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## Retail profits through stock control

G. E. Bittner

United States. Bureau of Foreign and Domestic Commerce

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**UNITED STATES DEPARTMENT OF COMMERCE**  
**BUREAU OF FOREIGN AND DOMESTIC COMMERCE**  
**DOMESTIC COMMERCE DIVISION**

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**DISTRIBUTION COST STUDIES—No. 3**

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**RETAIL PROFITS THROUGH  
STOCK CONTROL**

**G. E. BITTNER**



**UNITED STATES**  
**GOVERNMENT PRINTING OFFICE**  
**WASHINGTON**

## FOREWORD

One phase of the domestic commerce work of the Bureau of Foreign and Domestic Commerce relates to studies on the cost of distribution, because we believe that somewhere in this field lies the key to the solution of a considerable portion of the serious problems confronting merchants. Most of the "experiments" in distribution that have been and are being carried out in this country consist in attempts to eliminate one or more so-called middlemen, such as the jobber, the wholesaler, or the retailer. Well-known examples are chain stores, mail-order houses, house-to-house canvassing by manufacturers' representatives, cooperative wholesale buying by retailers, etc.

While some of these attempts have materially contributed toward the advancement of merchandising, it is still conceivable that the answer to many problems lies not in the elimination of middlemen but rather in the elimination of unnecessary costs in the performance of both the wholesale and the retail function. Studies so far made have clearly demonstrated that much of the profit of wholesalers and retailers is lost through wasteful and unnecessary practices, such as the handling of unprofitable items, soliciting unprofitable customers, the extension of sales effort over too wide a territory, striving for volume without regard to costs, and many similar activities.

In the present pamphlet, Mr. Bittner tells briefly and simply how one progressive retail merchant was able to solve many of his problems. Through a simple method of record keeping he was enabled to pick out and discard those items for which his customers made no demands. He was able to decrease his stock of other items to a reasonable figure in view of the demand for each and he was able to place his orders for each item with the assurance that he was neither over nor under ordering.

By these methods he decreased the number of items carried by 32 per cent, reduced the capital tied up in stock inventory by 8 per cent, but at the same time increased his volume of sales by 20 per cent and his dollar profits by 50 per cent.

The record of this case is presented here with the thought that the principles involved may be helpful to other retailers in reaching solutions to some of the problems constantly confronting them. I can well imagine that many merchants will take the view that the keeping of the records recommended by this retailer is too much trouble. These records, however, are extremely simple, and a trial of these or similar ones on at least a part of the stock will readily convince the merchant of their usefulness.

It was not many decades ago that the average business man kept his financial records in his head or on the back of an old envelope. Now it is generally recognized that some kind of bookkeeping is necessary even for the small business and its advantages are fully recognized. The day will yet come when quantity figures will be regarded as of equal importance to dollar-and-cents figures in guiding one's business activities.

JULIUS KLEIN, *Director,*  
*Bureau of Foreign and Domestic Commerce.*

## RETAIL PROFITS THROUGH STOCK CONTROL

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It is possible that idle merchandise stocks on the shelves of retailers constitute one of the outstanding wastes in retail distribution. Merchandise which sleeps on the shelves gradually accumulates costs, such as storage, interest, insurance, taxes, shrinkage, depreciation, and obsolescence. Furthermore, it ties up a retailer's capital and depreciates his credit, making it difficult or impossible for him to take advantage of cash discounts. Idle merchandise therefore places the merchant in a situation which is highly undesirable. If the accumulated costs can not be passed along to the consumer the retailer may find it impossible to remain in business.

The problem confronting the retailer is to buy in such quantities and varieties as to provide a steady, even flow of merchandise to the consumer without building up unnecessary surplus stocks. While this means increasing the number of stock turns, it must be remembered that too great an acceleration in stock turns will cause the merchant to run out of items—also an undesirable situation. Therefore, the merchant seeks for a method which will enable him to operate with a minimum amount of capital and carry a rapidly moving stock of merchandise, yet be protected by a factor of safety which will prevent him from being out of stock. The exigencies of business call for a method which is easily understood, simple in operation, and requires little if any additional help.

