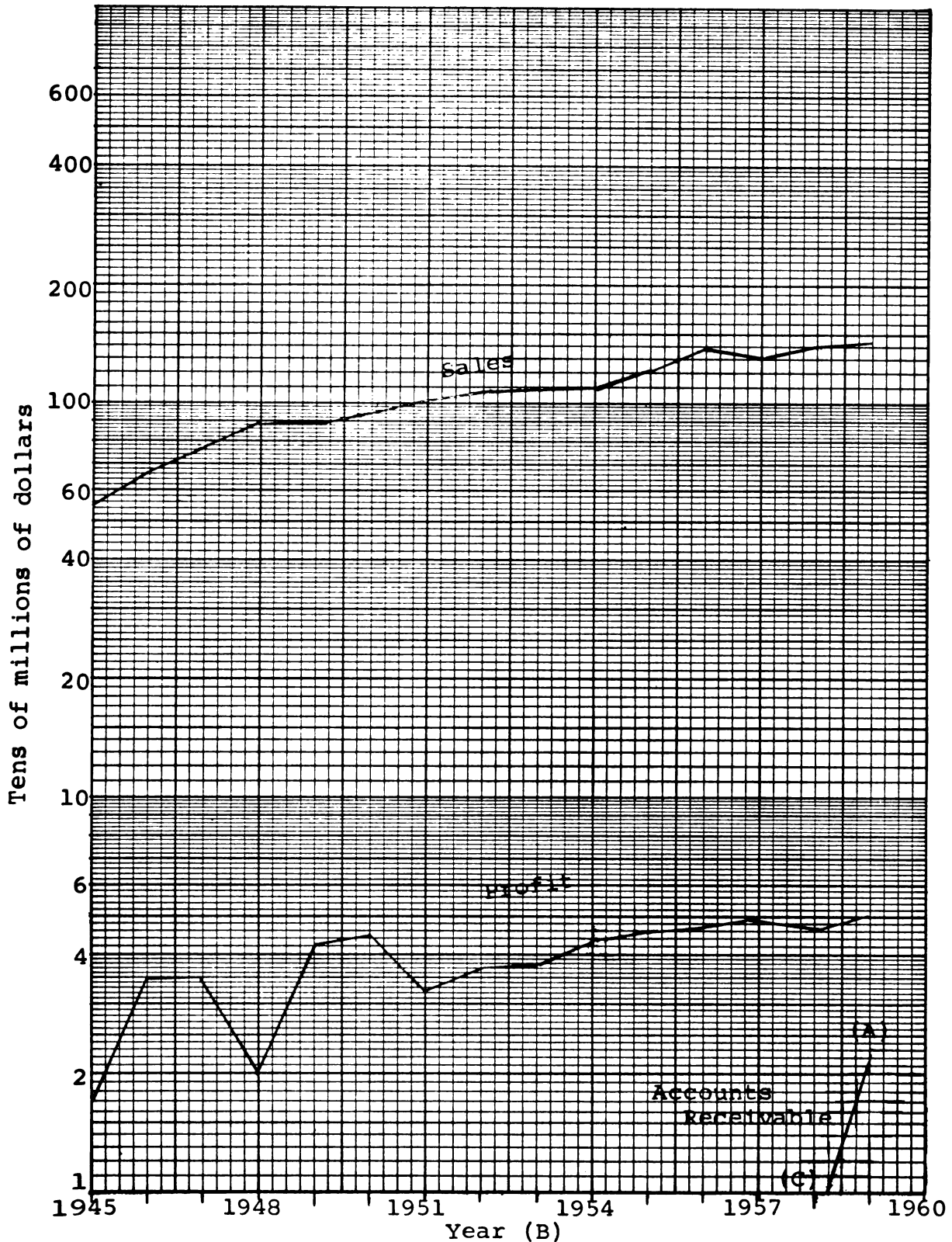


(A) - Balance at year end.

(B) - Comparable figures for 1945 and 1946 not available.

SOURCE: Annual reports.

GRAPH 3
J. C. PENNEY COMPANY



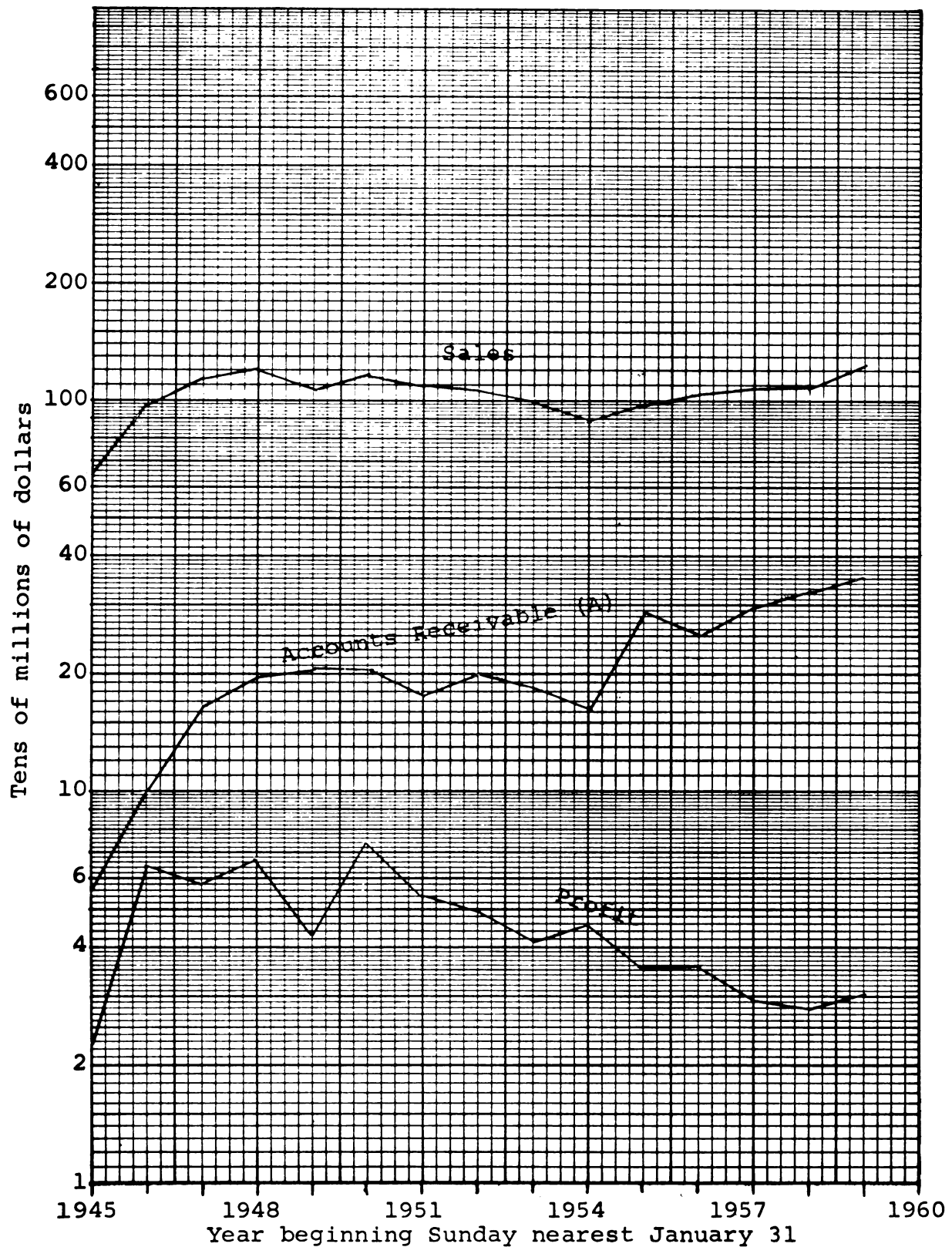
(A) - Balance at year end.

(B) - 1945 to 1957 - calendar year; 1958 - 13 months beginning Jan. 1, 1958; 1959 - year beginning Feb. 1, 1959.

(C) - Less than \$10 million in prior years.

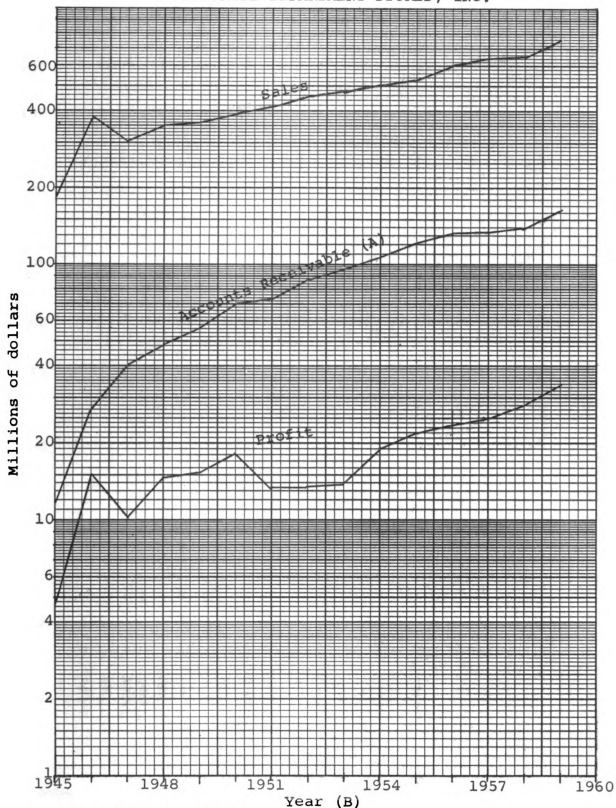
SOURCE: Annual reports.

GRAPH 4
MONTGOMERY WARD & CO., INC.



(A) - Balance at year end.
SOURCE: Annual reports.

GRAPH 5
FEDERATED DEPARTMENT STORES, INC.

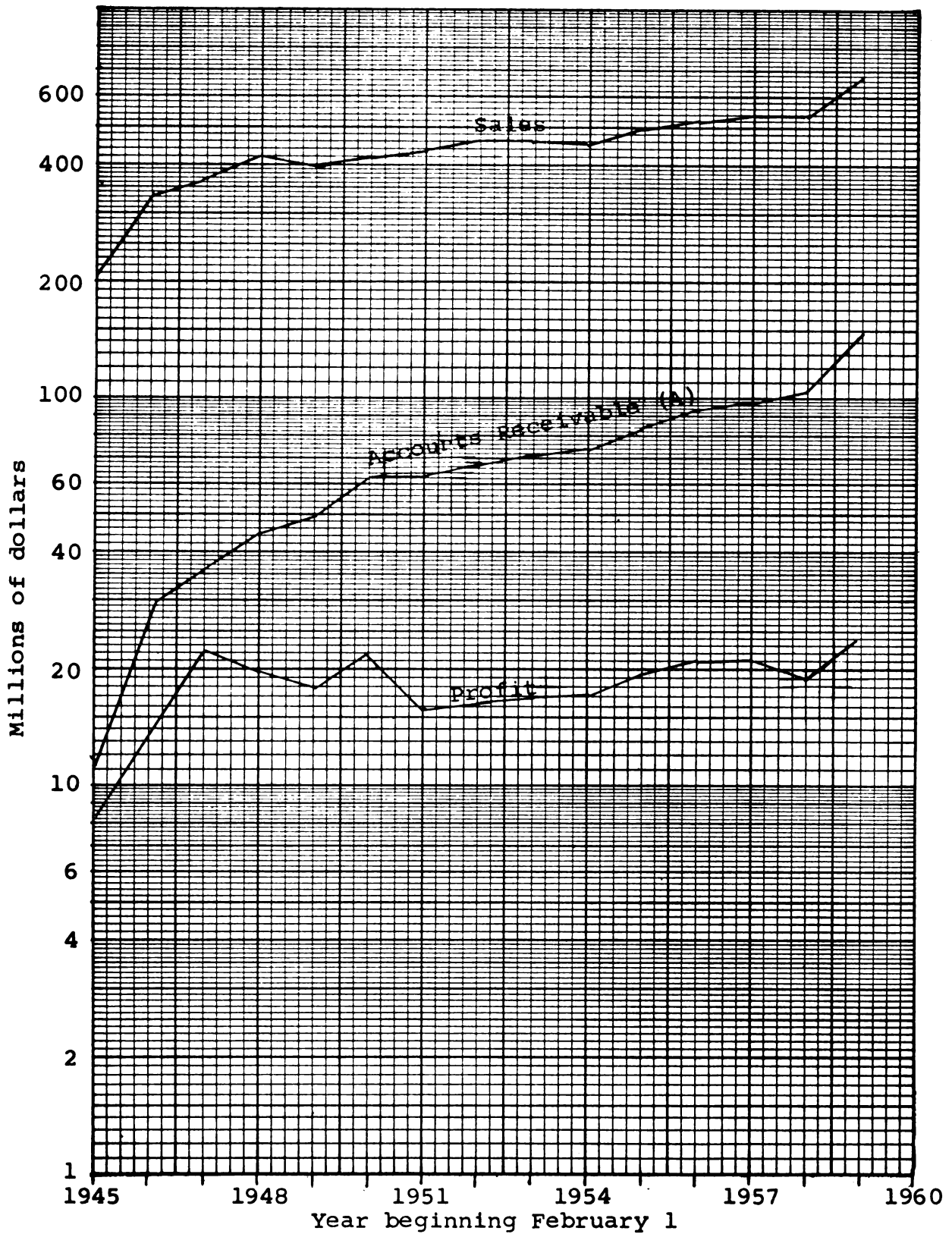


(A) - Balance at year end.

