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A FEASIBILITY STUDY OF A "BIG AND TALL"  
MEN'S SHOP IN GREAT FALLS, MONTANA

By

Richard L. Sadler

B.S., Lafayette College, 1966

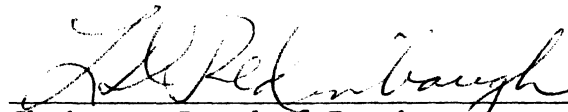
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the degree of

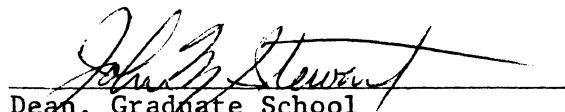
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I would like to express my gratitude to Mr. Ike Kaufman, first for the opportunity to conduct this project and second for the countless hours he spent acquainting me with the characteristics of the menswear industry.

Also, I am profoundly grateful for the mere existence of that small yet large segment of the male population that either willfully or only perchance have come to constitute the outside market. Without them, neither this business venture nor this paper would have been possible.

## CHAPTER I

### INTRODUCTION

Kaufman's Clothing is a retail specialty store and privately owned corporation located in the downtown business district of Great Falls, Montana. The business has been in existence since 1894, and is currently under third generation ownership and management. For 81 years Kaufman's has successfully catered to the men's fashion requirements of the citizens of Great Falls, outlying towns, and the surrounding rural community. The store features a full line and many styles of men's clothing, sportswear and furnishings with limited stock in certain accessories due to non-availability of either selling or storage space. While sufficient diversity in style is maintained to appeal to a broad spectrum of fashion tastes, the store predominantly appeals to the adult male population. Their image is that of a medium to high priced merchandiser maintaining current trends in fashion with an approximate merchandise ratio of 20 percent high fashion, 60 percent fashion, 20 percent staples. Also, the store maintains a favorable image in the community through regular participation in civic projects and events. Merchandise sold is almost exclusively manufactured within the continental United States. The customer is provided personal attention and every attempt is made to provide complete satisfaction including tailoring services available in the store.



Mr. Mose Kaufman first came to the Great Falls area in 1880 by riverboat up the Missouri River. The first store was opened in 1894 at a location only a few blocks away from the present store. The store grew and prospered with the town and moved three times over the years until arrival at the current location in 1963. During this period ownership changed hands but was always maintained within the family. The last change occurred in 1960, when Mr. Kaufman's uncle retired. At that time the business incorporated. The last move provided Kaufman's with a facility of 7500 square feet, slightly less than two-thirds of which is used as selling area generating a sales volume in excess of \$620,000 per year.

Kaufman's is currently in the process of moving to a new location directly across the street from the present store. The decision to move and the choice of this location came as a result of a series of circumstantial events. In 1972, a city ordinance was established requiring that every business with 2500 square feet of space on one floor have a fire sprinkling system installed in the basement. The landlord's position was that he would not make the improvements. Thus, if Kaufman's wanted to stay in business in its current location, they would have to in essence make a capital improvement to leased property at a cost of approximately \$30,000. The building in which the new store will be located coincidentally came up for sale at about that time. It was available at an attractive price and afforded much more space than any of the alternative sites that had been investigated. Thus, the decision to move was based on necessity rather than any planned expansion.

### Statement of the Problem

Kaufman's new location will provide more than twice the floor space available in the old store. As a result, several new ventures within the store are being considered. One of these is the establishment of a "Big and Tall" Shop to capture the outside men's clothing market within the Great Falls trading area. The purpose of this study will be to determine the feasibility of the establishment of this particular "Big and Tall" Shop by Kaufman's Clothing in their new location. This will include a determination of market potential and a financial analysis of this department's potential for this particular company. In addition, a retail business plan will be provided along with specific recommendations on courses of action to be followed.

### Definition of Terms

1. A retail business plan is a written guide for managing a particular retail operation and will be further described in Chapter II.
2. "Big and Tall" and "Outsize" are synonymous terms used to describe those men whose physical dimensions require clothing sizes larger than those normally carried by retailers. To acquire clothing, these men must frequent specialty stores, special order, or choose from limited fringe stocks. In general this category of man is either tall and thin, tall and heavy, or short and heavy. While it is difficult to set up absolute boundaries for sizes, an individual weighing more than 220 pounds or greater than 6 feet, 2½ inches in height or both will qualify as big and tall, as

will short but very heavy men. As a guideline the following sizes are typical:

- a. 40 inch waist and up
- b. 17½ inch neck and up
- c. 35 inch sleeve and up
- d. size 45 suit and up
- e. any extra long size (generally 6 feet, 2½ inches and over).

3. The term "department" refers not necessarily to a section of the store, but rather to the category of apparel (suits, sportcoats, shirts, etc.). There will be several departments within Big and Tall.

#### Scope and Limitations

1. This paper will pertain only to the big and tall function of Kaufman's Clothing and will not provide a detailed plan for the entire store.
2. Both primary and secondary data will be used during the course of this paper. Data for financial purposes will be taken from financial records of Kaufman's. The establishment of market potential will be limited to the use of secondary data in the form of government and industry estimates of size distributions in the male population.
3. The dollar amounts used for the purpose of this paper will not represent actual income or expenditures. At the request of the firm, the real figures have been multiplied by a constant prior to being presented herein.
4. With the passage of time, certain changes have to be made

to the retail business plan as changes in the various operations of the firm and economic climate within the local retail community occur.

### Significance

The conclusion of this research will establish the potential for a separate big and tall function within Kaufman's Clothing. In addition, it will provide a viable formal retail business plan with which to manage this portion of the business.

### Procedures and Organization

Primary and secondary data will be gathered in order to determine cost of operation and market potential. The current and proposed business policies of Kaufman's will be determined and analyzed in accordance with established retailing principles. Specific management policies will then be recommended.

The study will be conducted and presented chronologically as outlined by the table of contents. Management procedures will be determined prior to financial analysis in order to best determine the most appropriate dollar figures to use therein.

## CHAPTER II

### PRELIMINARY SPECIALTY SALES PREPARATION

#### The Retail Business Plan

A retail business plan is a predetermined set of goals and objectives followed by a determination of sales potential, an evaluation of resources, and a set of policies and procedures that will be used to attain the stated objectives given the resources available. Most retailers have some sort of business plan. The degree of formality and comprehensive coverage of the retailing activity, however, may vary considerably. The best plan is one which is written and reflects evaluation of all aspects of the retailing function before the venture is entered into. All of the subjects that will be considered and discussed both in this and later chapters are essential elements of any retail business plan.

Retail business planning begins by clearly and specifically determining objectives. The retailer must identify some way of measuring success in his operation, such as a particular sales volume, profit, return on investment, etc. There need not necessarily be a limit on the number of objectives, but they must all be specific and measurable. The retailer should then determine whether or not the market for the product within a particular trade area can sustain the stated goals. Assuming that it can, he should finally establish policies and procedures, based on the resources available, which will establish how the firm is

to attain the desired goals. These procedures should outline just how each aspect of the retailing function is to be accomplished.

The retail business plan is established to provide order to an operation. As is the case with any venture an individual might undertake, one would expect a greater probability of success if he were to previously establish a method of orderly progress towards his designated goal. The purpose of the plan is to avoid haphazard operations and ensure a greater probability of financial success.

The development of a retail business plan provides several benefits to the retailer. First, it forces him to make an appraisal not only of his own operation but also of the overall business environment. This will lend itself to the establishment of specifically stated goals that can provide an indication of success. Second, by considering all aspects of the retailing activity in constructing the plan, the retailer can better coordinate functions within the store, and also further the optimum utilization of available resources. Third, it provides a means with which not only to measure overall success, but also to identify problem areas in the various aspects of the business. Utilization of standards enables the retailer to monitor efficiency and change policies or take other managerial action as necessary to maintain progress towards goals.<sup>1</sup>

#### Statement of Goals and Objectives

Kaufman's has established several goals and objectives for the first year's operation. The primary goal is a gross volume of \$109,500

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<sup>1</sup>Larry D. Redinbaugh, Retailing Management: A Planning Approach, (New York: McGraw-Hill Book Company, 1976), pp. 111-113.

in Big and Tall sales during the first year. In addition to this, a target inventory turnover of 1.75 has been established. This is well within reason for this type of specialty store. Both the industry average and Kaufman's inventory turnover ratios are slightly over two. Finally, sales will have a gross margin of 42 percent while meeting or exceeding the total sales and turnover figures stated above.

#### Market Potential

The primary trade area for Great Falls covers 12 counties with a population of approximately 170,600 (see Figure 1). There is also a secondary trade area with a population of 81,500. Additionally, there is fringe business from both areas within Montana west of the continental divide and a significant Canadian trade. Statewide, the population has been increasing at slightly over one percent per year.<sup>2</sup> This rate is projected to continue through 1980 with a growth rate of about twice that in the number of households. The projected growth for the Great Falls metropolitan area is 4.6 percent between 1974 and 1980. This is less than state average due to the substantially higher growth rates of Billings and Missoula.<sup>3</sup> It is, however, positive and indicates stability. The population of the immediate Great Falls area tends to be younger than most of the state. This is due to the presence of Malmstrom Air Force Base and the fact that many young people migrate to Great Falls from the outlying rural areas.<sup>4</sup>

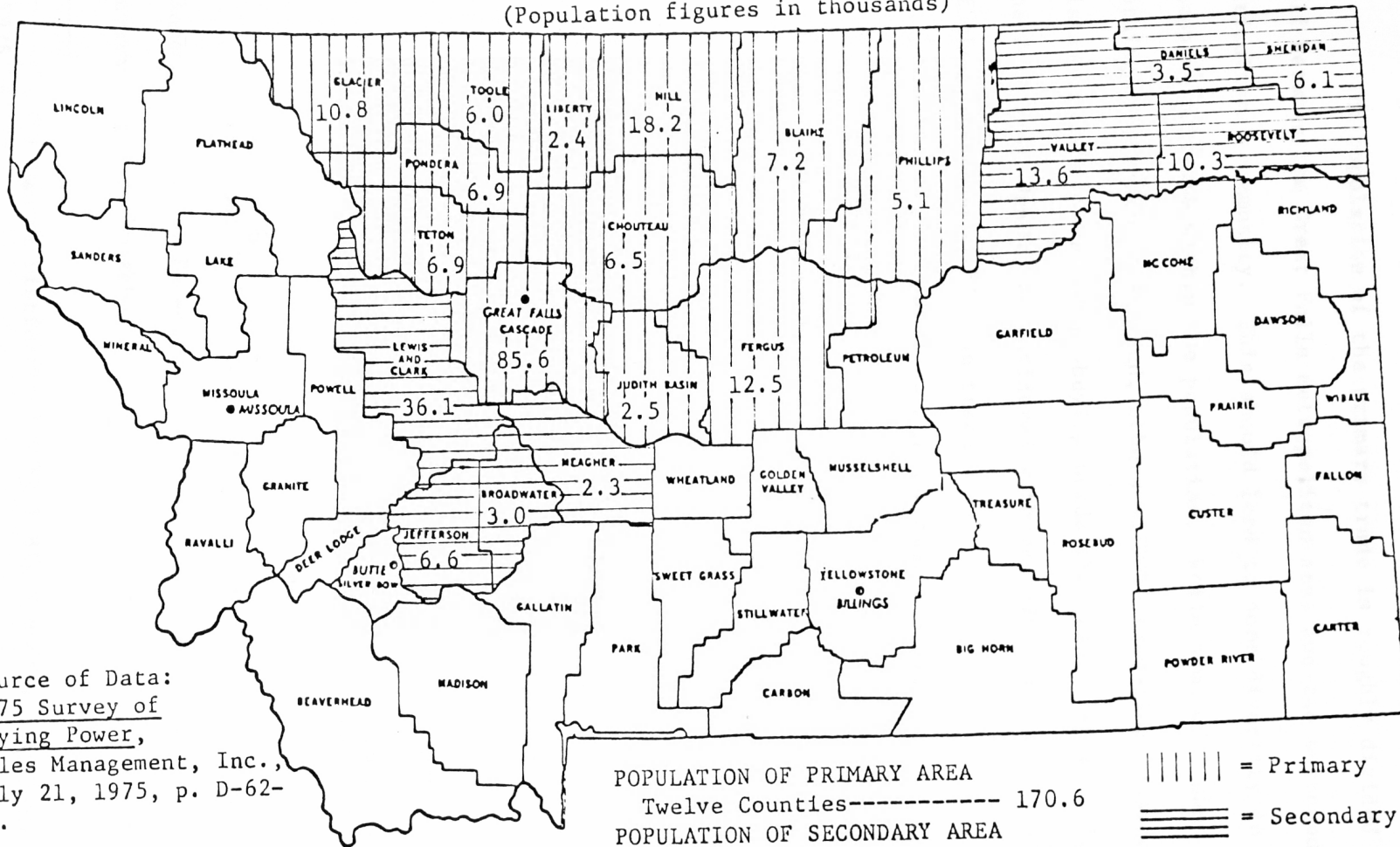
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<sup>2</sup>U.S., Department of Commerce, Bureau of the Census, Statistical Abstract of the United States, 1974, p. 13.