After an intensive study of outstanding systems, a retailer of stationery devised a stock-control system which to a large degree seems to possess these attributes. Not only has he applied it with outstanding success to his business for the past three years, but it has also been found that with certain modifications the system will work satisfactorily in other lines of retailing. In brief, this system of merchandising control for balanced inventory enabled this merchant to accomplish the following results during the three-year period: Reduced the number of items carried by 32 per cent; reduced the value of his inventory by 8 per cent; increased his volume of sales 20 per cent; increased his dollar profits 50 per cent. Furthermore, on the date of the installation of this control, January 1, 1925, he was overdrawn at the bank \$4,286 and owed in bills payable \$22,500. Under the operation of the control system, the overdraft was soon met and the bills payable were taken care of before the end of the year. By the summer of 1926 the bank balance had reached the gratifying total of \$31,966 and the stationer was able to declare the largest cash dividend ever paid to stockholders. This was accomplished without borrowing money or adding capital, and during the entire three-year period no cash discount was missed.

This report will not discuss the various mechanical devices for the actual handling of records, but will treat only the principles involved, method of operation, and results accomplished.

On January 1, 1925, the stationery establishment installed the stock-control system, after having designed the stock form reproduced herewith and provided the necessary equipment for its handling.

Every item was listed on a separate form, making a total of 6,314 items in three departments: Business furniture, 613; commercial stationery, 3,882; and drawing materials, 1,819. A physical inventory was taken and from this inventory such items as thought necessary were ordered. From that time on an inventory was taken on the first day of each month, and orders for goods sent in, based on the inventory records. The monthly check-up on stock quickly disclosed the fact that the stock was unbalanced. (See examples on pp. 8 and 9.) Certain items showed no movement at all, and what was considered a fair stock for some items was indicated by the con-

MONTHLY RECORD OF SALES (TOTAL SALES FOR 1924)														
UNIT	YEAR	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
ONE	1925													
DOZEN														
GROSS	1926													
100														
1000	1927													
OUNCES														
POUNDS														
MONTHLY RECORD OF STOCK ON HAND AND ORDERS														
SHEETS	STOCK													a
QUINES	BACK ORDER													b
REAMS	ORDER													c
SETS														
BOXES														
CARTONS														
ROLLS														
BUNDLES														
CASES	STOCK													
PAIRS	BACK ORDER													
QUIFFS	ORDER													
TUBES														
CANS														
PKGS.														
LIST	STOCK													
FRACTIONS	BACK ORDER													
AS 10'S	ORDER													
OR 12'S														
HOW PACKED		MAXIMUM			AVERAGE MONTHLY SALE				DESCRIPTION					
		FROM			NUMBER				ARTICLE					

FIG. 1.—Stock-control record, front. In the last column a is the average monthly stock on hand, b is the stock turn, found by dividing the average monthly stock into the monthly orders; c is the total orders (receipts) for the year

trol as sufficient stock to last from 3 to 10 years. Immediate steps were taken to remedy this situation, thus reducing excess stocks and releasing tied-up capital.

During the year 1925, 269 new items were added to the 6,314 of January 1, 1925, making a total of 6,583 items. The monthly record for the year showed the sales and stock turn of 1,812 items to be so poor that they were dropped, the records removed from the control, and the items marked with an inconspicuous label. The purpose of this label was to indicate to the sales force that the company desired the item so marked to be pushed out of stock. If it did not move at regular prices the item was offered for sale at a "close out" price. If this did not move it then it was given to some charitable institution. So far this establishment has found no better way to dispose of dead items.