(B) - 1945 - year beginning Sunday July 30, 1944; 1946 - 18 months beginning July 29, 1945; 1947 to 1959 - year beginning Sunday nearest January 31.

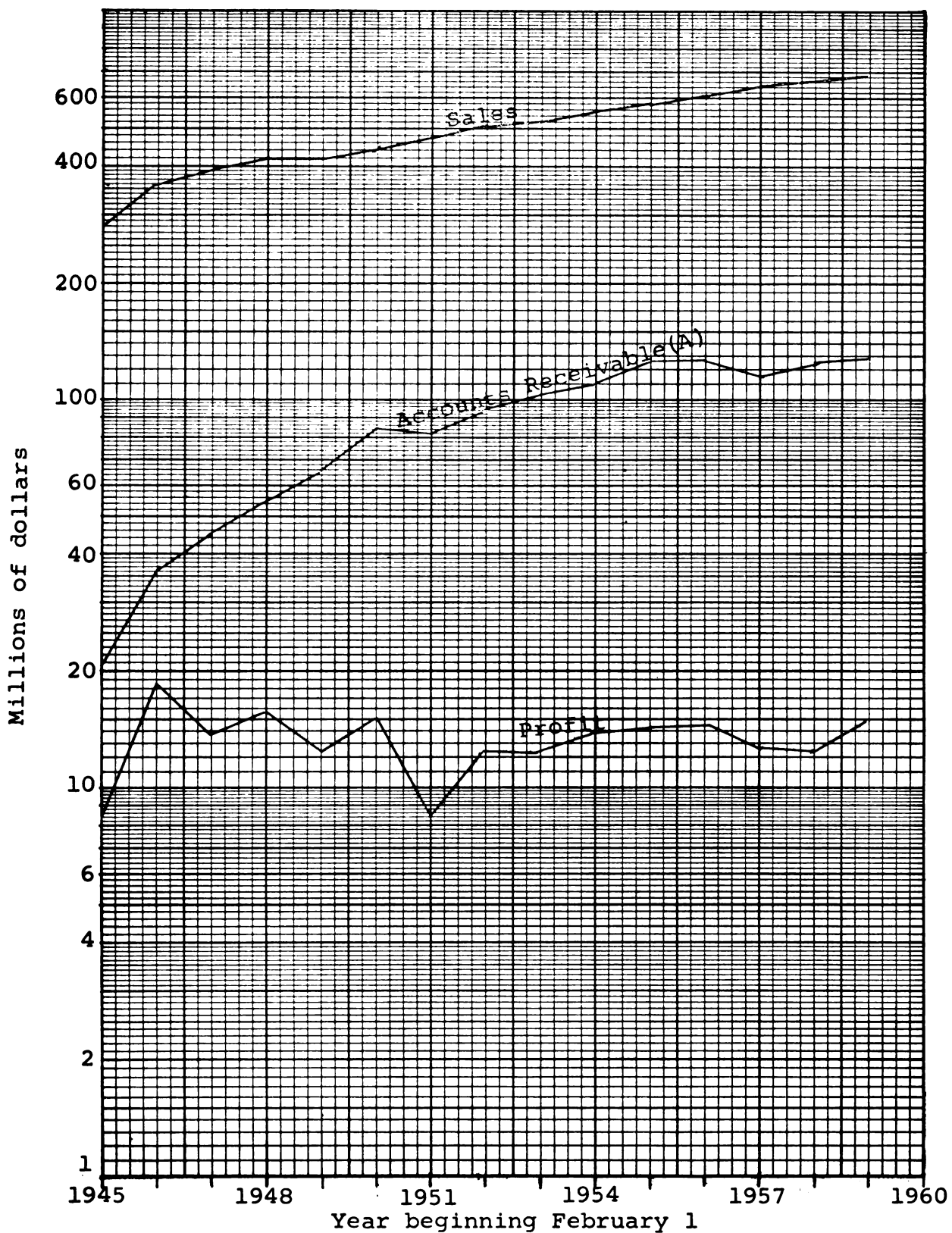
SOURCE: Annual reports.

GRAPH 6
THE MAY DEPARTMENT STORES COMPANY



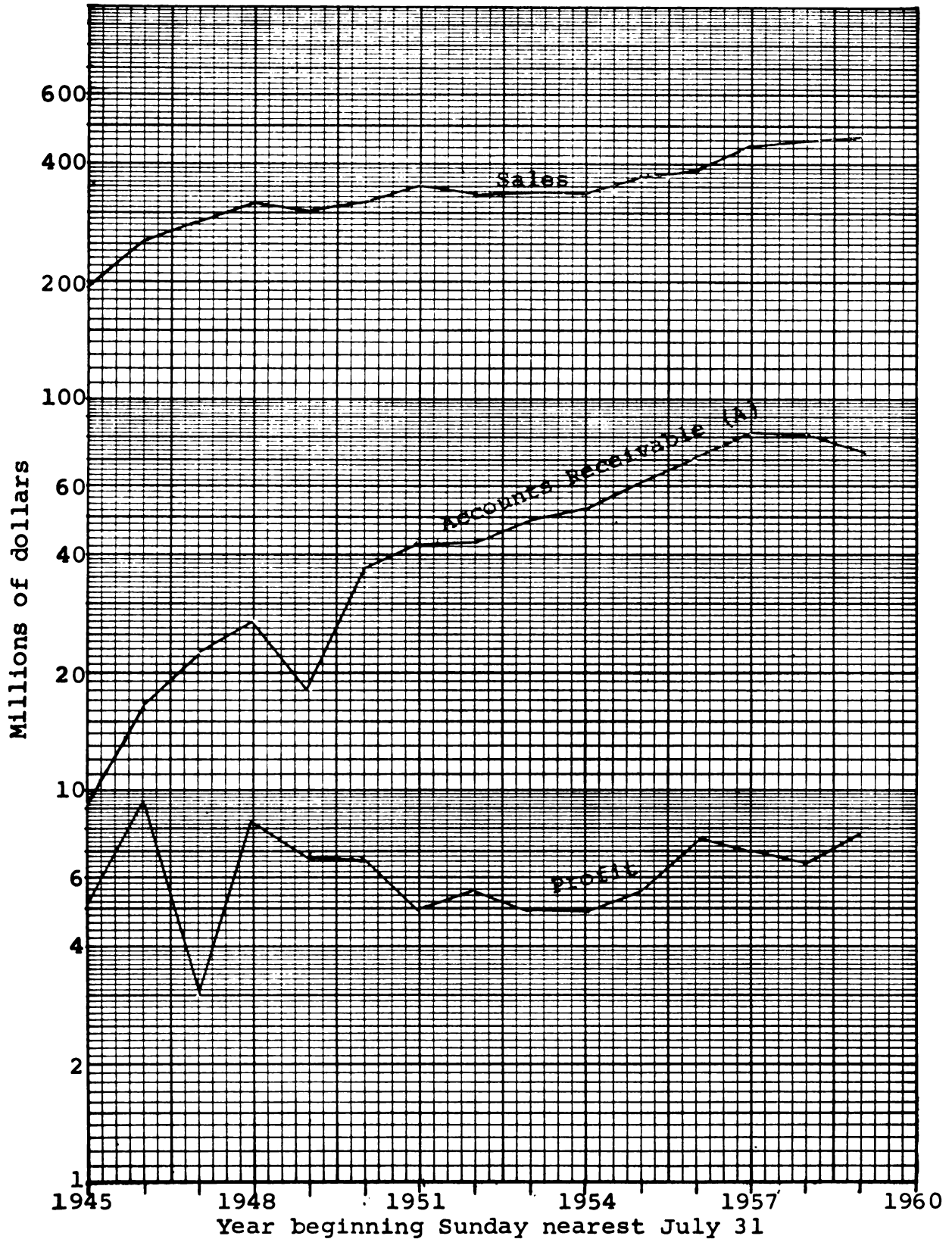
(A) - Balance at year end.
SOURCE: Annual reports.

GRAPH 7
ALLIED STORES CORPORATION



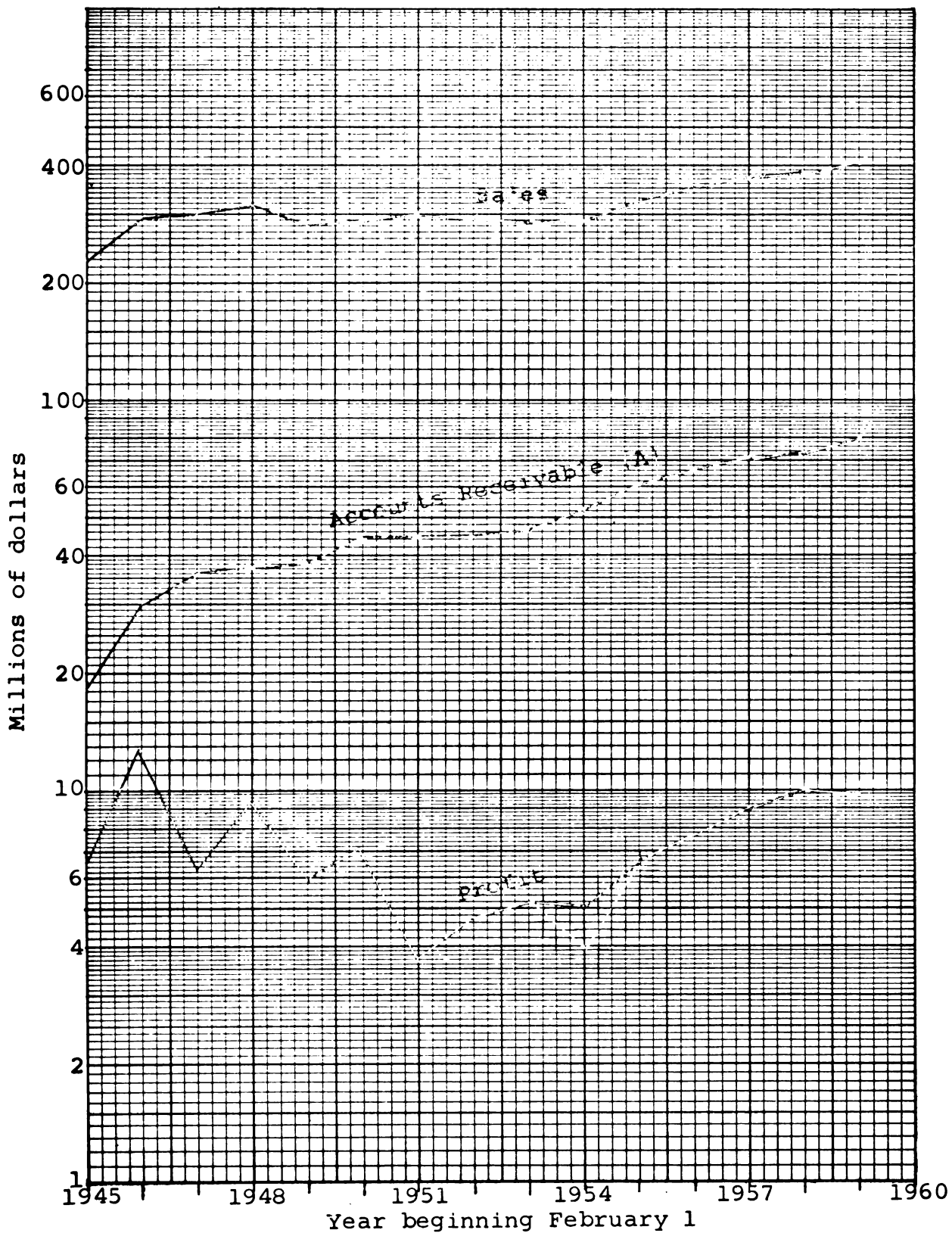
(A) - Balance at year end.
SOURCE: Annual reports.

GRAPH 8
R. H. MACY & CO., INC.