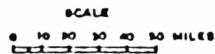
<sup>3</sup>"1975 Survey of Buying Power: Part II," Sales Management: The Marketing Magazine, October 20, 1975, p. 80.

<sup>4</sup>Economic Base Study, 1974: City of Great Falls and County of Cascade Montana, (THK Associates, Inc., October 1974), p. 10.

MONTANA  
(Population figures in thousands)



Source of Data:  
1975 Survey of  
Buying Power,  
Sales Management, Inc.,  
July 21, 1975, p. D-62-  
63.



POPULATION OF PRIMARY AREA	
Twelve Counties-----	170.6
POPULATION OF SECONDARY AREA	
Eight Counties-----	81.5
TOTAL	252.1

||||| = Primary  
===== = Secondary

Fig. 1. Great Falls, Montana TRADE AREA and POPULATION



The population of the primary trade is roughly divided in half between the Great Falls metropolitan area and the surrounding agricultural community. This should lead to some diversity in consumer shopping patterns within the population. While some will shop with nothing in particular in mind, others will be traveling considerable distances and have specific buying needs that they want to fulfill. The following should be considered with regard to social characteristics of the population within the trade area.

1. Customers often travel considerable distances to do their shopping, and do so fewer times per year. In addition, it has been found that men in the outsize category tend to shop fewer times per year and spend more when they do.<sup>5</sup>
2. Consumers in the metropolitan as well as the outer reaches of the Great Falls trade area are not as cosmopolitan as the population of other cities and national regions. This should be taken into consideration when establishing product lines and prices.
3. A part of the male population tends to reflect its Western heritage and lifestyle by preferring Western style clothes.

#### Economic Conditions

The Great Falls primary trade area realized an Effective Buying Income (EBI) as of December 1974 of \$705,301,000. This provided an average EBI per household of \$12,894.<sup>6</sup> Of this, retail sales in men's

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<sup>5</sup>"A Man of Distinction: A Real Big Spender," Clothes, July 1, 1975, p. 52.

<sup>6</sup>"1975 Survey of Buying Power," Sales Management: The Marketing Magazine, July 21, 1975, pp. D62-63.

and boys' clothing during 1974 in Great Falls amounted to \$10,115,000.<sup>7</sup> Based upon 1974 population and dollar figures, as specifically discussed in Appendix I, it has been determined that a total potential sales volume of approximately \$550,000 exists in the primary trade area for Big and Tall men.

The basic industry of Montana as a whole and more particularly of the trade area surrounding Great Falls is agriculture. Primarily, this is divided between wheat and cattle production. The economic well-being of the retail community is strongly correlated to how well the agricultural community does in any given year. Another sizable source of income is Malmstrom Air Force Base, immediately adjacent to the city.

#### Competition

Competition is particularly important since it has been noted that the emergence of too many Big and Tall specialists into such a limited market has been a prime cause of failures in recent years.<sup>8</sup> There are presently eight competing menswear specialty stores in Great Falls, one of which specializes in western wear and two others which cater to young people. In addition, there are several department stores which carry lines of men's clothing. There are no other specialty Big and Tall men's stores in Great Falls nor do any of the competing stores maintain a separate department for the customer in this category. Only one of the competing specialty stores carries extra large sizes to any extent and this is as a fringe to the normal stock. Availability of

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<sup>7</sup>Sales Management, October 20, 1975, p. 51.

<sup>8</sup>"A Man of Distinction," p. 51.

outsizes in department stores is practically nonexistent. The only alternatives currently available to the big and tall customer are:

1. Select from the relatively sparse selection available at a few locations.
2. Special orders.
3. Ordering from catalogues.

It is felt that the competing stores cannot or will not make any additional effort to directly compete with Kaufman's in the Big and Tall area. Such firms have either not indicated the initiative required or simply don't have the floor space in their current locations to establish a Big and Tall Department. In addition, it is difficult for a store to compete in the outsizes against another store with a segregated Big and Tall Department.<sup>9</sup> However, it is recognized that some portion of the potential market will probably be captured by competing stores carrying fringe sizes. Catalogue sales, especially for those customers in the more outlying parts of this large trade area, and lower income brackets will also continue to retain a share of the market. Outside of Great Falls, the closest known Big and Tall specialty stores are in Billings, Montana. These probably will cut into the potential of the easternmost parts of the primary and secondary trade areas as this has been the case in other retail sales in recent years.<sup>10</sup>

#### Location

The new location of Kaufman's Clothing is almost directly across the street from the old store. Since this downtown location has not

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<sup>9</sup> Robert Hadley and Robert J. Lukey, "Inside the Outsize Market," Men's Wear, June 23, 1972, p. 85.

<sup>10</sup> Economic Base Study, p. 29.

precluded profitable operations in the recent past, there is no reason to believe that it should do so in the future. An additional benefit from the new location is that of an attended city parking lot to the rear of the store. Also there is the potential for another lot on the property adjacent to the store at some later date. Finally, there are plans underway by several area merchants to renovate properties and stimulate retail business in the downtown area. At least one of these includes a sizable structured parking facility.

#### Potential Sales Volume

Based upon the discussion heretofore and the potential availability of some \$550,000 in sales dollars, a realistic sales volume can be determined. Initially it can be considered that potential sales will be greater due to the secondary trade area, fringe areas including Canadian trade, and sales to young men under 18 in the tall and thin class. Considering these additional factors and utilizing an estimated business ratio of 80 percent/20 percent for sales inside/outside the primary trade area, potential sales become \$687,500. Normally one would assume that since this figure was determined on the basis of 1974 EBI, it would be larger for 1976 based on normal projected increasing EBI. However, since any actual increase in EBI through the end of 1975 is unknown at this point, and considering the possibility that inflation may force a reduction in the percent of EBI allocated to clothing, no such adjustment will be made for the purpose of this study. A final adjustment is considered necessary to reflect the portion of the market that Kaufman's may more realistically expect to capture. The following are considered relevant factors:

1. Kaufman's will have the only specialty Big and Tall Shop within the trade area offering a superior selection in a full line of outsize menswear with complete service available to the customer. This will include rugged apparel but will not include western styles.
2. A small portion of potential sales will be lost to competing retail specialty stores in Great Falls regardless of retailing practices.
3. A more substantial portion of potential sales will be lost to catalogue purchases.
4. Some potential sales dollars will inevitably be lost to western wear through various outlets.
5. That segment of the population that encompasses the lowest income brackets may not realistically be considered as potential customers.

Based upon the above considerations, it is felt that Kaufman's cannot realistically expect to capture a market share greater than 50 percent. This reduces NET POTENTIAL SALES to approximately \$340,000.

#### Store Design and Interior Layout

The new location is in a building which is currently being renovated to accommodate Kaufman's. The store front is being completely refaced. Almost the entire first floor will be enclosed on the street side by plate glass windows trimmed by red brick allowing easy visibility into the store. The new exterior will provide an attractive appearance and appeal consistent with the existing high quality image of the store. Interior renovations include the construction of a mezzanine between the first and second floors, a raised platform on the first floor, and the required office space, fitting rooms, wall display racks, and other necessary fixtures.

Floor plans for the first floor and mezzanine are shown in Figure 2. The store's two full floors and the mezzanine will provide a total of 17,000 square feet of floor space as opposed to the 7,500 square feet available in the current location. The entire first floor will be occupied by current product lines in conventional sizes. Some increase is planned in stocks of gifts, shoes and sportswear made possible by a greater amount of selling area and the relocation of the outsizes to a separate department. Plans are not yet definite for the second floor other than to use the rear portion for storage of rental units. The Big and Tall Shop is to be located on the mezzanine as shown in Figure 2, and will have a selling area of approximately 1,550 square feet, including backstock.

As evidenced by the floor plans, the Big and Tall Shop selling area will be to the rear and one side of the mezzanine in an area where there should be no customer through traffic. All big and tall clothing and accessories will be located together in this department. The only occupant of the selling floor area on the mezzanine will be rental unit sales, located to the front and right side. It is felt that the nature and appearance of the rentals department are sufficiently distinctive so that the two departments will be easily and obviously differentiated. The location of the shop in this part of the store has two possible disadvantages. Since it is out of the main traffic area of the store, customers may have a tendency to climb halfway up the stairs, take a glance and walk back down. This has been the experience of one similar retail specialty store in attempting to utilize a mezzanine. However, due to the draw of this item to a special segment of the population, this problem is not expected to be the case with the proper promotion

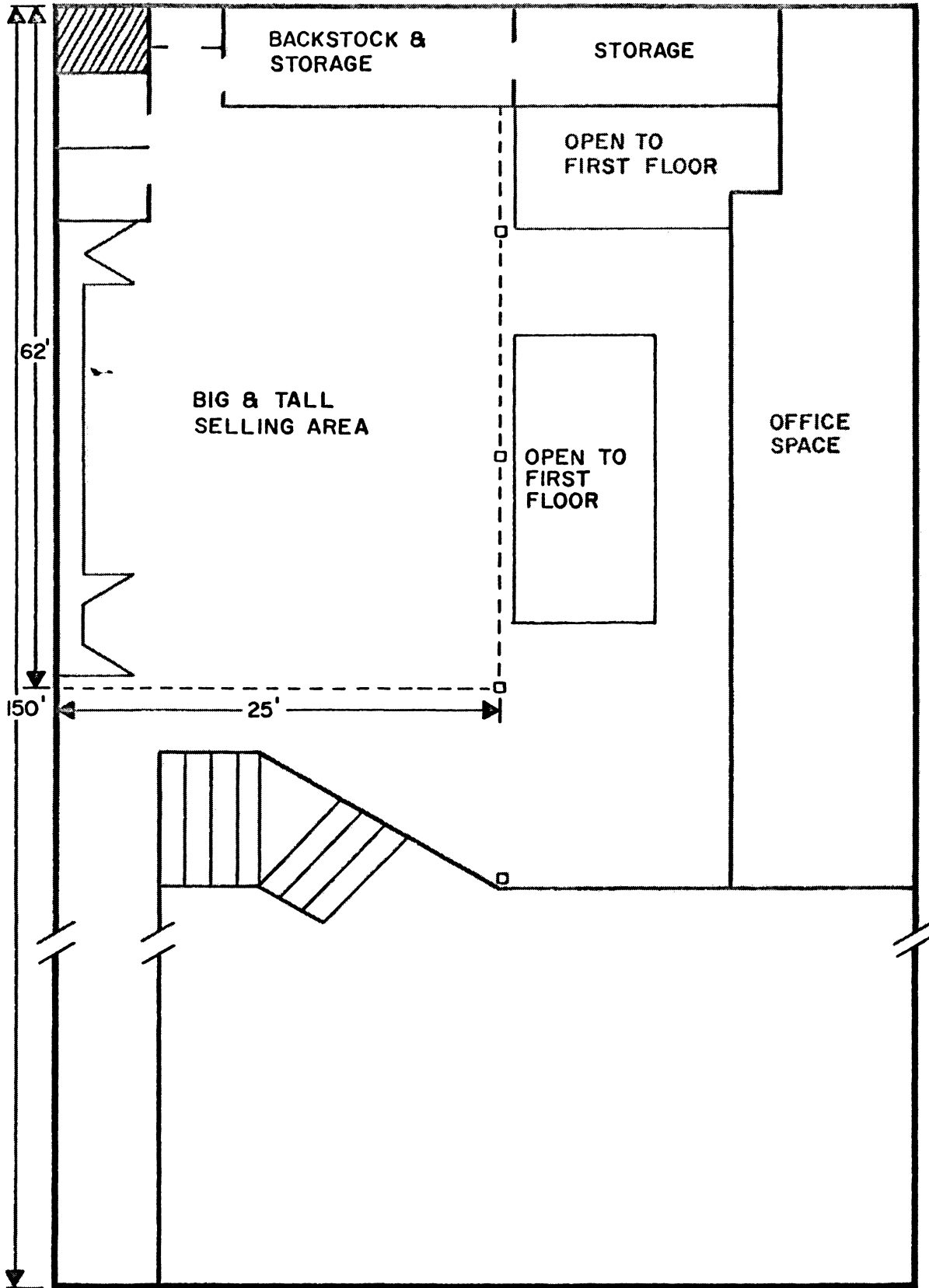


Fig. 2.--Mezzanine Floor Plan

of the shop. The second potential problem arises from the fact that the ceiling of the mezzanine is lower than normally present in a retail store. It is possible that this may result in the tall man feeling cramped and uncomfortable. While it is not within the scope of this paper to analyze the psychological effects of such a condition, it is felt that management should be observant of any customer reaction to this. There is alternative space on the second floor of the building in which the shop could be relocated. The specialty nature of big and tall supports the location of the department apart from the main traffic areas of the store. This is an item sought out by customers and they may be expected to ask its location. The importance of treating big and tall as a separate area is stressed by one big and tall buyer:

If anyone is planning a big and tall department, I suggest that a separate area be developed and not merely be an extension of sizes in an existing department. These outsize men feel at home when surrounded with merchandise specially for them; the same as young people do when an area is devoted to tops n' bottoms.<sup>11</sup>

Non-selling areas for big and tall merchandise have also been allowed for. Receiving and marking will be accomplished in areas set aside for this purpose on the first floor. Storage space for big and tall backstock is provided to the rear of the department. For customer service there are fitting rooms in the area so that the fitting rooms in the main part of the store on the first floor need not be used.