## RETAIL PROFITS THROUGH STOCK CONTROL

## "ADDED" AND "DROPPED" ITEMS DURING THREE YEARS OF STOCK CONTROL

Items	Business furniture	Commercial stationery	Drawing materials	Total
Items in stock Jan. 1, 1925.....	613	3,882	1,819	6,314
Items added in 1925.....	98	153	13	269
Total items for 1925.....	711	4,040	1,832	6,583
Items dropped Dec. 31, 1925.....	243	1,091	478	1,812
Items in stock Jan. 1, 1926.....	468	2,049	1,354	4,771
Items added in 1926.....	31	239	22	292
Total items for 1926.....	499	3,188	1,376	5,063
Items dropped Dec. 31, 1926.....	97	356	277	730
Items in stock Jan. 1, 1927.....	402	2,832	1,099	4,333
Items added in 1927.....	89	1,143	26	1,258
Total items for 1927.....	491	3,975	1,125	5,591
Items dropped Dec. 31, 1927.....	56	988	236	1,280
Items in stock Jan. 1, 1928.....	435	2,987	889	4,311

NET REDUCTION<sup>1</sup> IN ITEMS AT BEGINNING OF YEAR

Department	1926	1927	1928	Total
Business furniture.....	-145	-66	33	-178
Commercial stationery.....	-833	-117	155	-895
Drawing materials.....	-465	-255	-210	-930
Total.....	-1,543	-438	-22	-2,003

<sup>1</sup> 2 departments show increases in 1928.

Notwithstanding the reduction of items by 2,003, or nearly 32 per cent, over a three-year period, the volume of sales did not decrease. Each year showed better sales, with a smaller investment in merchandise stock.

Seven months after the installation of the system, the sales showed an increase of 8 per cent over the previous year with an inventory 7 per cent smaller. The next year showed a 12 per cent increase in sales over the previous year, with a further decrease in merchandise inventory of 3 per cent. The merchandise stock turn for the year ending July 31, 1925, was 3.7. The succeeding year the stock turn increased to 5.11.

The ability of the organization to meet its obligations more promptly is shown by the increase in turns of "accounts payable." In 1925 the turn of "accounts payable" was 9.29, and in 1926 it had increased to 11.94, indicating that in 1925 its outstanding accounts were paid off approximately every 40 days, whereas in 1926 they were cleared off about every 30 days.

While the stock control searches out dead stock, releases frozen capital, and provides a guide for intelligent buying, it also by the mere fact of its operation exerts certain influences on profits and overhead. The store records show that the profits for the fiscal year ending in 1926 were better than the preceding year by 48 per cent. For the same period the operating expenses were reduced from 26.26 per cent to 22.81 per cent. Just how much of this is to be attributed to the stock control and how much to a vigorous sales policy or to economical management it is impossible to indicate. There is no doubt that these factors work hand in hand to lower operating costs and to increase profits.



There has been no attempt to reduce stock on items which enjoy a good sale. In fact the company believes it better to err on the side of overbuying rather than underbuying. There is no attempt to secure a better turn than 4 to 6 on any item, for a more rapid turn than 6 is believed to indicate that not enough stock is being carried. The factor of safety adopted by this store lies in ordering in such quantities as to have on hand, at a maximum, three months' supply of any item. The criterion used in determining this factor is generally taken to be the distance from the source of supply and the past performance of the manufacturer in the filling of orders.

It will be of interest to compare the operating expense, profit, and stock turn figures of this organization with an average for 276 retail