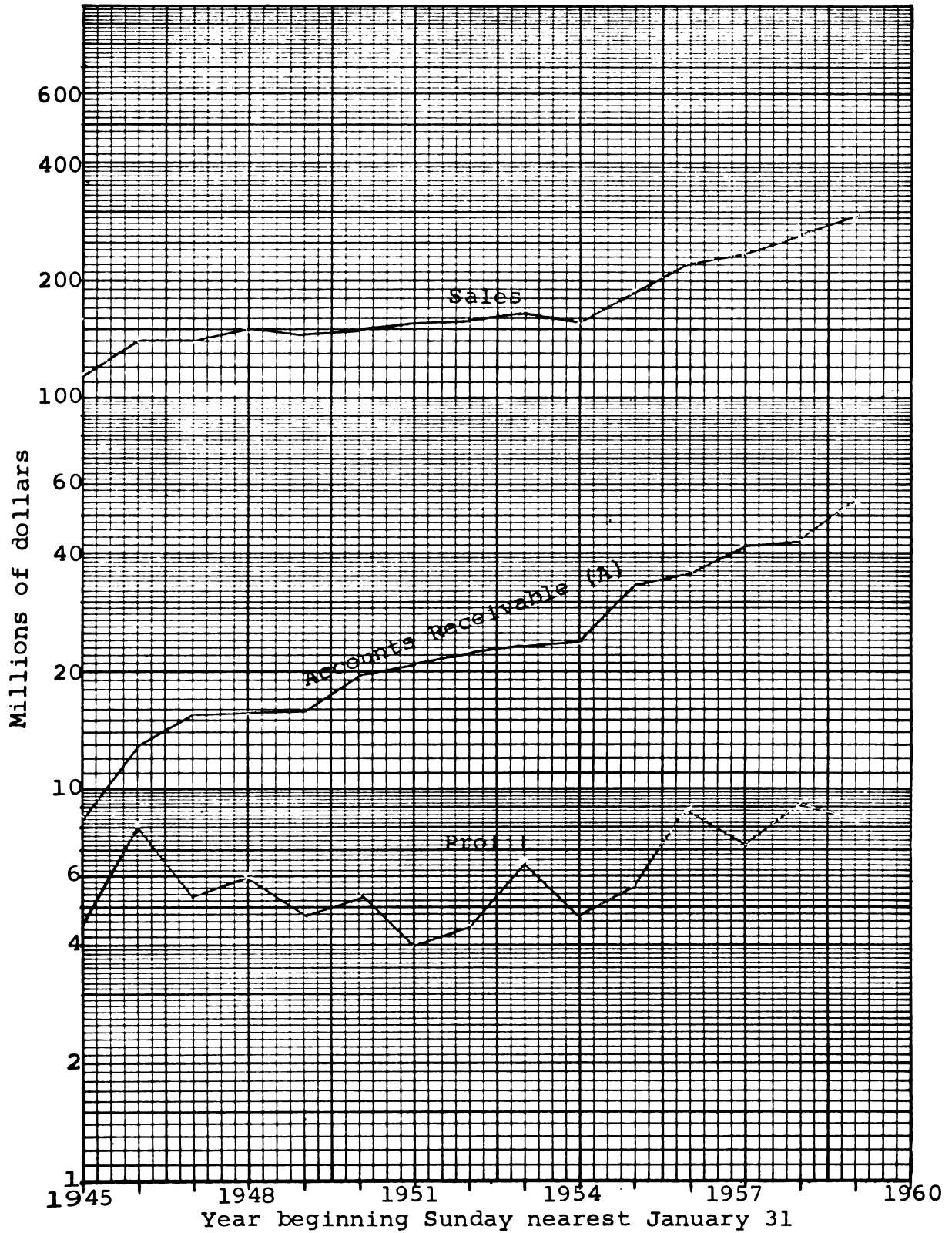
(A) - Balance at year end.
SOURCE: Annual reports.

GRAPH 9
GIMBEL BROTHERS, INC.



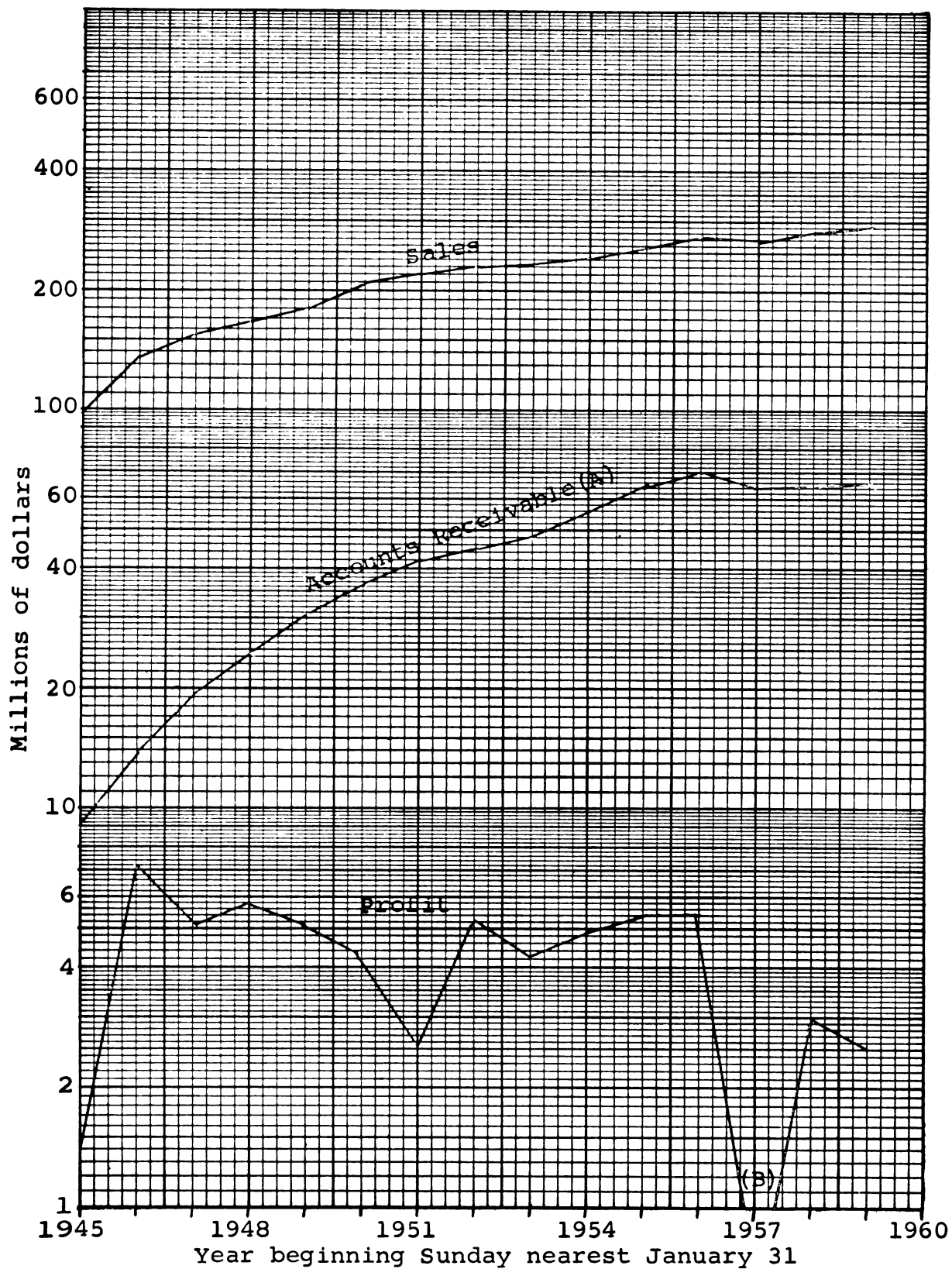
(A) - Balance at year end.
SOURCE: Annual reports.

GRAPH 10
ASSOCIATED DRY GOODS CORPORATION



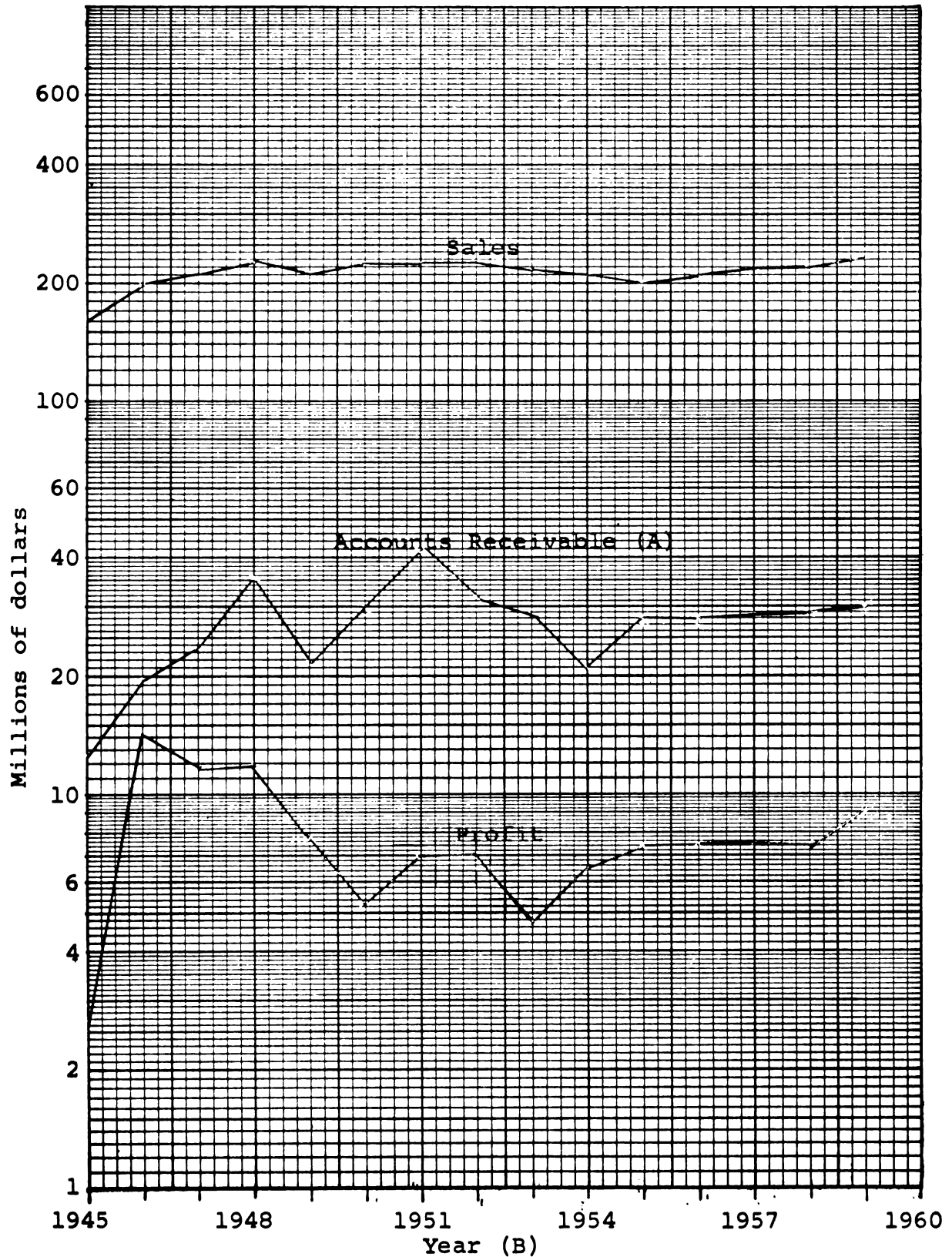
(A) - Balance at year end.
SOURCE: Annual reports.

GRAPH 11
CITY STORES COMPANY



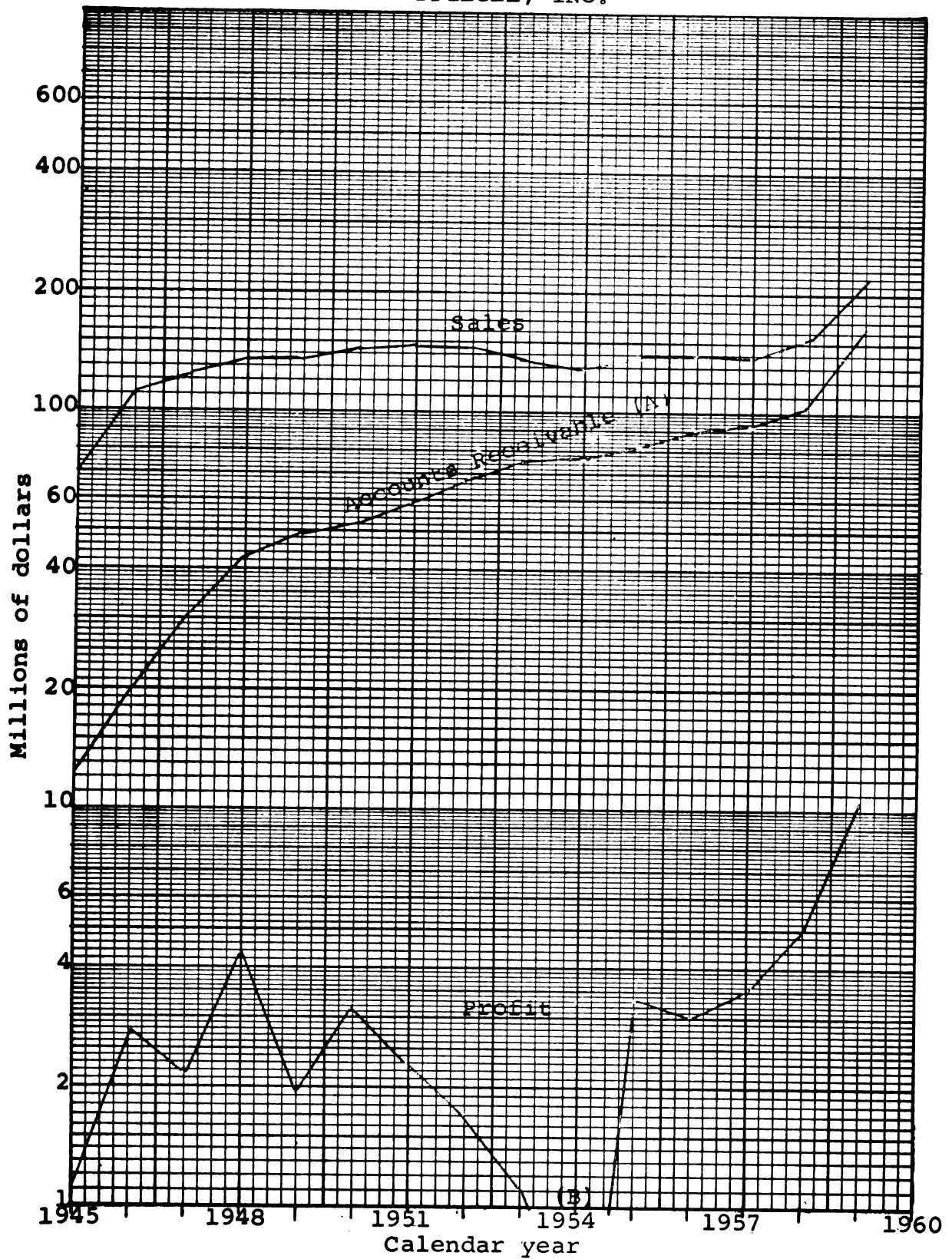
(A) - Balance at year end.
(B) - Less than \$1 million.
SOURCE: Annual reports.