Supporting equipment includes air conditioning for the comfort of both customers and sales personnel. This is an important factor in

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<sup>11</sup>Ed Berger, "Selling the Big and Tall Market," News Release from Menswear Retailers of America, Washington, D.C., n.d.



attracting the outsize man to whom comfort in clothing is important and often hard to find. Also, there is a dumbwaiter located to the rear of the department for service from the receiving and marking areas on the first floor. Merchandise will be placed on racks and shelves both along the wall and in the midst of the selling floor.

The area will be lighted with recessed fluorescent fixtures in the ceiling. Lighting will also be used to highlight merchandise along the walls. This will consist of fluorescent tubes hidden from customer view and highlighting the clothing on the racks.

## CHAPTER III

### RETAIL SALES OPERATIONS

#### Product Line and Resource Determination

There are basically four different means through which a men's specialty retail store may purchase merchandise: (1) major markets, (2) regional markets, (3) regular salesmen, and (4) reorders. Kaufmans will attend at least one and probably two of the major markets located in New York and Los Angeles each year. Between these trips, the regional markets in Portland, Seattle, Denver or Salt Lake City will periodically be attended. In addition, orders will be placed through salesmen who regularly visit the store. The advantages of salesmen are that they can come earlier than the markets, can give better service, can look at and fill in your inventory where it is short, and they have better access to the factory. The drawbacks of depending entirely on salesmen are that they may be late and it may be possible to make a better contact at the market. Both types of market and visiting salesmen should be utilized to provide resource aids in addition to being a means of ordering goods. Reorders may be made either in writing or by telephone depending on the manufacturer. This option will be negligible in Big and Tall due to the fact that a manufacturer will have only a few runs of Big and Tall merchandise during the course of a year, and these are geared in quantity to the orders he has received. After a production run, the manufacturer will not produce any more Big and Tall for several

months and then the product will have changed based upon season and style.

#### Resource Selection

Kaufman's, as an existing business, has already established several supply relationships with various clothing manufacturers. The industry is somewhat unique in the sense that middlemen or jobbers are virtually non-existent. In almost all cases retailers purchase directly from manufacturers. Thus, middlemen are eliminated as a potential resource and the necessary decision becomes that of which manufacturers to purchase from. Many of the suppliers already chosen for Big and Tall are those which Kaufman's has used for the regular sizes.

The choice of suppliers was in keeping with the store's medium to high priced image. In descending order of importance, the considerations in the choice of resources were the quality in construction of the product, the firm's experience in the Big and Tall sizes, and the firm's record of or reputation for timely delivery. Kaufman's considers timeliness and reliability in the delivery of goods as an extremely important quality of a supplier. If delivery is too late, inventory and selection will be low and sales may be lost as a result. This can be particularly critical during the high volume Christmas season. When an order received late finally does arrive, it may overlap a second order received on time. As a result of this overstocked condition, merchandise may then have to be sold at considerably reduced prices merely in order to obtain the necessary capital for continued operations. Other qualities such as fashion and the style of the clothing were also considered when selecting resources to keep in line with the image of the store.

As a result of the above considerations, a total of some twenty resources will be utilized for all Big and Tall merchandise. As many as seven will be used in any one department such as constructed clothing. While this number may normally be considered somewhat high, the characteristics of the industry support it. The dates of the limited number of production runs will vary during the year with manufacturers. This, together with variations in quality or fashion between manufacturers and the desire to have alternate sources readily available when necessary tends to increase the necessary number of supply lines to be opened.

#### Product Line Determination and Assortment

Kaufman's, as a men's specialty retail store, will offer men's clothing as its sole product line in Big and Tall. The store as a whole may carry associated product lines in the future; however, discussion of these is outside the scope of this study. The product line will have considerable depth and assortment. The Big and Tall shop will offer a selection of the same items offered in the regular sizes with the exception of shoes and hats. Turnover in each department (suits, sport-coats, etc.) within Big and Tall will be closely monitored and the stock plan adjusted accordingly to provide depth where it is most profitable for the required inventory investment.

#### Price Lines

Many departments will carry no more than two or three price lines. But as many as ten price lines may be carried at any one time in certain departments. These include products requiring significant hand labor and referred to as constructed clothing. When a production

run is scheduled, the manufacturer must negotiate the price of the labor for the construction of that particular garment. If the labor cost is too high in relation to the price the manufacturer wishes to charge for the garment, he must either raise the price or negotiate a reduced amount of hand labor for that garment. Thus, depending upon the design, material, and amount of hand labor utilized, the wholesale price of constructed clothing will vary considerably. This will occur not only between manufacturers but for any one manufacturer.

In the process of stocking an adequate variety of styles and quality from different manufacturers, Kaufman's may easily have ten or more different wholesale priced items in a department such as men's suits. The firm's policy has been and is to be, that a standard markup be applied to the constructed clothing they sell. Similar items that vary only two or three dollars in price will be marked the same; however, it is not uncommon to find ten dollar differences in the price of men's suits and sport coats. There may be seven price lines in men's suits between \$120.00 and \$220.00. The management's philosophy is that this policy should be followed in order to present the fairest price to the customer.

This policy is generally contrary to the general theory of price lining which would provide for a minimum spread of about twenty to thirty dollars in the price range of men's suits. Clearly distinguishable price lines can avoid customer confusion and indecision resulting in lost sales.<sup>1</sup> It is recommended that management watch for this type of reaction and consider a policy of price lining for the store in general and more

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<sup>1</sup>Redinbaugh, Retailing Management, pp. 207-208.

particularly for the smaller inventory that will be carried by Big and Tall.

#### Negotiations with Resources

There is virtually no room for negotiation on price within the industry except for season end close out items. Due to the nature of Big and Tall production runs as previously discussed, these close out items will as a rule be rare. While other manufacturer/retailer relationships are negotiable, it is not commonplace. Negotiations for long term credit from manufacturers are nonexistent, and bills must generally be paid within thirty days. Some extended terms are available from a few suppliers with whom excellent relations have existed for an extended period of time. This option is used infrequently and only when necessary to aid current cash levels. New firms are occasionally tested to see if a more liberal credit policy may be granted. If so, orders are placed with this firm and prompt payment made in order that delayed payments may again be sought if needed at a later date.

Discounts are also not as available as they once were. To the retailer there are no quantity discounts and in some cases, minimum order quantities do exist. Seasonal discounts for taking early delivery of goods are occasionally available, but even this is usually only in terms of extended credit. Cash discounts of one or two percent are available from some manufacturers for early payment. When available, it is the policy of the store to make prompt payment and take advantage of these. Kaufman's is aware of the positive float in their checking account and will utilize this float in order to take advantage of discount terms. There are promotional allowances made available by some manufacturers. These are sought and utilized when at all possible. Usually, the

allowance is fifty percent of the advertising cost up to one or two percent of the manufacturer's gross sales to Kaufman's. While discounts from resources are actively sought they are considered of lesser importance than product quality and timely delivery in the selection of resources.

#### Shipping Terms

Shipping costs must almost always be paid by the customer. There is a benefit to this in the sense that Kaufman's may then designate who is to carry the goods both from the manufacturer to the shipping consolidator, and from the consolidator to Great Falls. Constant follow up and reminders to the manufacturer are both necessary and important to insure that shipping is accomplished in the prescribed manner. Once again, the timely delivery of orders is of prime concern. Kaufman's has found through experience which carriers and routes for shipment serve them in the most expeditious manner. Shipment arrangements left entirely to the discretion of the manufacturer can result in both greater cost and delayed delivery.

#### Exclusivity of Representation

Kaufman's enjoys exclusivity of representation with a number of high quality manufacturers, including Hart, Schaffner and Marx, Sewell and Career Club. This involves no written agreement and is simply by oral understanding to the mutual benefit of both manufacturer and retailer. No purchase limits are imposed; however, it is realized that sufficient orders must be placed and sales made in order for this arrangement to continue.

### Handling Incoming Merchandise

There is a single designated employee responsible for checking in freight cases to the store. This individual checks the condition of the cases and signs for them if acceptable. In the absence of this employee a member of the office staff must perform this operation. Any damage requires the immediate notification of the office manager or store owner to determine necessary action. Merchandise may be checked immediately or the crate may be marked as damaged on the shipping invoice and opened later. Upon opening, the contents are checked against the invoice to be sure that the goods received are as billed. In addition, the goods are checked against the original order forms to maintain a record of what portion of an order has been filled and what is yet due, if anything. This function has the effect of helping management maintain stock control and identify late orders that should be cancelled to preclude overstock conditions. The receiving clerk then determines from either the store buyer or the owner what the retail prices of the merchandise are to be. The merchandise is marked with the price and department coding, and moved either directly to the selling floor or to a designated reserve stock area.

Specific allowance has been made for the space and equipment to perform this operation. A designated receiving and marking room is available in the rear of the store. A dumbwaiter is available in the room to be used for carrying Big and Tall merchandise to the second floor. Tables will be made available for working with the clothing as it is sorted and marked. Management should monitor this operation with an eye towards delineating a marking section distinct from receiving.



This may be desirable for efficiency and to avoid confusion should daily volume in the new larger store increase sufficiently.

### Pricing Policy, Strategies and Tactics

Merchandise prices in Kaufman's Big and Tall shop must accomplish the same goal as in any other retail establishment. They must first cover total merchandise costs. Secondly they must contribute sufficiently to overhead and profit so as to make continued utilization of the floor space for Big and Tall of equal or greater value when compared to possible alternative uses.

#### Factors Affecting Pricing Policy

Kaufman's overall pricing policy is to maintain prices at or above those of the competition. This is based upon management's view of the store as a general specialty store, and upon the desire to obtain and maintain a high quality inventory, service reputation, and image. Pricing of Big and Tall merchandise will follow the same markup policy dictated by this overall pricing policy.

Competition for Big and Tall will not be a major consideration in the pricing policy for the shop. The primary reason for this is that there is no direct competition in the form of another specialty Big and Tall shop within the trade area. Nor will catalogue prices be of substantial concern. Following the current pricing policy has been found by management to yield prices equal to and in some cases below those of the Big and Tall company catalogues such as Kingsize Menswear of Boston. This apparently results from the Eastern location of most of these outlets. The prices of the mass merchandising catalogue companies such as Sears and Penney's will be exceeded as would be expected

considering the service and image of Kaufman's.

The pricing policy of the store as well as the merchandise offered will not be for all income groups. The target market will be the average to higher income groups. To further attempt to segment the already limited market for Big and Tall in a basically noncosmopolitan trade area would probably not be wise.

A large portion of Kaufman's Big and Tall inventory will be fashion or high fashion merchandise by comparison to other retail stores. This is a relatively high risk type of product and traditionally carries a higher markup than more staple goods. In the case of Big and Tall merchandise, these considerations are compounded by slightly higher wholesale costs than for regular sized goods and by the limited Big and Tall market.

#### Markup Policy

Kaufman's pricing for Big and Tall will be aimed at middle to upper income groups willing to pay for the quality service offered by a retail store and not available from catalogue sales. While Kaufman's does stock items at various price levels, the store does not adhere to a price lining strategy. Purchases are made on the basis of quality and timely delivery. Leader pricing is also not generally a strategy utilized by the store. However, lower priced popular brand name merchandise will be offered in some cases (at its normal retail price) as a tactic to draw traffic and an attempt made to trade the customer up to the more expensive better quality product. The utilization of loss-leaders is not only contrary to the desired image of the store but also in many cases runs against the resale-price-maintenance policies of the brand name manufacturers supplying Kaufman's.