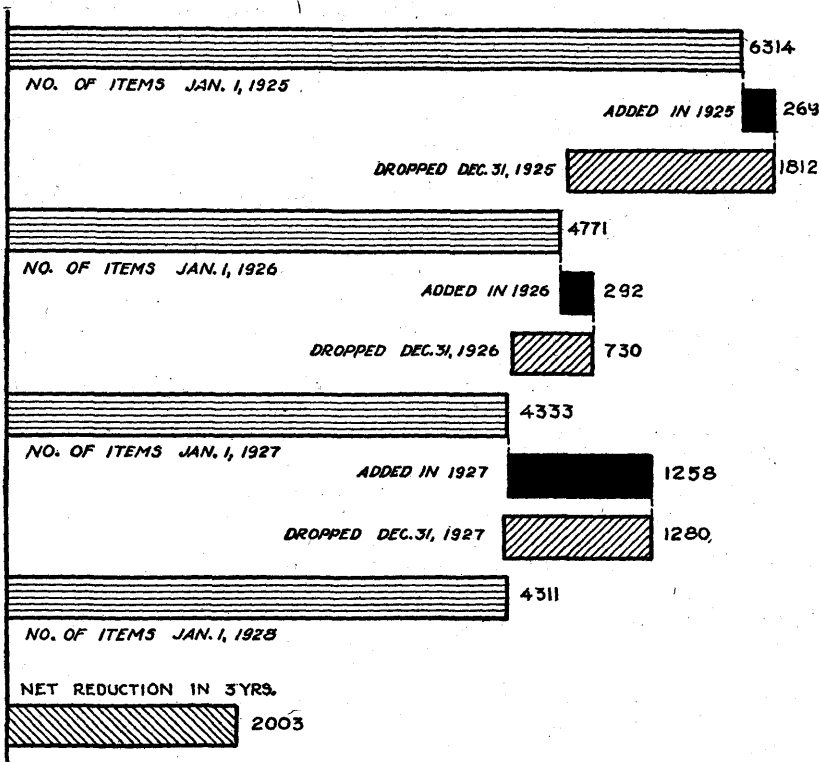


FIG. 3.—“Added” and “dropped” items of stationery stock

stationery stores. In 1926 the Harvard Bureau of Business Research made a study of 276 retail stationers. This study showed the average operating expense to be 32.3 per cent, the net profit 1.1 per cent, and the stock turn 2.7. The company under observation showed an operating expense of 22.81 per cent, a profit of 6.06 per cent, and a stock turn of 5.11. The management of the establishment feels that the stock control is in no small measure responsible for lower operating costs and increased profits.

One of the primary functions of the stock control is to act as an indicator or index and point out those items for which the consumer

has a preference. That consumer preference does have a direct effect on sales is aptly illustrated by a survey conducted at Milwaukee in 1926 by the Milwaukee Journal. Two items sold in every retail stationery store are used as examples—fountain pens and mechanical pencils.

This survey listed 179 brands of fountain pens. Of these 179 brands, just 7 filled the requirements of 83.45 per cent of the consumers interviewed. Incidentally, three of the brands were the product of one manufacturer and were in use by 41.6 per cent of the consumers.

Mechanical pencils totaled 97 brands, of which 6 accounted for 88.67 per cent of the sales. The other 91 brands were in competition for the remaining 11.33 per cent of the business.

It is also pertinent to state at this point that the release of capital formerly tied up in dead and idle merchandise has permitted this organization to search out and stock new and untried merchandise which appears to have merit. Prior to the adoption of the system the heavy investment in inventory would seldom permit the addition of new items.

So much has been said and printed in recent years about "turnover" that many dealers have lost sight of the necessity for maintaining an adequate and well-balanced stock. When too much emphasis is placed on stock cutting, in order to get increased turns without reference to the records of the individual items, mistakes will inevitably occur which will result in increased operating costs.

Among the first observable symptoms of this condition will be an increasing number of items reported "short." Every retailer recognizes the danger and undesirable features of this situation, for the added costs due to telegrams, parcel-post and express charges, along with other expenses, will often wipe out his entire profit on a particular transaction. In addition he must consider the inevitable loss of prestige and good will that follows his inability to supply quickly orders received for staple merchandise. Such a situation has still another angle; it leads to an unwarranted number of small and unprofitable orders being received by the manufacturer.

This discussion brings one to another desirable feature of the stock-control system. The merchant found that the number of "shorts" reported since the inauguration of his new method have decreased by at least 50 per cent, despite the fact that sales had increased and merchandise stock had decreased. Still another desirable feature of the control is the record of the kind of service given by the manufacturer or other source of supply. The "back orders" show this situation at a glance. The record of "oak chairs," which follows, is illustrative of poor factory service.

In order to visualize more easily the behavior of items over a period of three years the merchant has selected for reproduction half a dozen stock-control records. Three of these records may be considered good and three bad. Each record has with it comment by the merchant.