GRAPH 12
MARSHALL FIELD & COMPANY



(A) - Balance at year end.
 (B) - 1945 to 1953 - calendar year; 1954 - 13 months beginning January 1, 1954; 1955 to 1959 - year beginning February 1.
 SOURCE: Annual reports.

GRAPH 13
SPIEGEL, INC.

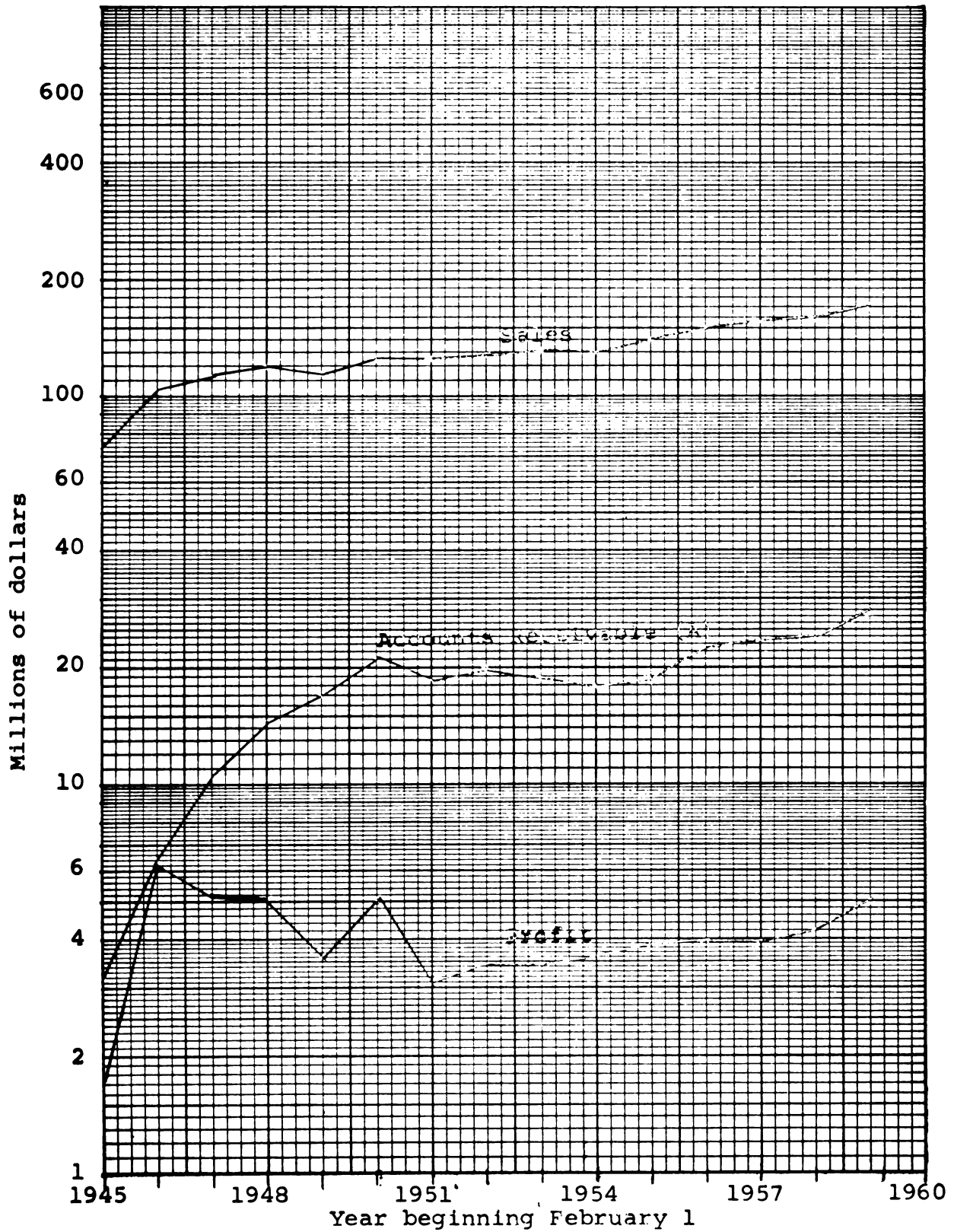


(A) - Balance at year end.

(B) - Loss.

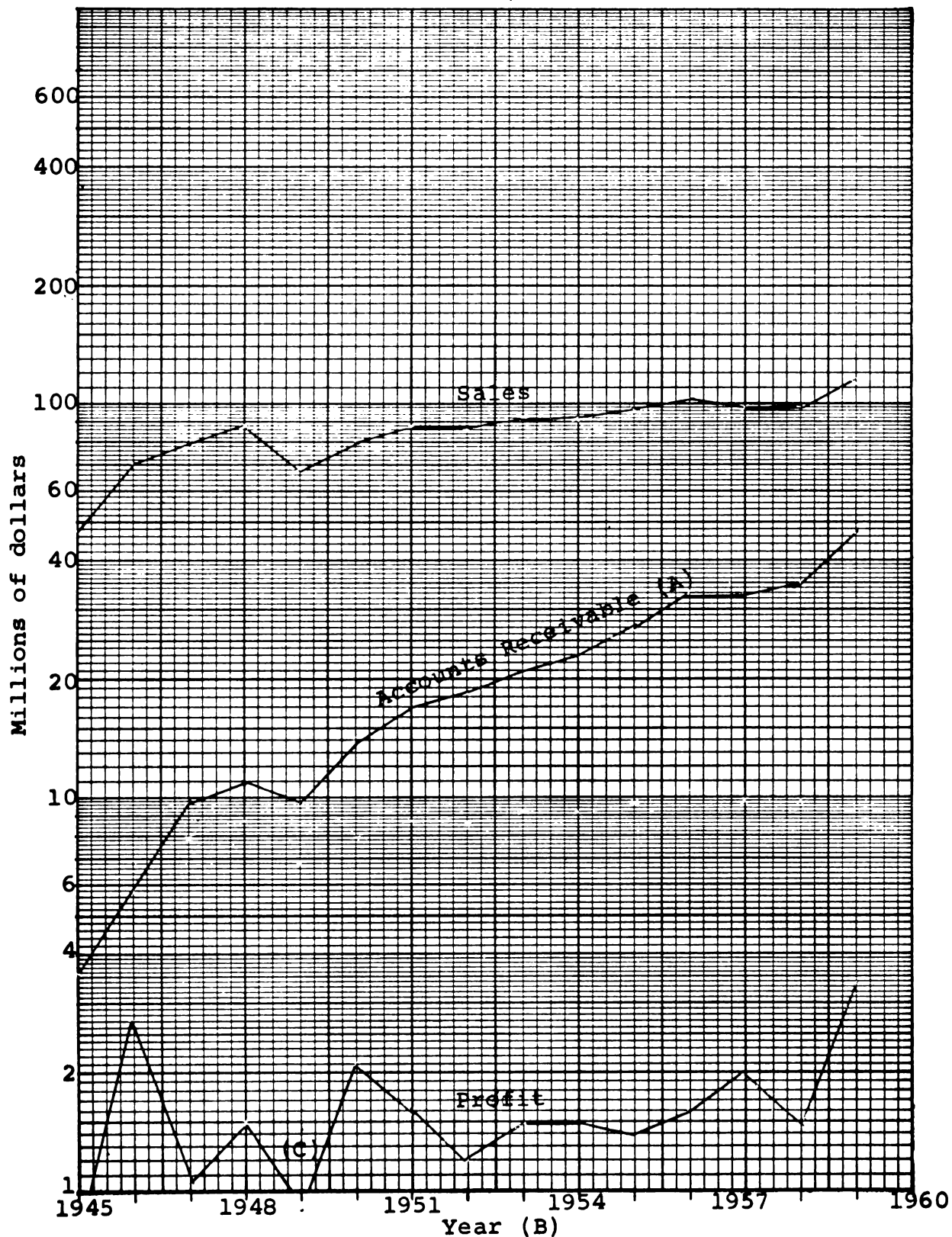
SOURCE: Annual reports.

GRAPH 14
MERCANTILE STORES COMPANY, INC.



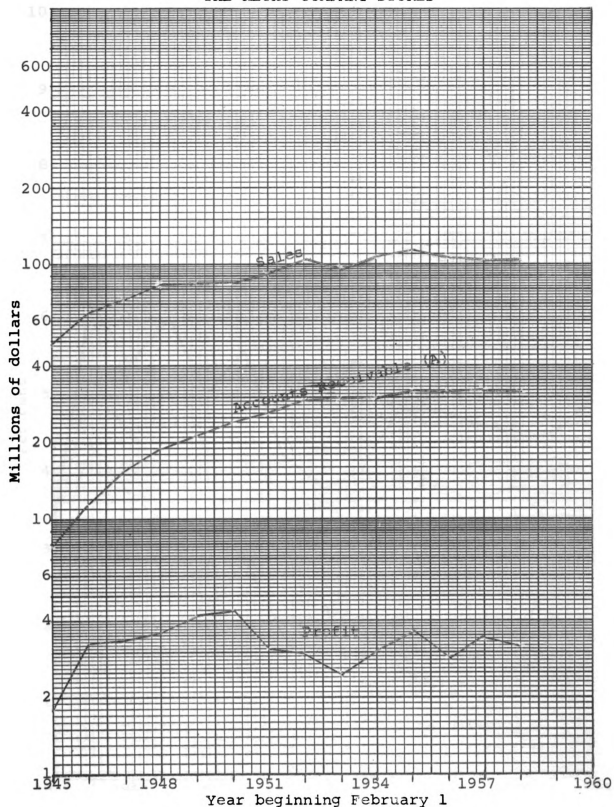
(A) - Balance at year end.
SOURCE: Annual reports.

GRAPH 15
ALDENS, INC.