Since as previously stated, Kaufman's is dealing in non-staple, fashion merchandise, markups will be relatively high and average about 48 percent of retail. There will be some variation between departments, based on inventory turnover and degree of fashion. Very high fashion will occasionally carry a slightly higher markup, and the more staple goods in the store will carry a lower markup. Markup policies remain flexible and will be adjusted based upon management's judgment of fashion trends and the expected turnover for merchandise as it is received. An item which is expected to sell out particularly fast may be marked at somewhat more than average. For Big and Tall, the markup policy and percentage will follow that of the regular sizes. This will, however, result in a higher retail price since manufacturers price their merchandise classified as Big and Tall somewhat high to reflect increased material and labor costs. Kaufman's feels that to take increased markups in Big and Tall would be penalizing the big man for his size. In addition, manufacturers do exert an effort to persuade retailers not to increase markups for the outsizes. Those that have studied the market seem to agree that this is necessary to appeal to the big man and make sales.<sup>2</sup> Unfortunately it must be realized that pricing in this manner may result in reduced margins due to proportionately greater alteration expenses and the higher risk of low turnover created by the limited market.

#### Markdowns

Markdowns are determined based on a regular assessment of turnover.

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<sup>2</sup> Berger, Selling the Big and Tall Market. Hadley and Lukey, Inside the Outsize Market, p. 76.

If it is readily apparent that any item is not selling at the desired rate, it will be marked down without further delay. Occasionally items will be marked initially below the regular markup price if management believes they have made an error in even purchasing the item, and it does not appear upon receipt to be representative of the store's offering. There is no strict policy on monthly assessment to analyze all items or departments. Instead, management feels that the store is small enough for the owner, functioning as a merchandising manager, and the buyer to maintain an awareness of what may need to be marked down through a general familiarity with inventory. However, it is felt by the writer that the increased size and inventory of the new store may preclude this. The appropriate departmental personnel should be instructed in policies for determining markdowns or bring to the owner's attention the possibility that they may be necessary on a regulated basis. The foregoing applies to in stock markdowns not generally to be advertised, although the same basic tactic will be applied to slow moving items during sales events as further discussed in conjunction with promotion.

#### Nonprice Competition

Virtually all of Kaufman's competitive efforts will be on a nonprice basis. Markdowns as discussed above will be utilized to improve merchandise turnover but will not as a rule be advertised for promotional purposes. This would create more price advertising than would be consistent with the image of the store. Promotion while mentioning price during sales events will not stress price. Promotion and other competitive efforts should strive to differentiate the store in almost all ways other than price. The new store has an exterior as

well as interior design and decor that is clearly distinctive. The highest quality products and fullest service are to be offered. Location and convenience of the store is at this point not a positive attribute in comparison to the city's large shopping center. This situation does, however, have possibilities of improving in the future as a result of downtown improvement projects. The Big and Tall customer should be able to feel comfortable in an area provided especially for him with the staff and services necessary to provide a well fitted quality piece of clothing. A policy of complete customer satisfaction with a minimum of inconvenience is to be the general policy to set the Big and Tall shop apart from any possible competition.

#### Promotion Policy, Strategies and Tactics

Kaufman's has heretofore established the image within the community of a high quality retailer competing on the basis of service and customer satisfaction. The promotional policy for the Big and Tall shop, as well as the whole store, will be to consistently stress the selection of quality merchandise provided to the complete satisfaction of the customer.

The central theme for Kaufman's promotional program will be that of a complete "Menswear Centre," as stated on the store's logo. While it is a separate department, the Big and Tall shop will of course need to comply with the same theme to maintain the image of the entire store. This theme will stress that Kaufman's is a long-standing member of the community, existing to fulfill the complete wardrobe needs of the male population, rather than merely a retail outlet. The theme will focus attention on the selection of quality brand name merchandise available.

It will also stress the long-standing reputation and reliability of the services provided in an atmosphere that will make the customer enjoy being in the store. This theme should perpetuate the image already established by the store and is consistent with the segment of the population toward which promotional efforts will be aimed.

#### Budget Determination

Kaufman's policy for the establishment of a promotional budget has been to utilize a percentage of projected net sales for the coming year. Projected sales have been based upon past sales plus an estimate. The budget is then allocated by month, giving emphasis to periods of greater potential sales as a result of special promotional events or seasonal increases in buying activity. Then an additional media breakdown is made. For the coming year in the new store an overall sales volume of \$803,000 will be used for budget determination. Of this the projected net Big and Tall sales goal is \$109,500. This would imply that the promotional allocation for Big and Tall would be about 13.6 percent of the total promotional budget. Instead, management has decided to allocate 25 percent of promotional funds for Big and Tall. This is being done first of all since it is the first year for the shop and a proportionately more intensified promotional effort may be needed. Secondly it is desired to advertise Big and Tall as a separate entity in fringe areas where the store would not normally expect to draw many regular sized customers. The total promotional budget is to be three percent of projected net sales based upon past industry averages.<sup>3</sup> This

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<sup>3</sup>"Annual Business Survey: Men's Store Operating Experiences," Menswear Retailers of America Business Newsletter, (June 23, 1975), p. 26.

will not include grand opening promotion costs of \$700 to \$1,100. The budget will then be apportioned to the media at rates of 30 percent newspaper advertising, 35 percent television, 20 percent radio and 15 percent for other promotional expenses. Where total store advertising is presented, the Big and Tall department will be charged at about 15 percent of the cost. This policy will result in a total advertising budget of \$6,023 for the Big and Tall shop during the first year, which represents 5.5 percent of projected sales compared to three percent for the store as a whole.

Management should exercise caution in this course of action. Utilization of historical sales figures may become misleading if poor sales trends develop. The budget should more appropriately be determined based upon that which will be required to attain the stated goals for the coming year.<sup>4</sup> The promotional budget for Big and Tall would more appropriately be calculated based upon the cost of the advertising that is estimated to be necessary to bring about desired sales. Admittedly, the use of the sales goal and a budget percentage based upon the average promotional expenditures that have brought about sales in the past is one generally accepted means to arrive at the advertising budget. It does not, however, take into consideration the specialty nature of this product, nor the desire to draw from outlying areas. For example, based upon the frequency of newspaper advertising utilized, the allocated cost to Big and Tall would be about \$1,500 for the coming year. This

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<sup>4</sup>Redinbaugh, Retailing Management, pp. 281-282. Leo Bogart, Strategy in Advertising, (New York: Harcourt, Brace & World, Inc., 1967), pp. 23-25, 27-29.

would only cover that advertising in the Great Falls newspaper which generally covers the entire trade area. Preliminary investigation, however, indicates that to advertise monthly in seven surrounding local papers could cost as much as \$4,800 for the year. This is based upon a twenty column inch ad at rates of approximately \$2.50/column inch in five towns and \$4.50/column inch in two larger cities. Thus, the entire advertising budget would be utilized for newspaper advertising alone leaving none for radio, television, or other forms. Kaufman's must therefore analyze whether this form of advertising is in fact necessary to realize their established goals. If so, the advertising budget required to generate these sales will have to be revised. A similar determination with regard to the necessary amount of radio and television advertising should be made.

#### Promotional Mix

The promotional mix of Kaufman's Big and Tall shop will be a blend of both advertising and in-store promotion. Media advertising will consume the vast majority of the promotional budget and will generally be for the store as a whole with specific mention given to the Big and Tall shop. The exception to this is to be newspaper advertising in fringe areas where the store normally would not be expected to draw clientele, but the specialty nature of Big and Tall may very likely cause customers to drive the extra distance to be able to get what they want. The emphasis should be that the store maintains a separate department specifically catering to the big and tall man. Radio advertising on two of the three major local stations featuring popular music will be used. It has been management experience that using "run of schedule"



radio advertising locates the majority of their spots in early morning or late afternoon hours. Since this plan is not only the least expensive, but coincides with the hours during which the adult male may listen to his radio going to or from work, radio time will continue to be purchased in this manner. Television advertising on the two local channels will be used. It has been management's policy in the past to specify a budget each month to the stations and to allow them to allocate it among the various time classes at their discretion to provide Kaufman's the best coverage available within the budget restraints. The results of this policy should be watched closely and may be subject to some further study. A sampling of invoices from recent months indicates that spots are presented during numerous time periods throughout the day. It may be more advantageous to take fewer spots during specified time periods which are more apt to be viewed by prospective customers.

Cooperative advertising is to be used whenever possible. Some manufacturers will pay for fifty percent of advertising costs that include their product up to two percent of the value of their sales to Kaufman's. Since the actual effect of this on overall Big and Tall advertising costs is unknown at this time, it will be considered negligible and not considered in the budget determination. In addition, manufacturers often provide slides or "mats" at low cost to be used in television and newspaper advertising respectively.

Big and Tall will attempt to develop a mailing list over the course of the forthcoming year. This list can provide several benefits in such a specialized area. It will provide direct contact with known potential customers at a relatively low cost. It can be used as an indicator of the effectiveness of other advertising forms in outlying

areas. Also once developed it may replace other more expensive forms of advertising utilized solely for Big and Tall.

Various in-store promotional techniques will be used. A specific budget allocation will be established for window displays to be provided by an individual with prior professional experience in the field. Window displays will be in units, for example, a complete suit with accessories, and will be limited in number consistent with the image of the store. Personal selling is an important support to the pricing policies, service reputation, and overall image of the store. Personal selling techniques will continually be stressed to employees as outlined in a later section.

Special promotional events will continue to be utilized as they have in the past. Only three promotional sales events will be held during the year. More than this are not considered to be consistent with Kaufman's high quality image. There will be a January clearance, a summer clearance in July, and an anniversary sale in October. These will be timed to coincide with traditional and holiday sales held throughout the community. The three sales will begin just before and run through these community wide events to provide an option to further reduce and dump unwanted merchandise. These events will be utilized to reduce prices and generate turnover on items that have been in stock an excessive period of time. Also single remaining items in a line will be put on sale simply to remove it from inventory. In addition, closeout items received at reduced prices from manufacturers will be used as sale items. This last type of item will probably be negligible in Big and Tall due to the nature of Big and Tall production. Advertising for these events will continue to place equal or greater emphasis on other features of the

store rather than prices. Other non-price oriented promotions, such as drawings will be held at selected periods such as Easter, Father's Day and Christmas. In addition, the store will promote goodwill during community events by making the second floor balcony available for viewing parades and providing holiday entertainment.

#### Credit

Retail credit will be offered as a customer service and to promote sales. Revolving credit will be offered in the form of both two nationwide credit cards and the store's own card. In the case of the latter, terms will be "ninety days, the same as cash." After ninety days, interest will be charged at one percent per month on the unpaid balance. Applications for credit will be approved only after the application has been referred to the Great Falls Merchant Corporation Credit Bureau by an employee specifically tasked to process credit applications. This credit policy has historically provided Kaufman's with few rejections, and yet a bad debts ratio within the range of the national average. For Big and Tall, the store's card will be promoted as an aid in developing and utilizing the mailing list for Big and Tall advertising.

The policy of the store will be to collect on unpaid accounts utilizing their own resources first. Accounts for which no payment has been received within ninety days receive immediate attention. The individual will be personally contacted via telephone and an attempt made to effect payment of the account while retaining customer goodwill. Should these efforts prove ineffective after an additional ninety days, the accounts will be turned over to the most economical collection agency.

### Management of Personnel

The overall enlargement of the store will require the addition of several personnel. The Big and Tall shop will establish a particular need for people to perform both at department head level and as sales personnel for a distinct specialized area. These employees will be initially hired based upon expected volume, and assigned specifically to handle only Big and Tall merchandise.

#### Employee Requirements

Management has decided to place responsibility for the overall retailing of Big and Tall menswear with one employee. This individual will function as a complete manager of the department. He will purchase, price, sell and control merchandise in addition to supervising other department salesmen. It is estimated that he will need one part-time employee to cover peak periods or those times when the manager himself will not be on the selling floor. Considering the responsibility to be accorded the manager, general retailing and management experience was regarded as at least equally as important as experience in men's clothing sales. The sales people to be sought should preferably have experience in men's clothing sales. Since this is to be the first Big and Tall specialty shop within the trade area, it is unlikely that personnel with experience in catering to Big and Tall men will be found. The general manager of the store should outline in writing just what the specific requirements and functions of the manager will be. This will be particularly important to the Big and Tall shop manager due to the separate but integrated nature of this department. There are certain

expense areas of overhead over which he may have little if any control. Other functions such as promotion will be coordinated efforts, and still others such as purchasing and pricing will be entirely within his realm of responsibility. To have one designated individual solely responsible for a Big and Tall department has been found a prerequisite to success by those with experience in Big and Tall retailing.<sup>5</sup>

#### Recruitment and Selection

Considering the managerial talent desired for the position of Big and Tall shop manager, it was decided to seek applicants other than the current sales employees of the store. From the owner's personal knowledge of personnel within the area and from information supplied by resource salesmen visiting the store, a field of five qualified candidates was developed. These people had various levels of experience in retailing as well as personal qualifications. Further screening of the pros and cons for each individual enabled the owner to reduce the field to two candidates. While these two candidates had approximately equal merit overall, their qualifications were somewhat different. While one had experience in menswear the second did not. He, however, did have considerable experience and capabilities in other areas of retailing and management. The second of these two applicants was finally chosen. The principal factor in the final selection was that an individual with management talent and drive could be taught the peculiarities of Big and Tall menswear retailing, and that this type of individual would be to the greater long run benefit of the store.