The physical make-up and operation of the system is the next consideration. The records were arranged so as to group merchandise of a class as much as possible, following also the arrangement of the merchandise on the shelves. Each department had several containers holding groups of records. Each container was indexed by

MONTHLY RECORD OF SALES (TOTAL SALES FOR 1924)														
UNIT	YEAR	JAN	FEB	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
ONE DOZEN GROSS 100 1000 OUNCES POUNDS SHEETS QUIRES REAMS SETS BOXES CARTONS ROLLS BUNDLES CASES PAIRS OUTFITS TUBES CANS PKGS.	1925	4	7	8	6	44	0	3	1	2	2	6	0	83
	1926	14	8	6	7	2	4	6	5	11	13	21	3	100
	1927	19	8	10	4	9	6	11	3	2	12	1	1	86
MONTHLY RECORD OF STOCK ON HAND AND ORDERS														
	STOCK	44	40	57	49	43	5	5	2	1	35	33	27	2842
	BACK ORDER	24	24					36	36	36				292
	ORDER	0	0	0	0	6	36	0	0	0	0	0	0	42
	STOCK	27	13	11	15	8	28	24	18	61	50	37	16	25.66
	BACK ORDER					12		48	48				24	3.90
	ORDER	0	6	10	12	10	48	0	0	0	0	24	12	122
	STOCK	49	30	22	22	18	33	27	16	13	23	11	10	22.83
	BACK ORDER					24								376
	ORDER	0	0	10	24	0	0	0	0	12	0	0	0	46
HOW PACKED	MAXIMUM	AVERAGE MONTHLY SALE			DESCRIPTION									
1	27 21	7 7 7			LEG-CHAIR NO ARMS									
FROM		NUMBER			ARTICLE									
					OAK-CHAIR									

FIG. 4.—Here is a record of a good chair that enjoys a steady sale. It also shows rather poor factory service, for during the three years we found it "back ordered" at the factory ten times. The sheet also shows that when placing orders we ordered more chairs than were needed to bring the stock up to maximum. This frequently happens in the furniture department, and usually shows that we were ordering heavy to make up a car shipment on which we save freight or to get a special price concession. This is a matter we have to watch, because it tends to overstocking. We have found ourselves unable to show as good turn on office furniture as on goods in our other departments

MONTHLY RECORD OF SALES (TOTAL SALES FOR 1924)														
UNIT	YEAR	JAN	FEB	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
ONE DOZEN GROSS 100 1000 OUNCES POUNDS SHEETS QUIRES REAMS SETS BOXES CARTONS ROLLS BUNDLES CASES PAIRS OUTFITS TUBES CANS PKGS.	1925	161	5	0	552	25	261	419	158	462	200	300	200	2743
	1926	400	500	100	0	1400	200	700	250	100	300	0	0	3950
	1927	300	650	250	1650	300	350	650	562	88	250	850	580	6480
MONTHLY RECORD OF STOCK ON HAND AND ORDERS														
	STOCK	834	673	668	677	125	600	339	420	262	300	600	500	499.83
	BACK ORDER									500				5.49
	ORDER	0	0	190	0	500	0	500	500	0	500	0	0	22.09
	STOCK	300	400	0	400	400	0	1300	600	850	1250	950	950	616.67
	BACK ORDER			500	500	500								6.40
	ORDER	500	500	500	0	500	100	0	500	500	0	0	0	46.00
	STOCK	950	650	500	750	100	800	1450	800	238	1150	1900	1050	861.50
	BACK ORDER				1000					100	100			7.52
	ORDER	0	500	500	0	100	100	0	100	100	0	0	1500	75.00
HOW PACKED	MAXIMUM	AVERAGE MONTHLY SALE			DESCRIPTION									
200	1500	540			CROSS SECTION									
FROM	1000	229 329 1/2			ARTICLE									
					SHEETS									

FIG. 5.—Here is a record on cross-section sheets as used by engineers. It is pretty good, except that we ran out of stock twice in 1926 because we were "back ordered." This sheet also shows that during some months we sent in two orders