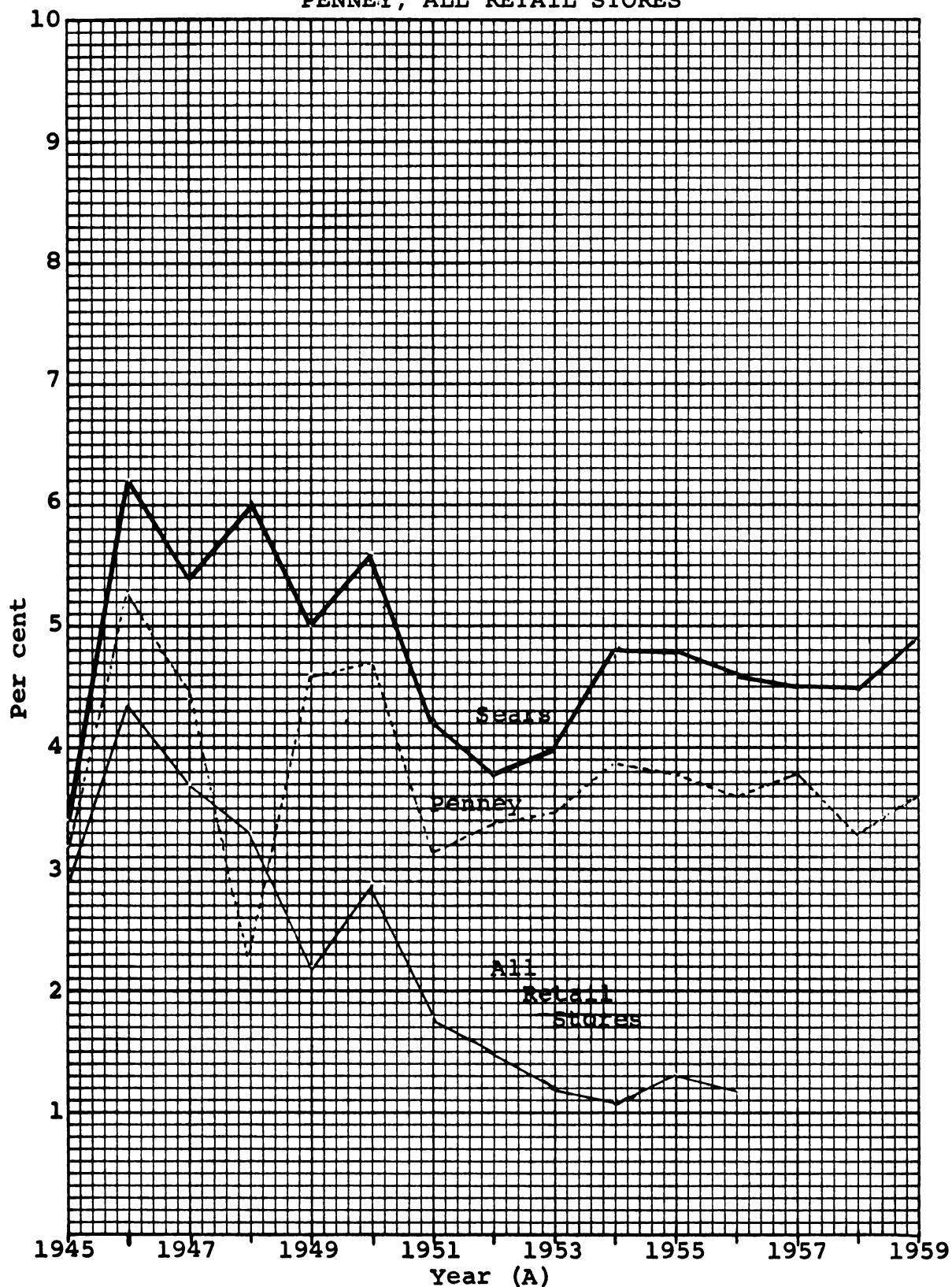
(A) - Balance at year end.
 (B) - 1945 to 1947 - calendar year; 1948 - 13 months beginning January 1, 1948; 1949 to 1959 - year beginning February 1.
 (C) - Less than \$1 million.
 SOURCE: Annual reports.

GRAPH 16
THE HECHT COMPANY STORES



(A) - Balance at year end.
SOURCE: Annual reports.

GRAPH 17
 PROFIT* AS PERCENTAGE OF SALES: SEARS,
 PENNEY, ALL RETAIL STORES



* - Profit is defined on page 167.

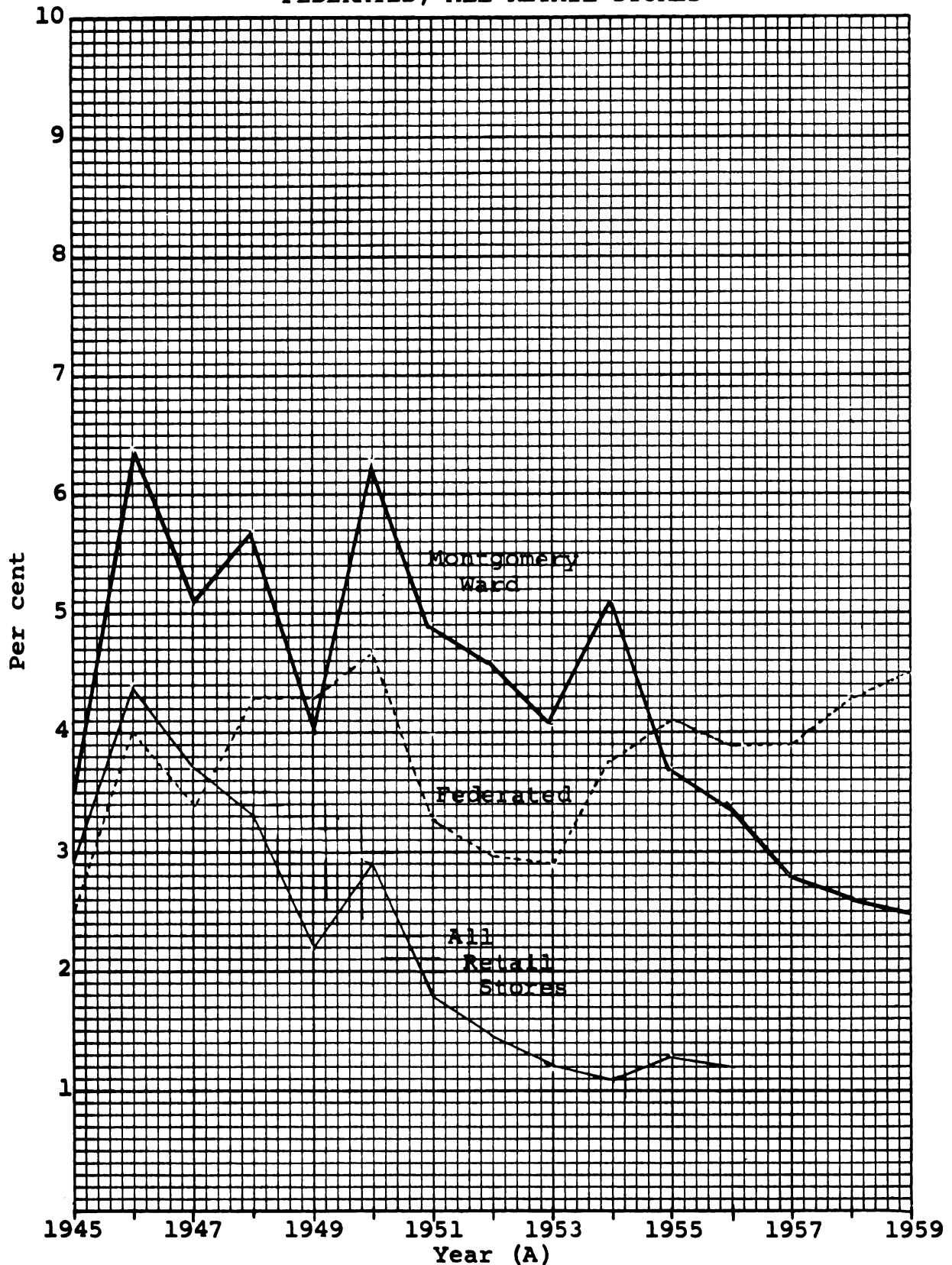
(A) - Year for individual firms is defined on pages 10 - 12.

Year for all retail stores is calendar year.

SOURCE: Table 23.

GRAPH 18

PROFIT* AS PERCENTAGE OF SALES: MONTGOMERY WARD,
FEDERATED, ALL RETAIL STORES



* - Profit is defined on page 167.

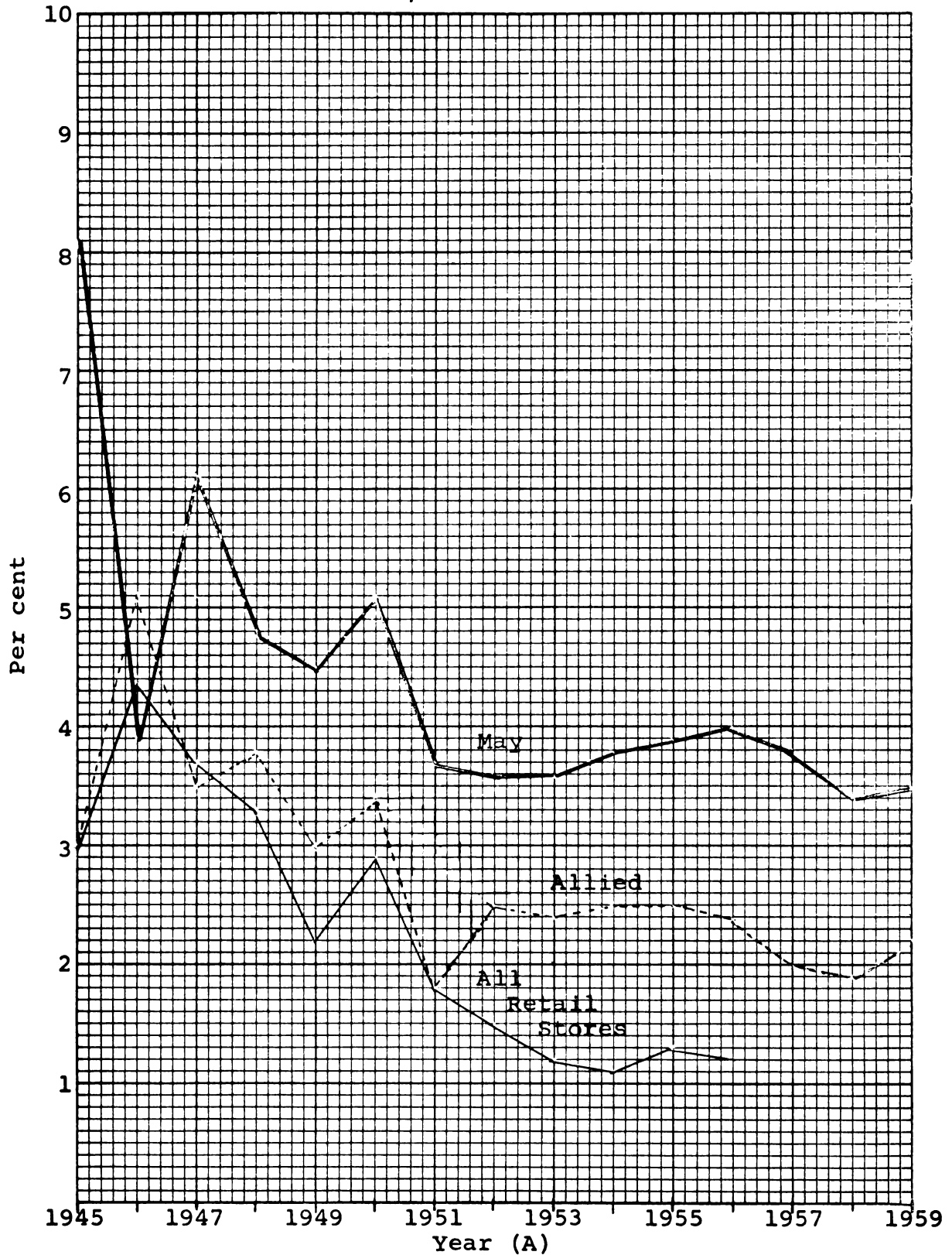
(A) - Year for individual firms is defined on pages 10 - 12.

Year for all retail stores is calendar year.

SOURCE: Table 23.

GRAPH 19

PROFIT* AS PERCENTAGE OF SALES: MAY,
ALLIED, ALL RETAIL STORES



* - Profit is defined on page 167.