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<sup>5</sup>Hadley and Lukey, Inside the Outsize Market, p. 83.

### Training and Evaluation

The owner is to take on the responsibility of training the Big and Tall manager. This will include both an initial sales and store orientation and a program of regular on-the-job training in all aspects of Big and Tall retailing.

Training for all personnel will be conducted on a regular recurring basis. Staff meetings are and will continue to be held twice per month for all store employees. These meetings are for both the dissemination of store policy and for instruction in sales techniques. Training will not be limited to meetings alone. Where problem areas in either policy matters or sales techniques are identified, individuals will be given personal attention to insure that their work conforms to the standards required to meet the goals of the store or department. Also the store receives an industry sales brochure monthly, copies of which are distributed to all salesmen. This publication includes information on current seasonal fashion trends, guidelines on personal sales techniques to be used by salesmen, definitions of different terms applying to clothing and clothing styles so that the salesman may be more familiar with his product, and suggestions on sales techniques based upon the specific experiences of other salesmen.

In addition to the above, the owner will pay particular attention to training Big and Tall shop personnel in the requirements of properly fitting and dealing with the outsize customer. The owner will have to take an active part in managing the Big and Tall shop until the new department manager has effectively completed all phases of his on-the-job training. This is expected to possibly take as long as a year.

The intensified training of this individual is, however, necessary, and in the long run will prove more beneficial to the store. Upon completion of a thorough education for the new department manager, the owner will be able to free himself from this department and allocate more time to the overall management of the entire store.

Big and Tall sales personnel will be evaluated in the same manner as other store salesmen. Their behavior on the selling floor will be observed by the owner or later on by the department manager, and personal critiques will be conducted. In addition, the dollar sales volume of each employee will be looked at quarterly. A salesmen's salary should equal not more than ten percent of his sales volume. The department manager will also be evaluated on at least a quarterly basis. In this case, however, turnover and progress towards the stated yearly goals of the department will be of greater importance than his personal salary/sales ratio.

#### Compensation

The part-time salesman will be salaried with some small commission on sales. The total cost of both for this employee is not expected to exceed \$220 per month. The department manager will be salaried at \$800 per month. Rather than granting the manager a commission on sales he will be granted a share of the profits of the Big and Tall Shop. This should stimulate him to maintain inventory turnover, minimize markdowns, and to keep costs, particularly for labor, at a minimum. The plan calls for the Big and Tall shop manager to receive 1.5 percent of the gross profits for Big and Tall merchandise sold providing the gross margin is sufficient to cover other operating costs. In addition to this,

participating medical and retirement plans are offered as fringe benefits for full-time employees. Profit sharing plan vesting begins after the first year of employment.



## CHAPTER IV

### FINANCIAL MANAGEMENT

#### Financial Planning and Control

The establishment of the Big and Tall Shop will be financed in conjunction with the new store as a whole. To obtain capital for the new operation several sources will be used including cash from prior years, retained earnings and the liquidation of short term investments. The single largest source of financing for the new store is from the acquisition of a loan through the Small Business Administration. Seventy-five percent of the loan was acquired at reduced interest while the remainder was taken as matching funds at nine percent interest from the Great Falls National Bank. In addition to the loan, lines of credit are maintained at First National and the Montana Bank in order to finance working capital needs as they may arise. Also, the loan acquired was large enough to provide initial working capital in addition to covering the cost of renovating the new store.

#### Sales Analysis

Sales trends will be reviewed and analyzed monthly. The office manager will provide dollar figures for both total Big and Tall sales and sales in each Big and Tall department (clothing, sportswear, etc.). Since this is the first year for the Big and Tall Shop, a direct comparison to prior years' sales will not be possible. However, the prior years'

sales in the old store may be used as a guide when examining monthly variations in sales. For this initial year, sales figures will be compared against that required to attain the total sales goal. Management will then have some idea of whether or not the goal is attainable and if remedial action may be necessary to boost Big and Tall sales to reach that goal. In addition, sales trends will be analyzed in consideration of industry-wide information made available during the year, including monthly surveys provided by the Menswear Retailers of America. Business trend information is also made available periodically by the Great Falls Chamber of Commerce. When comparing sales figures against national averages provided in monthly or annual publications, poor showings should receive prompt managerial attention. Increased promotion or other management action may be necessary if adverse trends develop or sales performance does not compare favorably with national averages.

#### Break-Even Analysis

For the determination of a break-even point (BEP), the following formula will be used:

$$\text{BEP} = \frac{\text{Total Fixed Costs}}{\text{Average Gross Profit Margin}}$$

Table 1 depicts estimated 1976 fixed and variable operating costs for the entire store and an allocation of those costs to the Big and Tall Shop. Management believes that based on past performance of the store a 42 percent gross margin can be maintained after markdowns. This will be the amount available to cover fixed and variable operating costs. The figure is based on past performance of the entire store and is considered to be valid and perhaps somewhat conservative for the Big and Tall Shop. The reasons for this are first that markups in Big and

TABLE 1  
PROJECTED EXPENSES

Type	Estimated Total	Allocation*	Big & Tall	
			Fixed	Variable
Administrative	\$ 3,212	13.6%	\$ 437	
Automotive	146	13.6%	20	
Accounting & Legal	2,555	13.6%	347	
Dues & Subscriptions	657	13.6%	89	
Advertising Window	292	17.7%	52	
Advertising General	25,185	See Page 32**	6,173	
Alterations	183	Variable		.02%
Bank Charges	1,716	Variable		.21%
Bad Debts	3,650	Variable		.45%
Donations	1,095	13.6%	149	
Delivery	657	13.6%	89	
Depreciation	15,637	17.7%	2,768	
Utilities	6,570	17.7%	1,163	
Interest	8,760	17.7%	1,551	
Insurance	10,950	13.6%	1,489	
Laundry & Cleaning	1,825	N/A (Rentals	N/A	
Office Supplies	1,533	Variable		.19%
Postage & Telephone	5,475	13.6% (1825)/Var.	248	.45%
Rent	15,330	17.7%	2,713	
Rent-Machines	730	13.6%	99	
Repairs	2,555	17.7%	452	
Salaries	149,650	See Page 47	18,435	
Supplies	8,030	13.6% (730)/Var.	99	.91%
Travel & Entertainment	3,650	13.6%	496	
Taxes-Payroll	9,278	6.2% Salaries	1,143	
Taxes-License	3,906	13.6%	531	
Profit Sharing	10,950	N/A	N/A	
	<u>\$294,177</u>		<u>\$38,543</u>	<u>2.23%</u>

\*Fixed expenses allocated based on sales at 13.6% or square ft. at 17.7%

\*\*Includes grand opening promotion

Tall tend to be slightly higher due to a small degree of price lining. Moreover, the Big and Tall inventory tends to be comprised of a greater percentage of staples than is the regular size inventory. This is expected to reduce the number and degree of markdowns required. Since several methods were used to establish estimated operating costs of the Big and Tall Shop, a discussion of Table 1 is in order.

Several items were determined to be either entirely variable or such that the fixed portion was negligible. After a review of the percent of sales for which these items accounted over the past two years, an estimated percent of Big and Tall sales for which they are expected to account was established. The total of these variable expenses expressed as a percentage of gross sales will be subtracted from the gross contribution margin of 42 percent in the calculation of the break-even point.

A few items were identified as mixed expenses to a degree considered significant enough to show separate fixed and variable portions. Supplies for example include some fixed expenses and also such things as clothing bags and hangers which are directly proportional to sales.

The majority of the operating expenses shown are fixed expenses. It was determined that the utilization of sales and floor space as allocation basis would provide for a reasonably acceptable allocation of the various costs to the Big and Tall Shop based upon "cause and effect."<sup>1</sup> It is estimated that the Big and Tall Shop will utilize approximately

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<sup>1</sup>Charles T. Horngren, Cost Accounting: A Managerial Emphasis, 3d ed., (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1972), p. 403; and W. T. Anderson, C. A. Moyer, and A. R. Wyatt, Accounting: Basic Financial, Cost, and Control Concepts, (New York: John Wiley and Sons, Inc., 1965), p. 561.

1550 square feet of floor space for selling and backstock areas. This is 17.7 percent of the 8,750 square feet estimated to be utilized for these purposes throughout the entire store. Nonselling areas other than backstock were not included in the total square footage for break-even analysis purposes since these areas do not directly generate sales and therefore cannot within themselves cover operating costs. Backstock area utilized was included due to the arrangement of the store's formal wear department which occupies relatively little selling area and yet requires a large area for the storage of rentals. In contrast to the proportion of floor space utilized, it was estimated that the Big and Tall Shop would account for approximately 13.6 percent of the new store's projected sales. The allocation of fixed expenses was performed utilizing one of these two percentages depending on whether the nature of the expense appeared more related to physical plant or sales and inventory.

Specific mention should be made of the salaries estimation for Big and Tall. The total shown in Table 1 was based on both selling and nonselling expenses. It is noted that part-time salaries expense may more appropriately be considered variable over the long run and for sales above some certain point. However, since that point is initially unknown, this expense will be considered as a fixed expense based upon projected sales volume. The same observation can be made for alterations salaries expense. An additional unknown in this case is the greater extent and probability of alterations for the big and tall man. However, for the first year of operation, this also will be considered proportional to Big and Tall versus regular size sales. Beginning with the compensation figures for Big and Tall Shop personnel from Chapter III, the calculations of Big and Tall salaries expense are as follows:

## Selling and Direct Management:

Big and Tall Manager	\$ 9,600	
Part-Time Sales	<u>2,640</u>	<u>\$12,240</u>

## Non-Selling:

Office Salaries	\$24,090	
Alterations	13,870	
Other Management	<u>7,592</u>	

Allocation based on sales: (45,552 x 13.6%)      6,195

Total Salaries, Big and Tall      \$18,435

Based upon the expenses presented in Table 1, the operating BEP for Kaufman's Big and Tall Shop can be calculated as follows:

$$\text{BEP} = \frac{\$38,543}{42\% - 2.23\%} = \frac{38,543}{.3977}$$

$$\text{BEP} = \$96,915$$

An alternate calculation of BEP based solely on cash flow (expenses less depreciation) is as follows:

$$\text{BEP} = \frac{\$38,543 - \$2,768}{.3977} = \$89,955$$

## Return on Investment

In the calculation of an operating profit rate of return on investment (ROI) for the Big and Tall Shop, several assumptions and notes must be stated:

- (1) Yearly sales at the target level of \$109,500 will be assumed.

- (2) The beginning of year balance sheet for the current year will be used to reflect the financial structure of the store.
- (3) ROI shown will be for the first year of operation. This is calculated basically as the payback reciprocal and may be considered a valid approximation of true ROI assuming extended operation of at least twice the payback period, or twenty-two years,<sup>2</sup> with a reinvestment of profits at an equal rate of return.
- (4) ROI will be an operating rate of return. It will be calculated before interest and based upon total assets to reflect overall potential operating efficiency and include the return to all lenders. This is consistent with the privately owned nature of the firm and the significant leverage upon it.<sup>3</sup>
- (5) In the calculation of ROI, interest and depreciation expense will be added to profit before taxes to show return to all investors based on cash flow.<sup>4</sup> This method is as a result of assumptions (3) and (4) above.

The beginning balance sheet for the current year in abbreviated form is estimated as follows for the entire store:

Current Assets.....	\$261,557	Current Liabilities.....	\$ 42,120
Fixed Assets.....	357,941	Long-Term Liabilities:	
Other Assets.....	15,982	Insurance.....	\$ 1,665
		SBA Loan.....	<u>219,000</u> \$220,665
		Equities:	
		Capital Stock.....	\$162,608
		Retained Earnings..	<u>210,087</u> <u>\$372,695</u>
Total Assets	<u>\$635,480</u>	Total Liabilities & Capital	<u>\$635,480</u>

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<sup>2</sup>Hornsgren, Cost Accounting, p. 479.

<sup>3</sup>Redinbaugh, Retailing Management, pp. 365-366; and James C. VanHorne, Financial Management and Policy, 3d ed., (Englewood Cliffs, New Hersey: Prentice-Hall, Inc., 1974), p. 666.

<sup>4</sup>Redinbaugh, Retailing Management, p. 127.