RETAIL PROFITS THROUGH STOCK CONTROL

MONTHLY RECORD OF SALES (TOTAL SALES FOR 1924)														
UNIT	YEAR	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
ONE DOZEN	1925	8	13	10	10	12	11	5	15	7	12	10	9	122
GROSS 100	1926	11	11	10	15	8	8	6	18	20	11	8	14	140
1000 OUNCES	1927	10	11	19	18	9	27	14	14	8	15	24	16	185
MONTHLY RECORD OF STOCK ON HAND AND ORDERS														
STOCK	25	17	14	29	19	12	9	15	5	23	11	1	15	
BACK ORDER													25	8.13
ORDER	0	10	25	0	5	8	11	5	25	0	25	0	114	
STOCK	17	11	25	20	15	22	24	18	15	10	19	22	18 1/2	
BACK ORDER														7.70
ORDER	5	25	5	10	15	10	0	15	15	20	11	8	139	
STOCK	16	20	19	16	17	26	8	19	21	27	20	21	19 1/2	
BACK ORDER														9.65
ORDER	14	10	16	19	18	9	25	16	14	8	25	25	199	
HOW PACKED	MAXIMUM			AVERAGE MONTHLY SALE				DESCRIPTION						
GROSS	30-35-45			10 1/2 11 1/2 15 1/2				ARTICLE						
FROM				NUMBER				STEEL PENS						

FIG. 6.—This is a record of a steel pen. It is a good record of a live number. We do not seem to have been out of stock for three years, and during that time we were "back ordered" only once by the factory, which is good service

MONTHLY RECORD OF SALES (TOTAL SALES FOR 1924)														
UNIT	YEAR	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
ONE DOZEN	1925	1 1/2	1 1/2	1 1/2	1 1/2	0	1 1/2	0	0	1 1/2	1 1/2	1 1/2	0	2 1/2
GROSS 100	1926	1 1/2	0	0	0	0	1 1/2	0	0	0	1 1/2	1 1/2	1 1/2	1 1/2
1000 OUNCES	1927	1 1/2	1 1/2	0	1 1/2	0	0	0	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	2 1/2
MONTHLY RECORD OF STOCK ON HAND AND ORDERS														
STOCK	3 1/2	3 1/2	3 1/2	3 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	1 1/2	1 1/2	1 1/2	2 1/2	
BACK ORDER														1.10
ORDER	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STOCK	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	3	2 1/2	1 1/2	
BACK ORDER														1.10
ORDER	0	0	0	0	0	0	0	0	0	3	0	0	0	3
STOCK	2 1/2	2 1/2	2	2	1 1/2	1 1/2	1 1/2	2 1/2	2	1 1/2	1	1 1/2	1 1/2	1 1/2
BACK ORDER														1.45
ORDER	0	0	0	0	0	0	R 1/2	0	0	0	0	0	0	1 1/2
HOW PACKED	MAXIMUM			AVERAGE MONTHLY SALE				DESCRIPTION						
3 DOZEN	1 1/2 1 1/2 1 1/2			1 1/2 1 1/2 1 1/2				ARTICLE						
FROM				NUMBER				HARD RUBBER PEN HOLDERS						

FIG. 7.—This is a record of a hard-rubber penholder. We have items worse than this, but the record of this one we consider very bad, yet we keep it in stock. It is one of many hard-rubber penholders, all of which are packed three dozen to a box. On a broad line of slow-moving items we contend that the manufacturer should use a smaller pack. You can see that we are forced to order three dozen if we order at all, and yet we do not sell that many in a year. In the third year you will see that our stock jumped from 1 1/2 to 2 1/2, although we did not order any. This is where the human equation comes in—the stock was either carelessly taken, or a customer returned four of these penholders, or we exchanged four with some other dealer. We attempt to correct this by putting R 1/2 in the purchase space, which does not make the record correct, but shows a mistake has been made. We have less of this to contend with as employees become more used to counting the stock