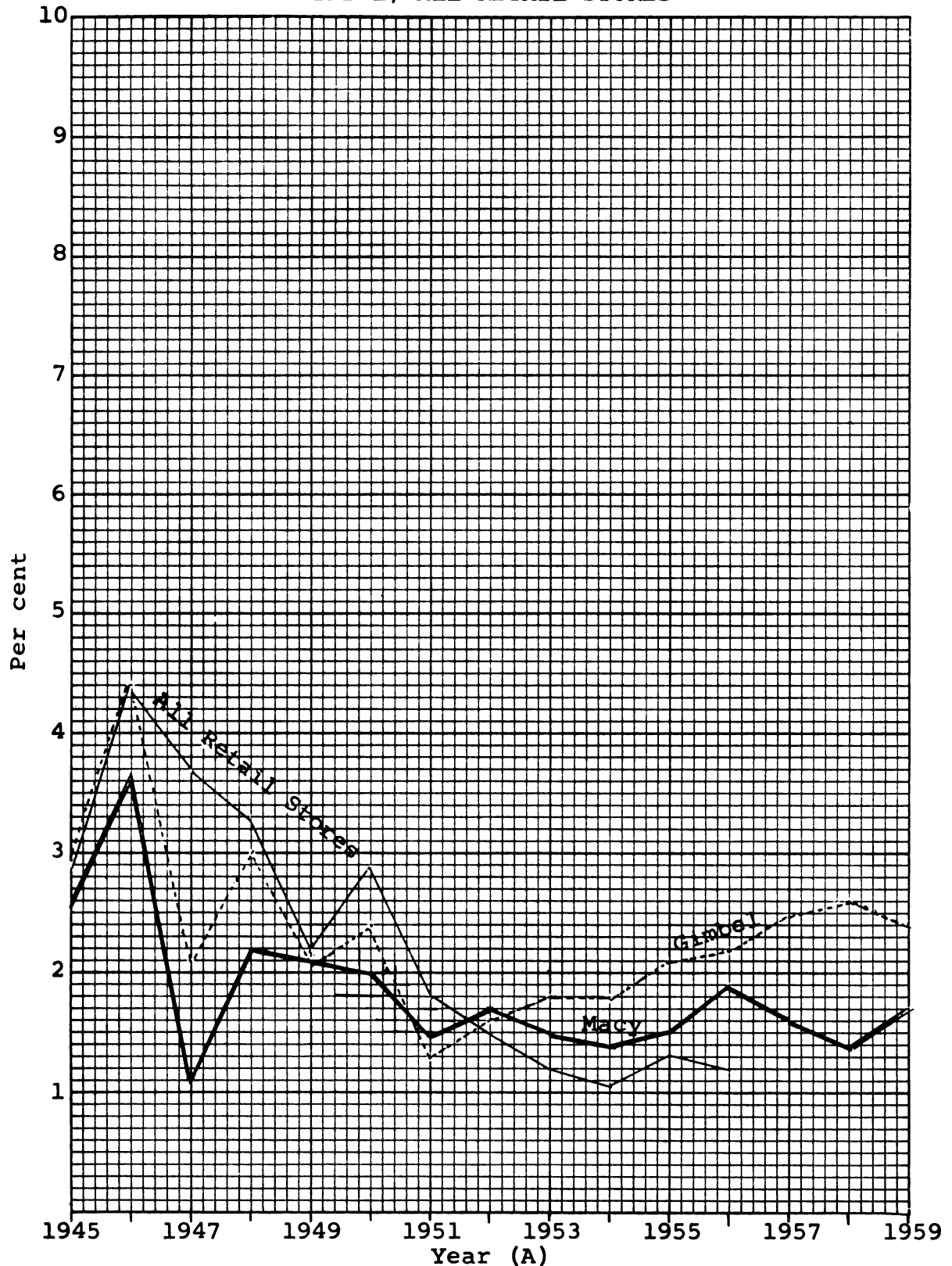
(A) - Year for individual firms is defined on pages 10 - 12.

Year for all retail stores is calendar year.

SOURCE: Table 23.

GRAPH 20

PROFIT* AS PERCENTAGE OF SALES: MACY,
GIMBEL, ALL RETAIL STORES



* - Profit is defined on page 167.

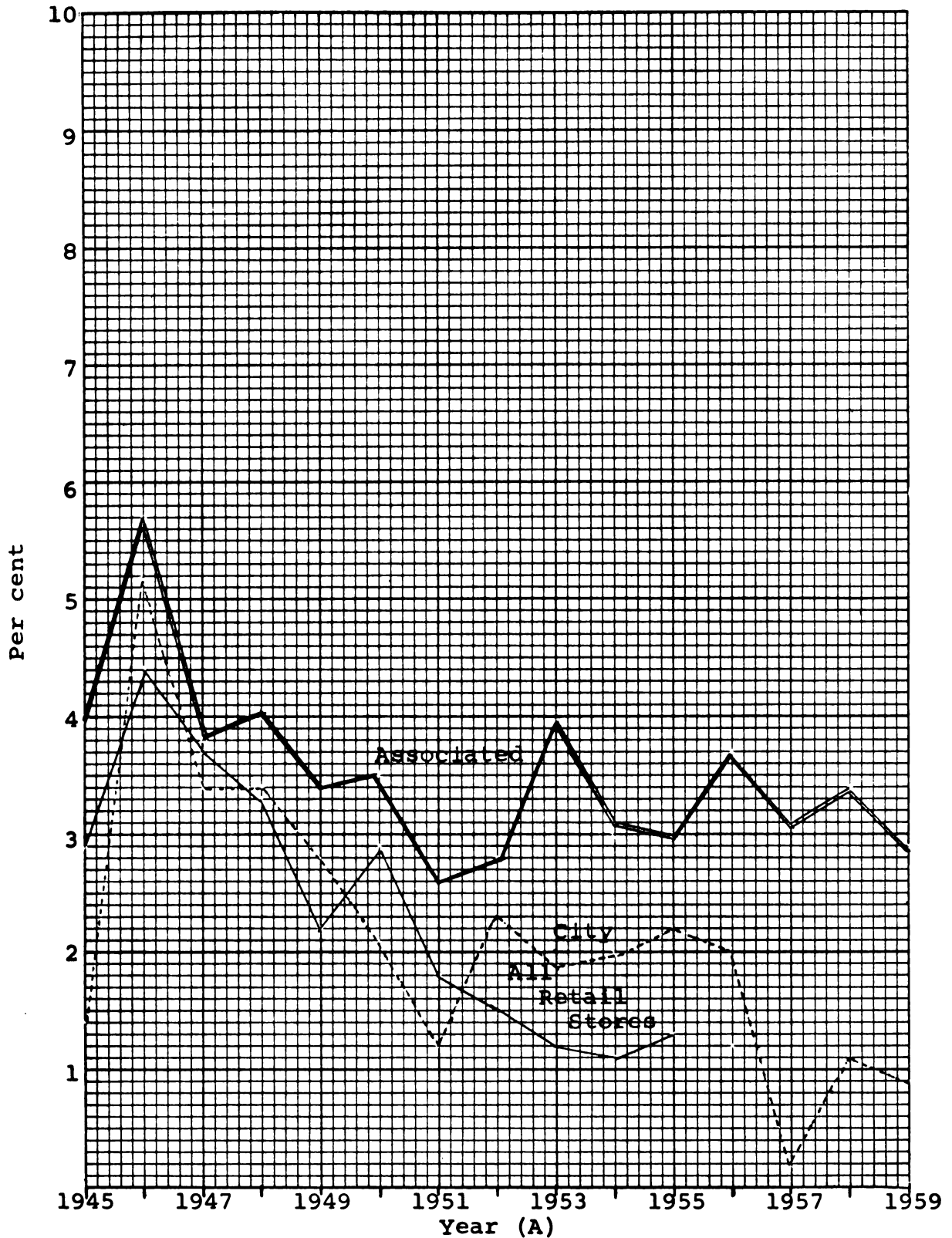
(A) - Year for individual firms is defined on pages 10 - 12.

Year for all retail stores is calendar year.

SOURCE: Table 23.

GRAPH 21

PROFIT* AS PERCENTAGE OF SALES: ASSOCIATED,
CITY, ALL RETAIL STORES



* - Profit is defined on page 167.

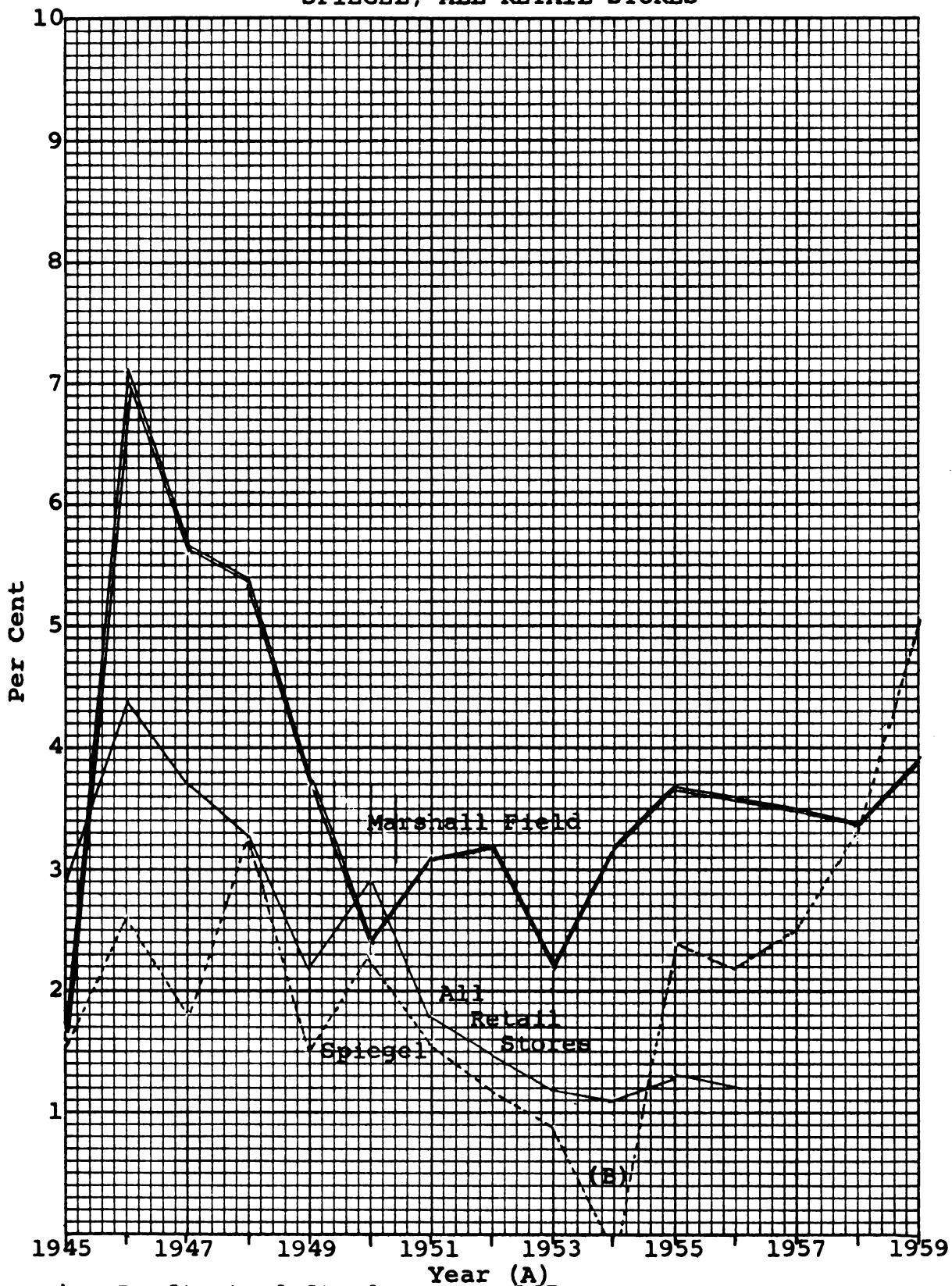
(A) - Year for individual firms is defined on pages 10 - 12.

Year for all retail stores is calendar year.

SOURCE: Table 23.

GRAPH 22

PROFIT* AS PERCENTAGE OF SALES: MARSHALL FIELD,
SPIEGEL, ALL RETAIL STORES



* - Profit is defined on page 167.

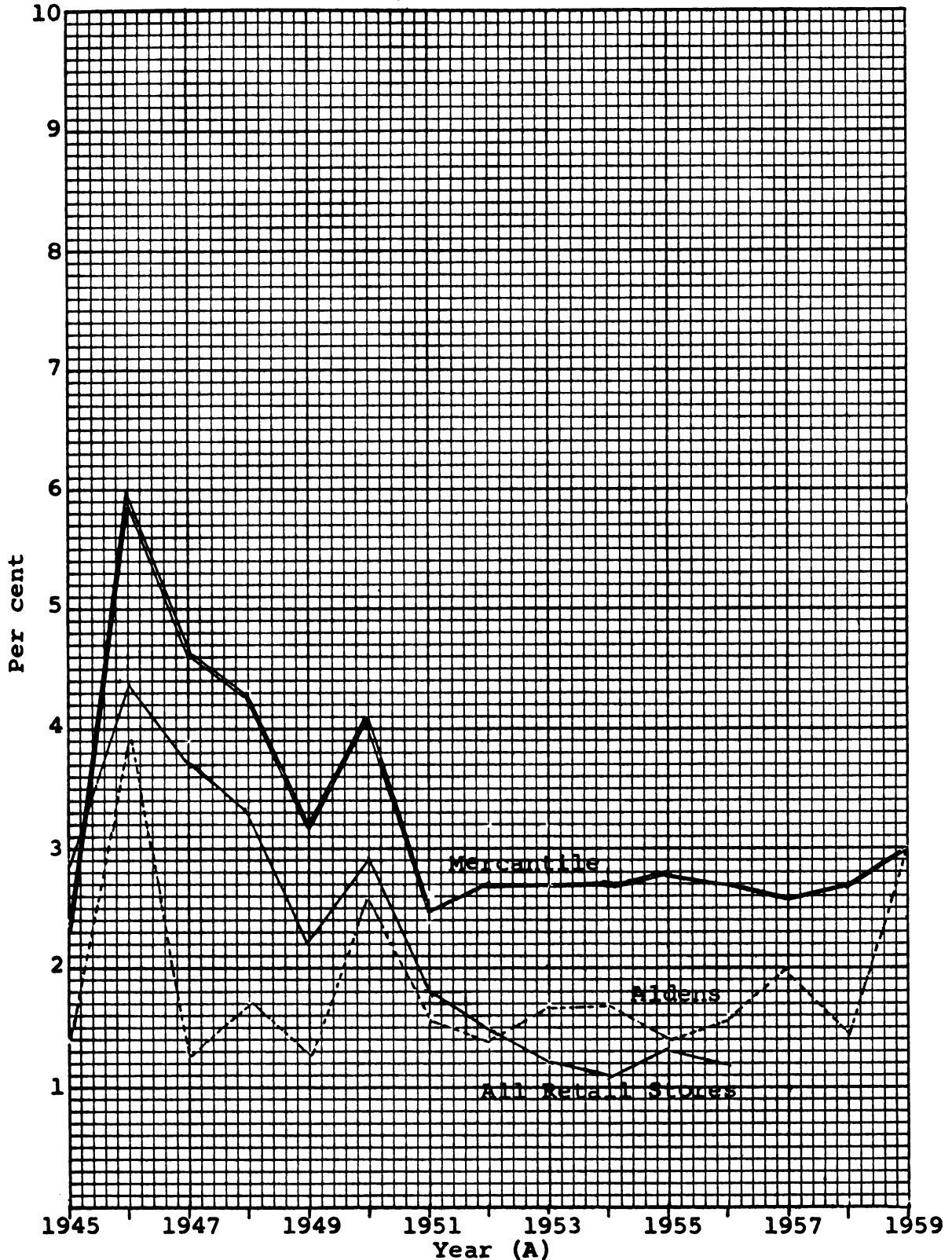
(A) - Year for individual firms is defined on pages 10 - 12.
Year for all retail stores is calendar year.