For the purpose of calculating ROI based on total assets, the asset accounts listed above will be allocated to the Big and Tall function based upon the same reasoning and percentages utilized in the breakeven analysis. The determination of total Big and Tall assets is as follows:

Current Assets.....	\$261,557 x 13.6%.....	\$ 35,572
Fixed Assets.....	357,941 x 17.7%.....	63,356
Other Assets.....	15,982 x 13.6%.....	<u>2,174</u>
Total Big and Tall Assets		<u>\$101,102</u>

Based upon projected sales of \$109,500 and operating costs as indicated in Table 1, net profit before taxes is projected as follows:

First Year

Pro Forma Income Statement

Sales . . . . .		\$109,500
Cost of Goods Sold		
58% x \$109,500. . . . .		<u>63,510</u>
Gross Profit. . . . .		\$ 45,990
Operating Expenses		
Variable (2.23% x \$109,500) . . . . .	\$ 2,442	
Fixed . . . . .	<u>38,543</u>	<u>\$ 40,985</u>
Net Income before Taxes and Big & Tall		
Manager Bonus . . . . .		\$ 5,005
Big & Tall Manager Bonus. . . . .	\$ 690	
Payroll Tax (6.2%). . . . .	<u>43</u>	<u>733</u>
Net Income before Taxes		<u>\$ 4,272</u>

$$ROI = \frac{\text{Net Profit} + \text{Interest} + \text{Depreciation}}{\text{Total Assets}}$$

$$ROI = \frac{4,272 + 1,551 + 2,768}{101,102}$$

$$ROI = 8.5\%$$



It should be noted when comparing this ROI to other potential investments that the ownership of this family proprietorship also derives financial benefit in the form of management salaries. While the salary is for managerial services rendered and not a part of the ROI, one must still consider the implications of the potential loss of this opportunity if opting for other investment opportunities.

An ROI based upon owner's equity can also be presented. In this case, the interest is not added to net income. Rather than attempting to allocate the total owner's equity, liabilities will be allocated to Big and Tall based upon aforementioned principles, and subtracted from estimated Big and Tall assets. The owner's ROI before taxes based upon net worth may then be shown as follows:

Current Liabilities.....	\$ 42,120 x .136.....	\$ 5,728
Long Term Liabilities		
Insurance.....	\$ 1,665 x .136.....	226
SBA Loan.....	219,000 x .177.....	<u>38,763</u>
Total Liabilities		<u>\$44,717</u>

$$\text{Net Worth (Big \& Tall)} = \$101,102 - \$44,717 = \$56,385$$

$$\text{ROI before Taxes} = \frac{\$4,272 + \$2,768}{\$56,385}$$

$$\text{ROI} = 12.5\%$$

Merchandise Control System

Inventory levels and turnover in all Big and Tall departments will be reviewed monthly by both the General and Big and Tall Managers in order to monitor the shop's overall inventory turnover performance, and to identify poor performance in any department or line of merchandise within a department. The purpose of controlling inventory levels and turnover is to ensure an adequate selection for the customer and

yet not commit working capital to nonprofitable inventory requiring excessive markdowns for sale. If turnover is low in a department when compared to others, it indicates low profitability. If it is excessively high, it may indicate a need to increase inventory in that department.

#### Control Methods

Kaufman's will use a combination of dollar control based on retail prices and unit control to analyze and adjust Big and Tall inventory. Upon conclusion of a sale, each item purchased will be entered on a sales slip and coded to indicate the department classification of the item in addition to the fact that it is from the Big and Tall Shop. Information from the sales slips will then be recorded on a magnetic disc and input made to a local computer service company. Monthly sales printouts will be received indicating transactions for each Big and Tall department in both units and retail sales dollars. Utilizing this information, plus markdowns and an allowance for shrinkage, the office staff can then make adjustments to the perpetual inventory records and calculate the turnover for that month within each department. This procedure will be used to identify particularly good or bad performance areas. To complement this procedure, all departments will be periodically spot-checked by physically counting inventory. This attention will particularly be paid to those departments indicated to have inventory turnover problems as a result of calculations made from perpetual inventory records. A physical count will be made of all Big and Tall inventory on a yearly basis.

Visual unit control will also be exercised by the Big and Tall

Manager for the identification of high and low performance merchandise within any given department. It is felt that the shop is small enough so that, with proper training and experience, the Big and Tall Manager should be able to identify fast- and slow-moving merchandise within any department merely by day to day contact with the goods. This will identify to him those items requiring in-store markdowns or subject to being placed on sale during promotional events. The inventory turnover figures provided monthly for the General Manager will serve as an indicator of Big and Tall departments requiring the attention of management, if not already identified.

#### Maintaining Turnover

When evaluating the rate of inventory turnover, comparisons will be made to the past and current performance of the entire store, industry averages, and the stated goal of 1.75 for the Big and Tall Shop. In the future, comparisons may be made against prior years. The Big and Tall Manager will be motivated to maintain turnover through the use of selective buying practices and other retailing activities, since to do so will reduce the need for markdowns to move "losers." Thus, the gross profit margin will increase which, in turn, will increase his year-end bonus. The single most important factor in maintaining turnover will be training the Big and Tall Manager to be able to maintain the proper balance of inventory both between departments and within any single department. The proper balance will preclude the lowering of overall turnover by having too much of a slow-moving item on hand. Out of balance and overstocked conditions will be rectified using in-store markdowns and during promotional events as required. With experience, the

Big and Tall Manager should become aware of the buying preferences of the big and tall man. The preferences will be reflected in turnover and stock purchases can be adjusted accordingly. Finally, as turnover is monitored in conjunction with industry averages and market conditions, consideration will be given to reducing stocks should the overall business picture appear to warrant such action.

#### Expense Control and Analysis

Operations in the new store will require some changes to the procedures used in the past for the review and control of operating expenses. Management will continue to review ledger accounts for expenses on a monthly basis to identify those not meeting budget. The increased size and further departmentalization of Kaufman's, however, will require two changes to expense analysis procedures. First, profit and loss statements will now be prepared quarterly rather than semi-annually (more frequently if possible) to quickly spot problem areas in any one section of the store. Secondly, both direct and indirect expenses will now have to be apportioned to Big and Tall whereas only the overall store operations were reviewed in the past.

#### Classification of Expenses

Expenses will be classified for the Big and Tall Shop in the same manner as for the store as a whole. These classifications, as indicated in Table 1, follow those suggested by the National Retail Merchants Association,<sup>5</sup> and also as utilized by the Menswear Retailers

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<sup>5</sup>Redinbaugh, Retailing Management, p. 392.

of America in reporting nationwide business conditions to its members.<sup>6</sup> Some further breakdown of expenses has been performed reflecting expense requirements peculiar to a menswear specialty store. No additional classifications of expenses for the Big and Tall Shop are anticipated. The laundry and cleaning classification will not apply to Big and Tall since this is for the regular recurring cleaning required for rental units only.

#### Expense Budget

It is recommended that the expense budget for the Big and Tall Shop be established as a portion of the store's total operating budget utilizing the same allocation principles and basis utilized in the break-even analysis. The budget would then in effect be as stated in Table 1 with variable costs based upon a projected \$109,500 sales volume. If sales exceed that amount, these variable costs may understandably exceed budget. Estimates were based upon prior years' experience with allowance given for known increases in prices and the increased size of the store. With the exception of depreciation, interest, and rent, all expenses are estimates for this first year of operation in the new location. In forthcoming years, management will have to examine and possibly revise the allocation percentages used in the establishment of the Big and Tall expense budget. After the first year of operation a revised allocation based on the percentage to total sales attributable to Big and Tall may be required. Also, should additional operations be established in the unused portion of the third floor, a revised allocation based upon square footage will be required.

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<sup>6</sup>"Annual Business Survey:" Newsletter, (23 June 1975): 26-27.

### Importance of Payroll Expense

It is noted that the estimated salary expense is almost forty-five percent of the total operating expense budget making it by far the most significant item. An attempt will be made to hold this expense to a minimum by employing only one person full-time in the shop to act as merchandise manager and salesman. Part-time sales help will be used from the main selling floor to substitute during the manager's absence and also during peak traffic periods. This should enable selling costs to be kept to a minimum by utilizing sales personnel only as customer traffic warrants. Non-selling salary expense will be allocated to Big and Tall based upon the shop's fair share of these services.

### Expense Allocation

Expenses, both direct and indirect, will have to be allocated to show overall performance of the shop as well as its contribution to overhead and profit. This will also be used as a means of evaluating the performance of the Big and Tall Manager. In selecting the means for allocating expenses, management wishes to strike a balance between accuracy of allocation and value of the information returned considering the cost and effort involved in the allocation procedure. In consideration of the fact that Kaufman's may still be considered a small business, it is desirable to avoid any overly burdensome additional accounting procedures.

In the quarterly review of the shop's performance, management will use a combination of contribution and net profit figures to evaluate the performance of the Big and Tall function. Gross margin will be

calculated (sales minus cost of goods sold) for comparison with the programmed rate of forty-two percent. This figure in conjunction with inventory turnover will be used to evaluate purchasing and markdown activities. It will also give the Big and Tall Manager an idea of what bonus he can expect providing all expenses are covered.

Next, direct cost will be deducted to show the contribution of the shop to overhead expenses. The Big and Tall shop's direct expenses will be specifically identified where feasible. The Big and Tall Manager's salary will be easily identifiable as a direct Big and Tall expense. Exclusive Big and Tall out-of-town advertising is another example of an easily identifiable Big and Tall expense. Other charges may not be so readily identified and even though they may be classified as direct expenses may have to be allocated using some base. It is felt by management that where the amount attributable to Big and Tall would reasonably be expected to be small, an estimate based upon some allocation base will be more beneficial than would a more time consuming accounting procedure. Other than salary and advertising expense, no direct expense classification accounts for more than 1.5 percent of sales. In the case of both advertising and the manager's salary, dollars expended will be specifically identified for designation as direct Big and Tall expenses. Accounting for other salary expense such as that required for part-time sales help and for the alterations of Big and Tall goods poses a problem. Currently, no procedure is planned to designate these costs specifically created by Big and Tall based upon the hours involved in providing the services. These costs will be allocated based upon sales. This method will provide a reasonable estimate of the actual costs involved only if alterations required for Big and Tall merchandise are

in line with the regular sizes, and only if the part-time sales personnel utilized maintain a salary to sales ratio in Big and Tall comparable to the rest of the store. Otherwise inequities will result. In addition, the shop will not necessarily be fairly charged for such things as travel and supplies expense. The general management will have to exercise caution in this procedure. Normally, a determination of contribution will indicate the effectiveness of the manager regarding cost control. In this case however, the accuracy of the costs attributed to Big and Tall will depend upon the validity of the allocation method used.

Finally, indirect costs comprised of overhead expenses will be subtracted to indicate the profitability of the shop as an integral part of the store. It is recommended that these be charged to Big and Tall utilizing those allocation basis outlined under Financial Planning and Control. Here also, regular attention must be given to the actual percentages used as they will vary with overall store performance.

It is recommended that management consider the establishment of sub-ledger accounts for Big and Tall direct costs. These are relatively few and would provide for a more accurate calculation of the shop's contribution. An accurate designation of alteration and part-time selling salary expense would be more complicated due to the various employees involved and deserves some further study and consideration. Visual observation of the amount of time involved in these activities, as well as the time spent at selling by the Big and Tall Manager, should be conducted by the General and Office Managers during the first year. A better judgment may then be made of the best way to account for these costs.



### Control and Analysis of Stock Losses

Kaufman's experience with shrinkage over the past few years has been within the range of one to two percent of sales, which is slightly higher than industry average.<sup>7</sup> An allowance for shrinkage will be made monthly and reflected in the cost of goods sold accounts for Big and Tall inventory. It is noted that Kaufman's has not made it a practice in the past to have an annual audit conducted by any CPA firm. In the case of a privately owned corporation such as Kaufman's this is not a legal requirement. However, considering the increased physical size of the store, complexity of operations, and number of employees it is recommended that the store employ an outside audit on a regular if not yearly basis.

#### Types of Losses

Kaufman's has experienced most forms of stock losses at one time or another over the years. However, robberies and identified in-store theft have been minimal. Shoplifting does occur, most of which is believed to be by amateur types. It is management's belief, based upon noted errors, that most of the shrinkage which occurs in Kaufman's is the result of employee error. These errors occur during the conclusion of a sale or when making price adjustments to inventory, particularly for promotional events. This observation only serves to encourage thorough training and caution in merchandise control techniques.

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<sup>7</sup>"Annual Business Survey:" Newsletter, (23 June 1975): 24.

### Preventing Employee Theft

To help prevent employee theft and errors, several policies will be in effect for the entire store, including Big and Tall. First, the basic integrity of all new employees will be insured by background checks with previous employers and references. In addition, a credit check will be made. Secondly, all store employees are bonded. This service requires only a minimal cost for additional employees. Next, an overall image of honesty with regard to both customers and suppliers will be exemplified at all management levels. Also, the interest which the Big and Tall Manager has in the profitability of the shop through his year-end bonus should provide incentive for efforts on his behalf to reduce all types of shrinkage. Finally, inventory spot checks and internal audits will be conducted by other than Big and Tall personnel. Nevertheless, a periodic audit by an independent firm as discussed earlier is recommended. To help prevent errors during a sale, the sales slip should be prepared and checked before the merchandise is bagged and released to the customer.