RETAIL PROFITS THROUGH STOCK CONTROL

MONTHLY RECORD OF SALES (TOTAL SALES FOR 1924)															
UNIT	YEAR	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL	
ONE DOZEN GROSS	1925	0	0	0	0	1	0	0	0	0	0	0	0	1	
100	1926	0	1	0	0	0	0	0	0	0	0	0	0	1	
1000 OUNCES	1927	0	0	0	0	0	0	0	0	0	0	0	0	0	
MONTHLY RECORD OF STOCK ON HAND AND ORDERS															
REAMS	STOCK	0	0	2	2	2	1	1	2	2	2	2	2	1.50	
SETS	BACK ORDER	2	2					1						0.67	
BOXES	ORDER	0	0	0	0	0	1	0	0	0	0	0	0	1	
CARTONS	STOCK	2	2	1	2	2	2	2	2	2	2	2	2	1.92	
ROLLS	BACK ORDER													0.52	
BUNDLES	ORDER	0	0	1	0	0	0	0	0	0	0	0	0	1	
CASES	STOCK	2	2	2	2	2	2	2	2	2	2	2	2	2.00	
PAIRS	BACK ORDER													0	
OUTFITS	ORDER	0	0	0	0	0	0	0	0	0	0	0	0	0	
TUBES	STOCK	2	2	2	2	2	2	2	2	2	2	2	2	2.00	
CANS	BACK ORDER													0	
PKGS.	ORDER	0	0	0	0	0	0	0	0	0	0	0	0	0	
LIST FRACTIONS AS 10'S OR 12'S	STOCK	2	2	2	2	2	2	2	2	2	2	2	2	2.00	
	BACK ORDER													0	
	ORDER	0	0	0	0	0	0	0	0	0	0	0	0	0	
HOW PACKED	MAXIMUM	1 1 1			AVERAGE MONTHLY SALE				DESCRIPTION						
1	FROM	1			12 12 0				REV-CHAIR WITH ARMS						
					NUMBER				ARTICLE						
									OAK-CHAIR						

Fig. 8.—Here is a record of a chair that we “swung on to” for three years, hoping it would improve. The “X” on the sheet shows that we cut it out at the end of 1927. From its record it looked hopeless

MONTHLY RECORD OF SALES (TOTAL SALES FOR 1924)															
UNIT	YEAR	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL	
ONE DOZEN GROSS	1925	0	1	0	0	0	0	0	1	0	0	0	0	2	
100	1926	0	0	0	1	0	0	0	0	0	0	1	0	2	
1000 OUNCES	1927	0	0	0	1	0	0	0	0	0	0	0	0	1	
MONTHLY RECORD OF STOCK ON HAND AND ORDERS															
REAMS	STOCK	2	2	1	1	3	3	3	3	2	2	2	2	2.17	
SETS	BACK ORDER													0.92	
BOXES	ORDER	0	0	0	2	0	0	0	0	0	0	0	0	2	
CARTONS	STOCK	2	2	2	2	1	3	3	3	3	3	3	2	2.42	
ROLLS	BACK ORDER													0.82	
BUNDLES	ORDER	0	0	0	0	2	0	0	0	0	0	0	0	2	
CASES	STOCK	2	2	2	2	1	1	1	1	1	1	1	1	1.33	
PAIRS	BACK ORDER													0.75	
OUTFITS	ORDER	0	0	0	0	0	0	0	0	0	0	0	0	0	
TUBES	STOCK	2	2	2	2	1	1	1	1	1	1	1	1	1.33	
CANS	BACK ORDER													0.75	
PKGS.	ORDER	0	0	0	0	0	0	0	0	0	0	0	0	0	
LIST FRACTIONS AS 10'S OR 12'S	STOCK	2	2	2	2	1	1	1	1	1	1	1	1	1.33	
	BACK ORDER													0.75	
	ORDER	0	0	0	0	0	0	0	0	0	0	0	0	0	
HOW PACKED	MAXIMUM	1			AVERAGE MONTHLY SALE				DESCRIPTION						
1	FROM	1			# 12				LETTERING PEN						
					NUMBER				ARTICLE						
									PEN						

Fig. 9.—Here is a record of a lettering pen. It tells its own story. We finally cut it out at the end of 1927

number and included a master alphabetical index, so that no matter what container was picked up reference to the master index indicated the proper container and numerical tab where the required item might be found.

The control is based on taking a physical inventory of all merchandise once a month and must not be confused with a perpetual inventory. It provides a monthly record of sales, stock on hand, goods on back order or en route, and goods ordered. From this record one can learn at the end of the year the total year's sales, the average monthly stock carried, and the actual turnover of any item. The back of each record provides space for cost price and selling price, valuable in checking invoices, figuring prices, and pricing the yearly inventory.