(B) - Loss.

SOURCE: Table 23.

GRAPH 23

PROFIT* AS PERCENTAGE OF SALES: MERCANTILE,
ALDENS, ALL RETAIL STORES



* - Profit is defined on page 167.

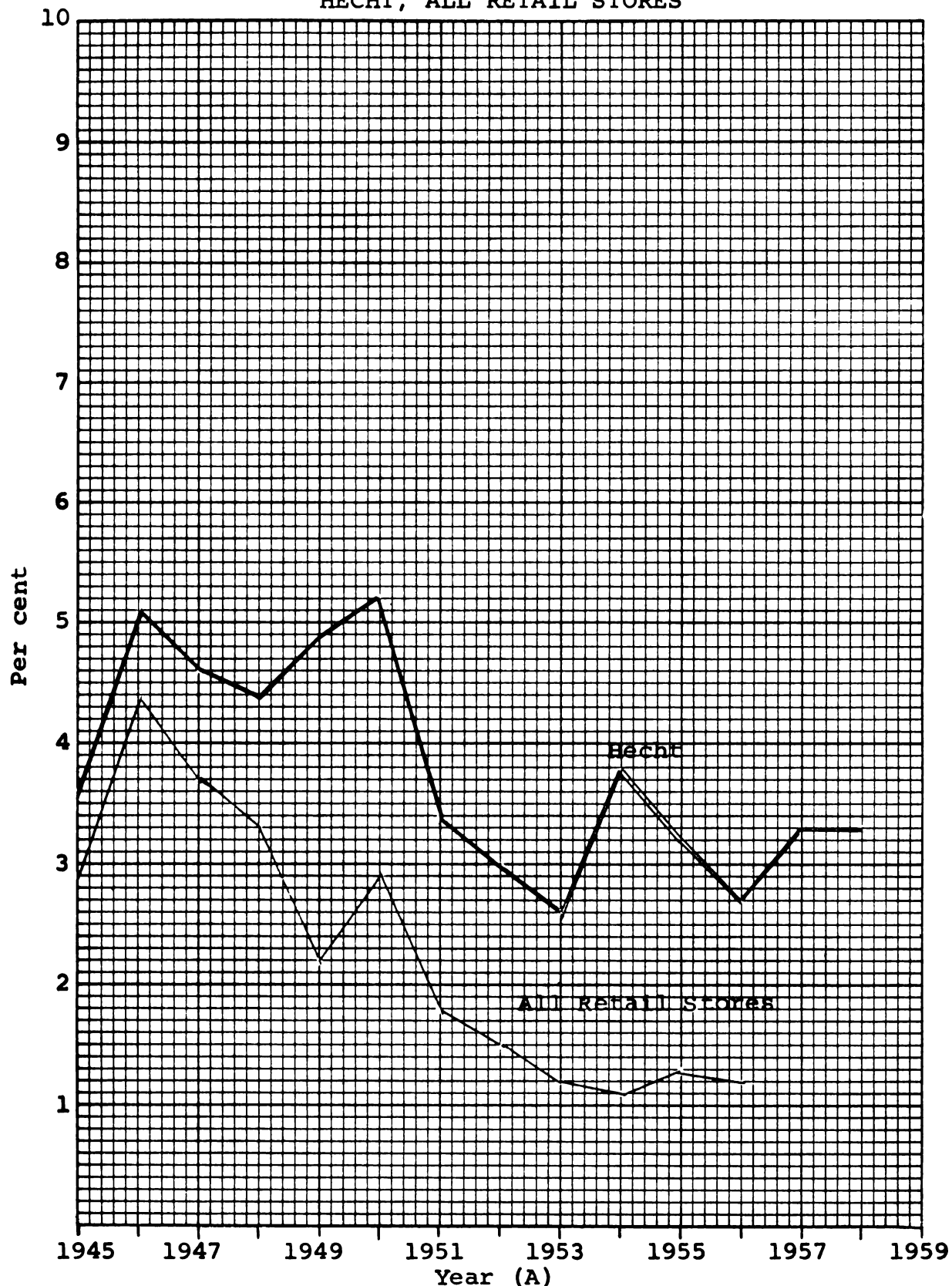
(A) - Year for individual firms is defined on pages 10 - 12.

Year for all retail stores is calendar year.

SOURCE: Table 23.

GRAPH 24

PROFIT* AS PERCENTAGE OF SALES:
HECHT, ALL RETAIL STORES



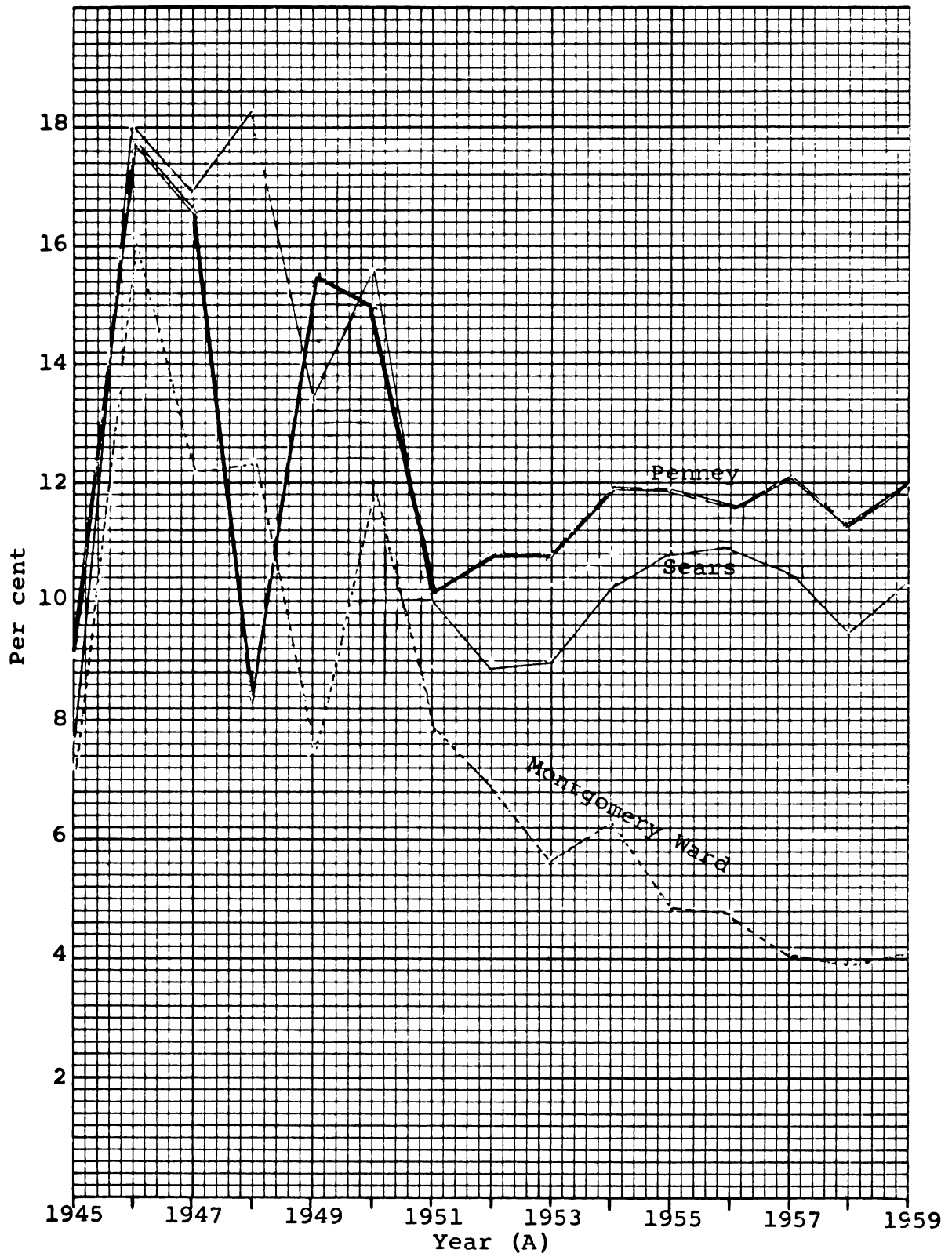
* - Profit is defined on page 167.

(A) - Year for individual firms is defined on pages 10 - 12.
Year for all retail stores is calendar year.

SOURCE: Table 23.

GRAPH 25

PROFIT* AS PERCENTAGE OF AVERAGE ASSETS:
SEARS, PENNEY, MONTGOMERY WARD



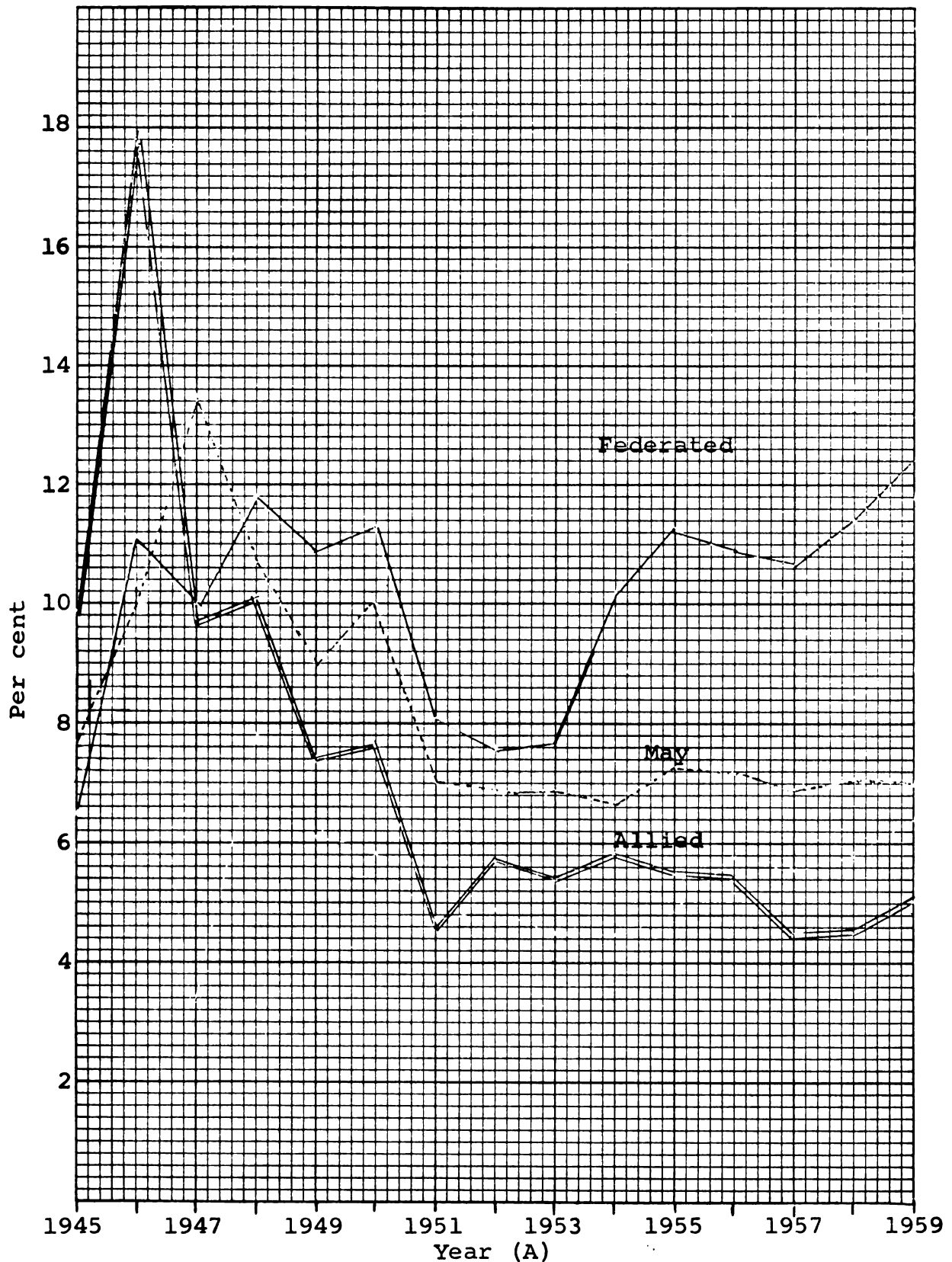
* - Profit is defined on page 174.