### Measures to Reduce Shoplifting

Several store policies and procedures will also be in effect to control shoplifting. First, there will always be at least one person on the selling floor in the Big and Tall shop. This will generally be the Manager. If for any reason he should have to leave, he must be relieved by another employee. It is to be a standard practice to greet customers as they enter the shop and assist them. Careful attention will be paid when numerous articles are being shuffled in and out of a dressing room. The rear door to the store in conjunction with the

adjacent service stairway poses a risky situation. The door will, however, be locked after daylight hours and the stairway will remain unlighted to avoid drawing attention thereto. Finally, all sales personnel working on the selling floor are to be aware of the real possibility of shoplifting. An individual suspected thereof will immediately be escorted to the office where the staff is trained in the legal aspects of handling shoplifters.

#### Other Losses

A number of standard measures have been established to prevent losses due to theft after store closing. No cash will be left in cash registers. Cash receipts will be deposited daily at the bank with only opening cash for the next day's business occasionally remaining in the store overnight. This will be kept in the main office. The store will remain dimly lit after closing with a full view of the store's interior available from the street. The entrance from the alley to the rear of the store is protected by a locking draw-down steel door. Keys to the store will be limited to only those persons with a need. A stated policy designating one or two individuals to open or close the store has not been established. In consideration of the larger size of the store providing more places for a potential thief to hide, it is recommended that two designated employees be specifically charged with this responsibility.

Theft in the form of passing bad checks has not been a significant problem in the past. The Big and Tall Shop will follow the general store policy of accepting personalized checks providing identification is provided indicating the customer's credit stature, such as

a recognized credit card. In addition, checks for any large amount will be checked with the bank upon which the check is written.

## CHAPTER V

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### Summary of Findings

The trade area surrounding Great Falls possesses a population large enough with sufficient disposable income to provide for a potential market of approximately \$340,000. With no direct competition in the form of another Big and Tall Specialty Shop of comparable size and inventory selection, Kaufman's has the potential to capture a major portion of this market. Kaufman's is a progressive retail store as indicated by the management's past and current retailing activities. With a few exceptions the retail management policies of the store follow those generally accepted retail principles for a specialty store of this sort. Big and Tall Shops have enjoyed varying degrees of success in other parts of the country. The three keys to successful operations appear to be: (1) the integrity of the shop's physical location and inventory for only the outsized man; (2) designating an individual to be the Big and Tall merchandizing specialist for a Big and Tall department within a store; and (3) not over saturating a limited market with too many Big and Tall specialty shops. The current retailing plan for Kaufman's Big and Tall Shop as well as the current market environment meet these criteria.

The break-even analysis presented indicates a total sales volume

of approximately \$96,915 required during the first year to break even. Based upon the potential market available this figure as well as the sales goal of \$109,500 should be well within reason. Attainment of the sales goal of \$109,500 will provide for a return on investment of 8.5 percent of the total investment in operations. This is comparable to Kaufman's past performance.

#### Conclusions

Considering the potential for sales, a Big and Tall Men's Specialty Shop established under the guidelines of the retail business plan presented herewith is a viable business venture with good profit potential. The Big and Tall Shop established by Kaufman's is based on sound general merchandising principles and is following the guidelines peculiar to Big and Tall merchandising that have been identified as crucial by successful Big and Tall specialty retailers. Given the stated costs of operation, Kaufman's Big and Tall Shop should provide an acceptably profitable addition to Kaufman's Menswear Centre.

#### Recommendations

As a final note, several areas deserving further consideration or study by management have been identified during the course of this study. They are herein summarized as recommendations to management for further improvement of the performance and profitability of Kaufman's Big and Tall Shop:

- (1) A greater degree of price lining should be conducted.
- (2) The receiving function should be monitored in consideration of increased volume. Measures may be required for the physical separation

of the various duties performed in this room.

(3) Markup policy should be evaluated after the first year of operation. The limited market creates greater risk to adequate turnover. This combined with greater potential alteration cost would indicate a markup higher than for the regular sizes. The risk to turnover may however, be counteracted by the greater percentage of staples carried in the Big and Tall Shop. An evaluation of operations after the first year will give greater insight into this question.

(4) Consideration should be given to the effectiveness and economy of allowing the local television stations to establish the schedule of TV advertising. Professional guidance may prove beneficial in this area.

(5) The establishment of the mailing list for Big and Tall customers should be pursued vigorously. In addition to being utilized for advertising, this list may be evaluated at a later date to determine the effectiveness of all forms of advertising in drawing customers from various locations in the trade area.

(6) Where at all feasible, direct costs to the Big and Tall Shop should be identified for a more realistic appraisal of the shop and the manager.

(7) The services of a Certified Public Accountant should be acquired for the performance of an audit at the end of the current year and periodically thereafter.

## APPENDIX

### DETERMINATION OF MARKET POTENTIAL

The calculations presented below for the determination of the percent of adult males falling into the Big and Tall clothing category are based upon a statistical sampling conducted by the U.S. Department of Health, Education, and Welfare between 1960 and 1962. Although the figures are close to 15 years old they will be considered valid for this area based upon the following assumptions:

(1) The distributions indicated here for height and weight do not change significantly in less than a 20 to 25 year period.<sup>1</sup>

(2) Any error should be on the conservative side since visual observation indicates that the young adult population is larger than its elders.

(3) The size distribution for Montana males is assumed to show an equal or greater proportion of large males than the national average due to the relative absence of those ethnic groups found in large cities (i.e., Latin, Oriental) that tend to lower the average. The Scandanavian influence in this part of the United States would also account for a greater percent of larger men.<sup>2</sup>

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<sup>1</sup>Telephone conversation with Arthur McCowell, U.S. Department of Health, Education and Welfare, Washington, D.C., 30 October 1975.

<sup>2</sup>"Inside the Outsize Market," p. 26.



Big and Tall Male Population<sup>3</sup>

From Attachment 1: Total adult males over 220 pounds = 2,113.

From Attachment 3: Approximately 270 men are 6'2½" tall and over.

Of these, 91 are over 220 pounds. Therefore,  $270 - 91 = 179$  under 220 pounds, but over 6'2½" tall. Thus, of the total adult male population,

2,292 ( $2,113 + 179$ ) are either over 6'2½" tall or over 220 pounds or both. This equates to 4.3 percent of the U.S. adult male population.

Attachment 4 indicates that approximately 10 percent of adult males have a waist girth of 40 inches or more. These men would also be potential Big and Tall customers regardless of their weight or height. This figure certainly includes a portion of (though not necessarily all) those men included in the above percentage. Since it is felt that this figure is more likely to be indicative of major metropolitan types than of the men in the more rural out-of-doors atmosphere of Montana, it will not be considered completely valid. Instead, the potential population figure will be raised to five percent in lieu of this reasoning and a desire to maintain a conservative estimate for this specific area.

Disposable Income Available

The following figures depict the spendable income situation within the Great Falls Primary trade area:

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<sup>3</sup>Figures in thousands of men in the United States.

<u>County</u>	<u>Population</u>	<u>Number of Households</u>	<u>EBI<sup>a</sup> (in thousands)</u>
Blaine	7,200	2,200	24,878
Cascade	85,600	27,700	371,859
Choteau	6,500	2,200	29,771
Fergus	12,500	4,200	43,996
Glacier	10,800	3,100	32,728
Hill	18,200	5,600	75,708
Judith Basin	2,500	900	9,303
Liberty	2,400	700	9,176
Phillips	5,100	1,700	18,155
Pondera	6,900	2,100	32,830
Teton	6,900	2,200	26,144
Toole	6,000	2,100	30,753
TOTAL	170,600	54,700	705,301

$$\text{Average Household EBI} = \frac{705,301,000}{54,700} = \$12,894$$

SOURCE: Sales Management, 21 July 1975, pp. D62-63.

<sup>a</sup>EBI = Effective Buying Income; similar to disposable income.

The following figures depict a breakdown of historical clothing expenditures by type in the U.S.<sup>4</sup> Dollar figures are in billions.

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<sup>4</sup>Statistical Abstract, 1974, p. 376.

Year	1950	1955	1960	1965	1968	1969	1970	1971	1972
Consumption	191.0	254.4	325.2	432.8	536.2	579.5	617.6	667.2	726.2
Clothing Expend. Women & Children	10.0	12.4	14.8	19.7	25.3	27.3	29.0	31.7	34.5
Men & Boys	6.0	7.0	8.0	10.7	13.8	14.9	15.7	16.8	18.6
Percent Cons. on Cloth.	8.4	7.6	7.0	7.0	7.3	7.3	7.2	7.3	7.3
Percent Clothing Expend. on Men & Boys	37.5	36.1	35.1	35.2	35.3	35.3	35.1	34.6	35.0

It has also been estimated that clothing sales nationwide have been approximately 6.5 percent of disposable income over the past ten years.<sup>5</sup> This figure has remained fairly constant with little fluctuation from year to year. An approximation of 6.5 percent of disposable income considering the recent 7.3 percent of total consumption indicated in the above table seems reasonable. The difference between the two figures could be explained in part by consumer savings. It is recognized that there may be some regional variation in this figure. Utilizing 1974 EBI and merchandise line sales data for womens', girls', mens', and boys' clothing in Montana yields a statewide figure of 5.2 percent spent on these categories of clothing. The difference between this and

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<sup>5</sup> Standard & Poor's Industry Surveys, 19 June 1975, s.v. Apparel: Basic Analysis, p. A-101.

the national figure can be in part attributed to children's clothing expenditures for those less than seven years of age. Since this exact amount is unknown, six percent of EBI for total clothing expenditures will be utilized in this paper in order to maintain a conservative approach.

In addition to the above statistics, the population distribution by age in Montana as presented by Sales Management Magazine indicates that 67.3 percent of the residents are 18 years of age or more. Also, according to the Statistical Abstract of the United States, 1974, the population of this state is almost exactly 50 percent men.<sup>6</sup>

The above table also indicates that historically, approximately 35 percent of the yearly consumer expenditures on apparel have been for mens' and boy's clothing. Within the industry boys are considered in the age group between seven years old and 13 to 15 years old depending on size. It is therefore believed that a reasonable and conservative figure of 75 percent of this market portion may be assumed to represent the men over 18 years old on whom clothing expenditures are made. This reduces to 26 percent the portion of consumer expenditure allowable to men over 18. This figure was determined as follows:<sup>7</sup>

0- 5 years	9.6%	- Children
6-11 years	10.2%)	- Boys or Under 18
12-17 years	12.9%)	

100 - 9.6 = 90.4% men and boys

100 - (9.6 + 10.2 + 12.9) = 67.3% over 18 years old

$\frac{67.3}{90.4} = 75\%$  of men and boys are men over 18

75% x 35% = 26% of total apparel expenditures are made on men.

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<sup>6</sup>Statistical Abstract, 1974, p. 13.

<sup>7</sup>Sales Management, 21 July 1975, p. C81.

The following is a calculation of total potential sales volume for the primary trade area based on average household EBI and the foregoing determinations:

Average household EBI = \$12,894

Clothing expend/household = 6.0% x \$12,894 = \$774

Expenditure for adult male = 26% x \$774 = \$201.

This estimate is supported by the fact that one source considers the national average for an adult male's yearly expenditure for clothes to be \$240 per year not including shoes.<sup>8</sup> Considering that the average household EBI for this area is calculated at \$12,894 per year compared to a national average of \$13,722, this figure seems reasonable.

Based upon the number of households in the trade area, and assuming one adult male per household, there are:

5% x 54,700 = 2,735 big and tall men.

Therefore, total potential sales volume is:

2,735 men x \$201/man = \$549,735

It is noted that based upon the total population, the total adult male population should be about 57,400 (170,600 x .673 x .5). This is greater than the number of households used to determine big and tall men in the above calculation by some 2,700. It is believed that the bulk of this number is made up of military personnel on Malmstrom Air Force Base residing in barracks, and of male students living in dormitories at the College of Great Falls. These type residences are not counted when determining number of households. The remainder would

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<sup>8</sup>Telephone conversation with Dennis Flanigan, Menswear Retailers of America, Washington, D.C., 18 November 1975.

be additional adult male members of a household, which is not an uncommon occurrence in the rural ranch areas. It was decided to allocate total EBI to households rather than adult males since to do the latter would not take into account that portion of EBI attributable to women. While taking the percent big and tall from households instead of the population lowers the calculated number of big and tall men, it is felt that this is made up for by the EBI for those men not counted being allocated among households resulting in a greater household EBI than may actually exist.

An alternate, and somewhat shorter means of calculating potential sales, using the foregoing discussion is shown below. This method circumvents the need to account for the difference between the number of households and the number of adult males.