On the first of each month the control containers are divided between the store and city salesmen, two men to a container. One man calls stock from the shelves, the other jots the quantity in the space provided for it. When completed the container is taken to the "en route order file" and notations made of any merchandise on back order. The buyer gets the unit, examines each sheet, and writes in the quantity to be ordered. A typist writes up the orders from the sheets and checks each order. The orders are then signed and sent in.

It has been the experience of this establishment that the taking of stock and the mailing of orders is completed on or before the 3d of the month. The buying for the month is finished with the exception of "shorts," specials, and goods not carried in stock. The buying is more regular and more accurate, and it is believed actually easier than under the old method of ordering at irregular intervals, usually after it was found that some staple item was "out" or the stock dangerously low.

The establishment finds the sales record at the top of the sheet to be a most important feature. The sales for any given month are determined by the simple process of subtracting the goods on hand at the end of that month from the sum of the goods on hand and the goods ordered at the end of the preceding month. This method has been found to be simple and accurate, and obviates the necessity for determining sales by a laborious tabulation of sales tickets. The sales record has proved valuable to the buyer, for a glance along the top of the sheet tells instantly what an item is doing and he can buy accordingly. It provides him with a record of the fluctuations of a seasonal item so that he need not trust to memory.

The buyer must of a necessity contend with many slow items. By this method they are paraded before him each month, making him more cautious in the purchase of new and untried items. He is more interested and more careful, knowing full well that if he goes "too long" or "too short" on an item the record is there to tell of his judgment.

It has been found that the sales force, especially the city salesman, on account of coming in physical contact with the stock each month, knows more about it and is more interested. He resents an overstock more than an understock, for the counting of overstock each month takes just that much more time. He is especially keen to move dead numbers and get them out of the way.

The work is done by the regular sales force, without the addition of clerical help. The only extra expenditure is at the close of the year, for the employment of a calculating machine and operator to compute for each item of merchandise the total sales for the year, the average monthly sales, the average monthly stock carried, and the rate of turnover.

A feature of this system lies in the fact that it readily permits of expansion or contraction to suit stores of varying size. It has been installed in both large and small retail stores, and its operation has been as successful in the one as in the other. An excellent method of testing the system's merit has been suggested by retailers who have installed the control; that is, first to select a particular department for its use and then as it accomplishes good results to extend it gradually to other departments. Thus the system may be installed without interruption to store routine.

Briefly summarizing the advantages claimed for this system it is observed that it—

1. Costs practically nothing to operate.
2. Is adaptable to any size or type of store.
3. May be installed without interrupting store routine.
4. May be installed for control of single item, department, or entire stock.
5. Reduces investment by eliminating dead and slow stock.
6. Increases stock turnover.
7. Shows the yearly turnover on individual items.
8. Shows the average monthly stock carried.
9. Shows the average monthly sale.
10. Gives a monthly record of purchases and sales.
11. Gives a monthly record of stock on hand and back orders.
12. Shows the cost and selling price with all changes.

The retail merchant will readily recognize the fundamental character of the information these records provide. A review of the advantages must bring the conclusion that its successful operation will make for better retailing. The benefits not only accrue to the individual operator in the increase of dollar profits, but its intelligent application generally will go far toward eliminating one of the outstanding wastes in distribution.

It is in the elimination of wasteful practices that the retailer more nearly performs his true function, as defined by a representative group of retailers in conference at the United States Department of Commerce, Washington, in 1922:

The retailer performs the final function in distribution of essential commodities and gives fulfillment to all preceding efforts by making merchandise available to consumers at the time, place, and in the form required by them.

The retailer's true function is that of serving as a purchasing agent for his community; as such he selects and carries a reserve supply of merchandise to meet the requirements of the individual consumer.

When the retailer enters business he assumes the responsibility of performing a public function, that of providing commodities and services to his community, economically and conveniently, and maintaining such environment as is necessary and desirable to the consumers who support him. If he fails in his responsibility and performs only as a distributing agent for the manufacturer, he ceases to be an economic factor in the community which he serves.