(A) - Year is defined on pages 10 - 12.

SOURCE: Table 24.

GRAPH 26

PROFIT* AS PERCENTAGE OF AVERAGE ASSETS:
FEDERATED, MAY, ALLIED



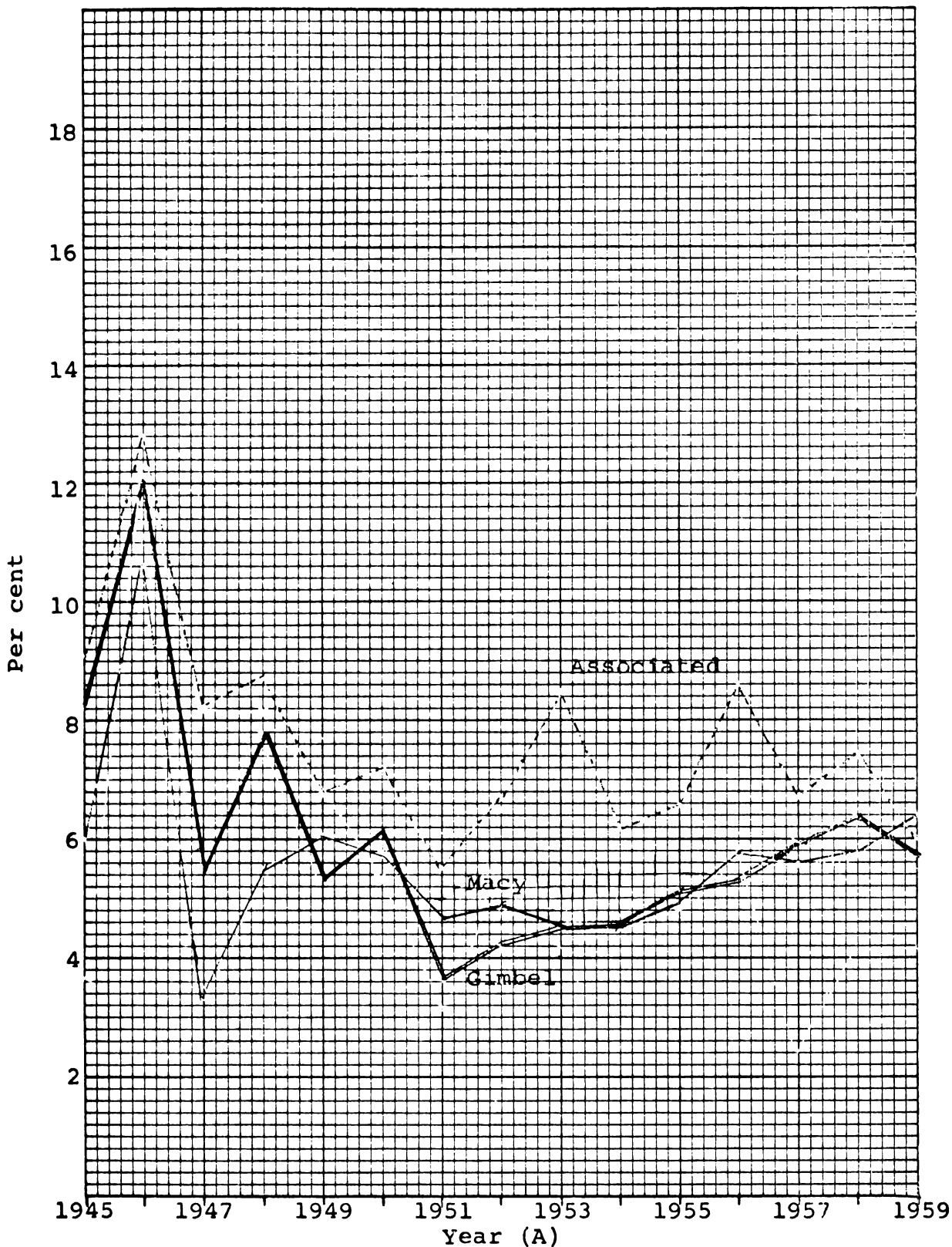
* - Profit is defined on page 174.

(A) - Year is defined on pages 10 - 12.

SOURCE: Table 24.

GRAPH 27

PROFIT* AS PERCENTAGE OF AVERAGE ASSETS:
MACY, GIMBEL, ASSOCIATED



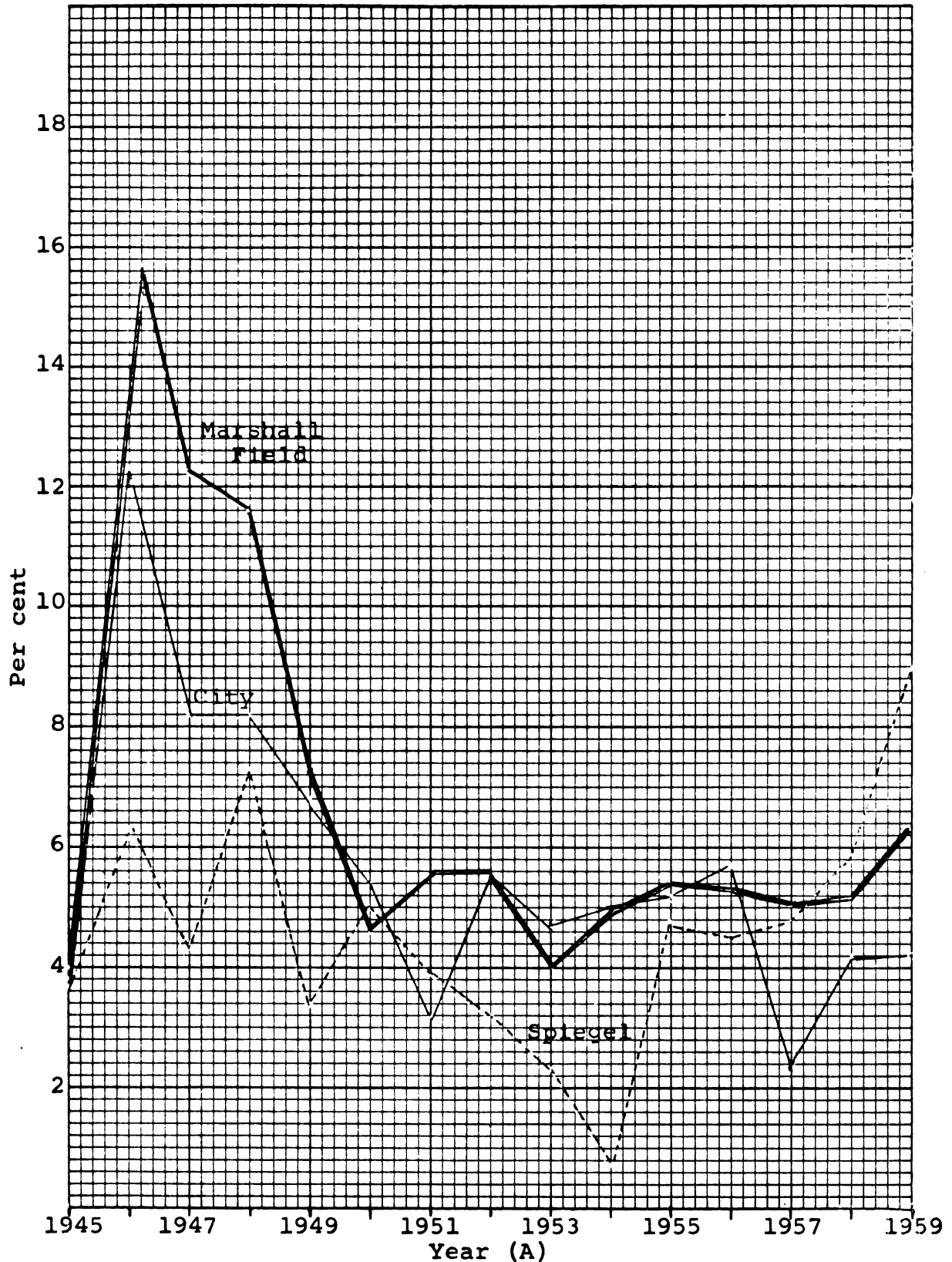
* - Profit is defined on page 174.

(A) - Year is defined on pages 10 - 12.

SOURCE: Table 24.

GRAPH 28

PROFIT* AS PERCENTAGE OF AVERAGE ASSETS:
CITY, MARSHALL FIELD, SPIEGEL



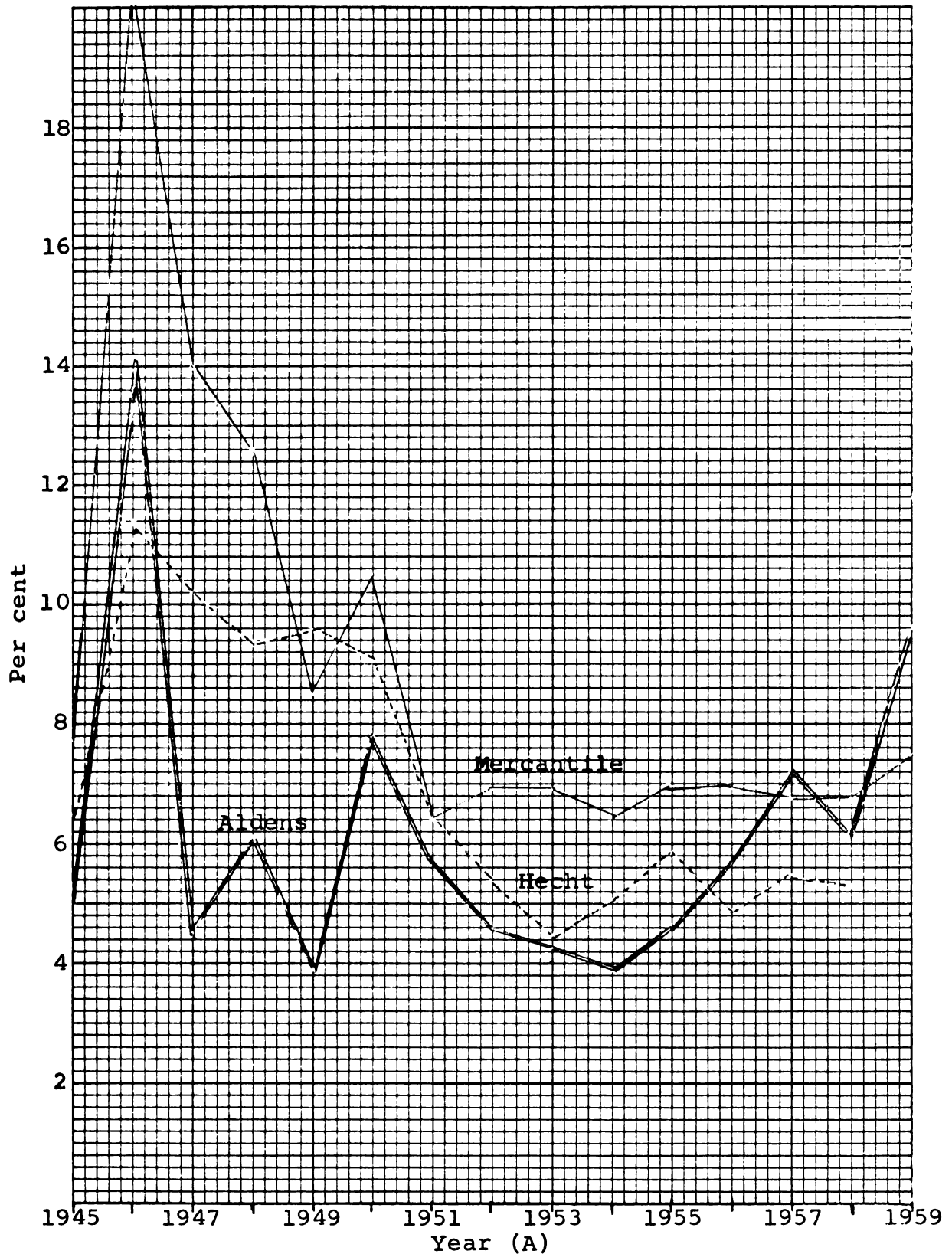
* - Profit is defined on page 174.

(A) - Year is defined on pages 10 - 12.

SOURCE: Table 24.

GRAPH 29

PROFIT* AS PERCENTAGE OF AVERAGE ASSETS:
MERCANTILE, ALDENS, HECHT



* - Profit is defined on page 174.

(A) - Year is defined on pages 10 - 12.

SOURCE: Table 24.

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Allied Stores Corporation
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Gimbel Brothers, Inc.
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