Total trade area EBI = \$705,301,000

Total dollars available for clothing expenditures are:

$\$705,301,000 \times .06 = \$42,318,060$

Total dollars available for adult male clothing expenditures are:

$\$42,318,060 \times .26 = \$11,002,695$

Of this amount the estimated portion available in Big and Tall sales is:

$\$11,002,695 \times .05 = \$550,135.$

Weight distribution, by age and sex: United States, 1960-62<sup>1</sup>

Weight	Total 18-79 years	18-24 years	25-34 years	35-44 years	45-54 years	55-64 years	65-74 years	75-79 years
<b>Men</b>								
Number of persons in thousands								
Total-----	52,744	7,139	10,281	11,373	10,034	7,517	4,972	1,428
Under 100 pounds----	124	-	8	-	21	22	57	16
100-109 pounds-----	270	-	13	46	31	19	82	79
110-119 pounds-----	843	145	189	42	83	174	162	48
120-129 pounds-----	2,265	524	337	210	299	492	323	80
130-139 pounds-----	4,249	798	763	737	631	566	441	313
140-149 pounds-----	6,520	1,305	1,168	1,017	1,039	921	749	321
150-159 pounds-----	7,573	1,122	1,403	1,820	1,468	1,049	579	132
160-169 pounds-----	7,693	1,052	1,364	1,672	1,357	1,100	997	151
170-179 pounds-----	6,860	766	1,392	1,799	1,428	922	468	85
180-189 pounds-----	5,800	656	1,163	1,458	1,333	769	371	50
190-199 pounds-----	3,911	208	881	964	863	586	311	98
200-209 pounds-----	2,821	154	696	692	539	455	247	38
210-219 pounds-----	1,702	137	323	403	475	245	102	17
220-229 pounds-----	1,096	198	237	234	243	114	70	-
230-239 pounds-----	453	21	184	129	110	9	-	-
240-249 pounds-----	311	38	77	82	92	9	13	-
250 pounds and over-	253	15	83	68	22	65	-	-
<b>Women</b>								
Total-----	58,343	8,430	11,291	12,325	10,542	8,121	6,192	1,442
Under 90 pounds-----	286	40	51	-	17	77	42	59
90-99 pounds-----	1,167	415	349	104	180	8	85	26
100-109 pounds-----	3,898	1,076	991	593	570	228	321	119
110-119 pounds-----	7,652	1,494	1,991	1,938	1,051	497	427	254
120-129 pounds-----	9,475	1,949	2,251	2,036	1,328	946	799	166
130-139 pounds-----	9,488	1,310	1,893	2,058	1,555	1,536	986	150
140-149 pounds-----	8,039	975	1,351	1,540	1,806	1,278	962	127
150-159 pounds-----	5,112	492	694	1,179	1,072	736	719	220
160-169 pounds-----	3,873	255	501	789	769	737	679	143
170-179 pounds-----	3,204	199	346	681	736	727	471	44
180-189 pounds-----	1,845	32	283	434	419	361	274	42
190-199 pounds-----	1,500	37	190	257	400	366	188	62
200-209 pounds-----	1,052	48	139	243	232	209	151	30
210-219 pounds-----	634	29	80	148	163	142	72	-
220-229 pounds-----	372	23	37	162	69	65	16	-
230-239 pounds-----	291	29	35	49	71	107	-	-
240-249 pounds-----	145	-	38	29	28	50	-	-
250-259 pounds-----	101	18	-	40	-	43	-	-
260-269 pounds-----	80	-	26	14	40	-	-	-
270-279 pounds-----	41	9	-	24	-	8	-	-
280 pounds and over-	88	-	45	7	36	-	-	-

<sup>1</sup>Height without shoes; weight partially clothed--clothing weight estimated as averaging 2 pounds.

SOURCE: U.S. Department of Health, Education, and Welfare, Weight by Height and age of Adults, United States, 1960-62, Vital and Health Statistics, Data from the National Health Survey Series 11, No. 14, May, 1966, p. 15.

Height distribution, by age and sex: United States, 1960-62<sup>1</sup>

Height	Total, 18-79 years	18-24 years	25-34 years	35-44 years	45-54 years	55-64 years	65-74 years	75-79 years
Number of persons in thousands								
<u>Men</u>								
Total-----	52,744	7,139	10,281	11,373	10,034	7,517	4,972	1,428
Under 60 inches----	90	-	-	10	22	-	37	21
60 inches-----	100	-	8	9	16	37	16	14
61 inches-----	485	11	15	42	30	173	107	107
62 inches-----	874	98	127	151	110	184	122	82
63 inches-----	1,720	157	164	224	304	527	166	178
64 inches-----	3,691	286	487	550	664	818	714	172
65 inches-----	3,488	360	453	698	772	540	614	51
66 inches-----	7,021	1,129	1,015	1,384	1,240	960	920	373
67 inches-----	6,249	908	1,121	1,325	1,281	927	556	131
68 inches-----	9,379	1,057	1,794	2,183	2,086	1,313	824	122
69 inches-----	5,421	895	1,233	1,342	926	632	320	73
70 inches-----	6,239	881	1,456	1,633	1,216	641	349	63
71 inches-----	3,216	375	800	1,018	508	338	177	-
72 inches-----	2,817	602	820	493	524	305	32	41
73 inches-----	1,103	225	348	186	235	91	18	-
74 inches-----	581	101	311	96	55	18	-	-
75 inches-----	126	38	29	29	30	-	-	-
76 inches and over-	144	16	100	-	15	13	-	-
<u>Women</u>								
Total-----	58,343	8,430	11,291	12,325	10,542	8,121	6,192	1,442
Under 53 inches----	57	-	-	-	-	40	-	17
53 inches-----	44	-	-	-	-	-	-	44
54 inches-----	43	-	-	17	18	8	-	-
55 inches-----	194	-	15	-	34	32	81	32
56 inches-----	193	9	24	49	-	48	43	20
57 inches-----	994	18	63	97	182	143	392	99
58 inches-----	1,259	152	76	109	188	318	342	74
59 inches-----	3,801	255	582	581	788	620	842	133
60 inches-----	4,482	578	613	881	985	654	677	94
61 inches-----	8,358	1,059	1,153	1,622	1,387	1,671	1,216	250
62 inches-----	10,498	1,312	2,218	2,041	2,237	1,518	874	298
63 inches-----	7,277	938	1,293	1,703	1,359	1,148	668	168
64 inches-----	9,023	1,631	2,065	2,191	1,521	865	599	151
65 inches-----	4,738	896	1,285	1,043	723	442	305	44
66 inches-----	4,389	896	1,222	1,324	528	325	94	-
67 inches-----	1,400	288	369	299	296	138	10	-
68 inches-----	1,199	300	208	256	272	106	39	18
69 inches-----	191	54	31	91	15	-	-	-
70 inches-----	136	33	36	12	-	45	10	-
71 inches and over-	67	11	38	9	9	-	-	-

<sup>1</sup>Height without shoes; weight partially clothed--clothing weight estimated as averaging 2 pounds.

SOURCE: U.S. Dept. of HEW, Weight by Height, Health Survey Series 11, p. 14.



Height by weight distribution for men 18-79 years of age:  
United States, 1960-62<sup>1</sup>

Height	Weight in pounds						
	Total	Under 110	110-119	120-129	130-139	140-149	150-159
Total-----	52,744	394	843	2,265	4,249	6,520	7,573
Under 62 inches-----	675	134	109	83	148	56	105
62 inches-----	874	38	97	100	137	149	79
63 inches-----	1,720	68	78	182	232	261	410
64 inches-----	3,691	59	175	390	503	416	567
65 inches-----	3,488	35	66	395	436	445	536
66 inches-----	7,021	38	129	328	805	1,053	1,205
67 inches-----	6,249	22	124	261	497	1,104	886
68 inches-----	9,379	-	25	238	765	1,387	1,684
69 inches-----	5,421	-	18	220	264	674	689
70 inches-----	6,239	-	22	68	330	461	770
71 inches-----	3,216	-	-	-	68	191	266
72 inches-----	2,817	-	-	-	64	209	328
73 inches-----	1,103	-	-	-	-	46	27
74 inches-----	581	-	-	-	-	68	21
75 inches and over-----	270	-	-	-	-	-	-

Height	Weight in pounds--Con.							
	160-169	170-179	180-189	190-199	200-209	210-219	220-229	230+
Total-----	7,693	6,860	5,800	3,911	2,821	1,702	1,096	1,017
Under 62 inches-----	31	9	-	-	-	-	-	-
62 inches-----	124	22	91	22	15	-	-	-
63 inches-----	234	98	44	36	54	-	-	23
64 inches-----	891	333	232	66	30	14	-	15
65 inches-----	458	364	364	116	161	55	21	36
66 inches-----	1,172	732	647	362	196	111	182	61
67 inches-----	1,029	775	471	605	202	101	94	78
68 inches-----	1,063	1,371	993	733	552	310	117	141
69 inches-----	664	1,035	723	465	244	203	108	114
70 inches-----	866	1,000	849	669	547	354	128	175
71 inches-----	457	519	605	271	310	184	232	113
72 inches-----	442	392	346	406	258	143	97	132
73 inches-----	97	162	278	98	153	144	84	14
74 inches-----	88	48	83	34	99	83	-	57
75 inches and over-----	77	-	74	28	-	-	33	58

<sup>1</sup>Height without shoes; weight partially clothed--clothing weight estimated as averaging 2 pounds.

SOURCE: U.S. Dept. of HEW, Weight by Height, Health Survey Series 11, p. 18.

Waist girth, average, and selected percentiles for adults,  
by age and sex; United States, 1960-62

Sex, average, and percentile	Total, 18-79 years	18-24 years	25-34 years	35-44 years	45-54 years	55-64 years	65-74 years	75-79 years
<u>MEN</u>		Measurement in inches						
Average waist girth	35.0	31.9	34.1	35.0	36.0	36.6	36.5	35.7
<u>Percentile</u> <sup>1</sup>								
99-----	46.6	42.4	45.8	46.3	46.7	47.6	47.7	46.2
95-----	42.9	39.3	41.6	42.4	43.5	43.9	44.4	42.6
90-----	40.8	37.7	39.6	39.8	41.6	42.2	42.5	41.3
80-----	38.8	35.0	37.5	38.2	39.4	40.6	40.0	38.7
70-----	37.3	33.6	36.0	36.9	38.3	39.1	38.7	37.2
60-----	36.0	32.0	35.0	35.8	37.1	37.7	37.6	36.6
50-----	34.8	31.2	33.7	34.6	35.9	36.5	36.8	35.8
40-----	33.6	30.4	32.6	33.6	34.9	35.2	35.3	35.0
30-----	32.3	29.5	31.4	32.7	33.5	34.1	33.9	33.7
20-----	31.1	28.8	30.6	31.6	32.3	32.8	32.7	32.6
10-----	29.5	27.8	29.3	30.5	30.6	30.9	30.8	30.8
5-----	28.4	27.1	28.6	29.3	29.6	29.8	28.8	28.3
1-----	26.8	26.0	26.6	27.3	27.9	27.5	26.9	25.8
<u>WOMEN</u>								
Average waist girth	30.2	27.2	28.3	29.7	31.1	32.7	33.1	32.8
<u>Percentile</u> <sup>1</sup>								
99-----	44.3	39.1	41.0	44.6	44.9	47.2	43.5	42.0
95-----	39.1	34.7	35.5	38.5	40.1	42.1	40.7	39.9
90-----	36.9	32.1	33.7	35.8	37.3	38.8	39.3	38.8
80-----	34.1	29.7	31.0	33.1	34.7	36.2	37.4	36.7
70-----	32.2	28.1	29.3	31.0	32.7	34.5	35.3	35.2
60-----	30.6	27.2	28.3	29.5	31.2	33.5	34.0	34.1
50-----	29.2	26.3	27.5	28.7	30.2	32.3	32.9	33.2
40-----	28.2	25.7	26.8	27.8	29.3	31.4	31.7	31.6
30-----	27.2	25.1	26.0	27.0	28.4	29.8	30.2	30.7
20-----	26.1	24.4	25.4	26.2	27.5	28.7	28.9	28.0
10-----	25.0	23.6	24.5	25.3	26.2	27.2	27.7	26.6
5-----	24.1	23.0	23.6	24.6	25.1	25.8	26.3	25.9
1-----	22.9	22.1	22.5	23.6	23.5	24.5	24.4	23.9

<sup>1</sup>Measurement below which the indicated percent of persons in the given age group fall.  
SOURCE: U.S. Dept. of HEW, Skinfolds, Body Girth, Biacromial Diameter, and Selected Anthropometric Indices of Adults, United States, 1960-62, Data from the National Health Survey Series 11, No. 35, Feb. 1970, p. 44.

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