

# The Commercial

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## CUTTING PRICES.

An Edmonton, Alberta, merchant, who was in the city last week purchasing goods, states that the trade of that place has been entirely ruined through a promiscuous system of cutting prices, engaged in by the local dealers. It seems peculiar that such a state of affairs should exist at a point so far removed from outside competition. Cutting prices is an offence the most senseless and at the same time the least excusable which any business man can engage in. It is an offence against legitimate trade of a most grave nature, and which should not be condoned in any quarter. No rules or principles in commercial economy can be deduced to prove that any permanent advantage can come from cutting prices below a fair or living profit. It is a senseless offence, because it is invariably self-destructive in its results, and like the boomerang in the hands of the unskillful thrower, strikes back upon the person who engages in such illegitimate trade transactions. The merchant who commences a system of cutting prices below fair profits, for the sake of underselling a neighbor, is shaping a weapon which will revert against himself quite as much as his competitor.

Cutting prices is generally prompted from a number of principal motives, none of which, however, warrant a resort to such destructive practices. Not unfrequently a new house commences business with a great splurge in the way of "low prices," manifestly for the purpose of establishing a business and securing custom. A second cause for engaging in cutting prices is, where an established house, or perhaps a combination of several houses in the same line of business, unite to "run out" a new claimant. Again, another reason for cutting is when an old established house finds its trade decreasing. Sometimes jealousy of a competitor whose business is increasing, causes a resort to cutting on the part of a less successful dealer. These and other causes have frequently led to cutting prices in various lines of business, but perhaps none have been more productive of this evil than financial embarrassments. Frequently when a merchant finds himself in a close corner financially, a cheap sale is resorted

to, for the purpose of temporarily overcoming the difficulty, and in this way probably by far the greater number of low-price wars arise. But whatever be the cause, the result is invariably the same. Trade is injured for all concerned, and often rendered altogether unprofitable for the time being. If the cutting become general, as is often the case, it must result in the utter demoralization of business, to the serious injury of many, and not unfrequently to the entire destruction of what might otherwise have been very successful business enterprises.

First, when a new house commences business with the avowed intention of breaking down established prices, it is in order to look out for an early assignment, or perhaps an "away." Many instances have occurred where an adventurer has been able to obtain a large line of credit without any intention of redeeming the obligations. In such cases as these the only object is to get rid of the goods as quickly as possible before the payments become due. Of course, the only way to do this is to sell "regardless of cost," and in a very short time from the date of opening, a lively trade can generally be done. Wholesalers are not without blame for the too frequent occurrence of such instances as these, through which they not only sustain a direct loss, but also lose through injury to the trade of their other customers in the same localities. A little less eagerness on the part of wholesalers to do business, together with a greater exercise of care in extending credit, especially to parties commencing business on small capital, would greatly curtail incidents of the nature above referred to. But even when a new beginner intends to pay for his goods, a system of cutting prices cannot be of any lasting benefit. At best it can be continued but for a time, for if the house is to last, prices must be advanced so as to return a fair profit. Customers gained through cutting prices are generally not of the most desirable class, and as soon as they discover that they can no longer secure bargains, they will go elsewhere, besides causing any amount of annoyance to the merchant in his attempts to advance prices. In the meantime a general system of cutting prices will probably have been engaged in by the other dealers in the same line, to the great demoralization of the entire trade. In the long run it will be found that it would have been to the advantage of the new beginner to have endeavored

to work up a trade less rapidly, but in a more legitimate manner.

Where established houses endeavor to hold a field to themselves by cutting prices, in the hope of "running out" a new claimant, they are but acting a piece of the most consummate folly, which is just as likely to result in killing themselves as in destroying the new house. They are only sure of demoralizing trade and injuring themselves and all concerned.

Where an old established dealer, who has been doing a good business, finds his trade decreasing, he should look for the real causes which have led to the diminution in his business. Perhaps his goods are not adapted to the trade. If the trade is to be done, and others are doing it in a legitimate way, there must be some cause for the falling off in his custom. Let him look more carefully into the details of his business and ascertain more accurately the wants of his customers, anticipating their needs as much as possible. To engage in cutting prices in cases of this nature is but to undertake a suicidal policy. Competition then becomes the death, instead of the life, of trade. The merchant who commences cutting prices because others are doing the business, is but acting like the dog in the manger, which prevented the horse from eating the hay which it could not devour itself.

There seems to be more excuse for cutting prices in order to bridge over temporary financial difficulties, but even in cases of this nature the object sought is not often attained. When one firm resorts to a cheap sale to bring in cash, a number of other firms in the same line will usually follow the example in quick succession, and soon a general slashing of prices ensues. Examples of this nature have occurred in the dry goods trade of this city to such an extent that the business was entirely ruined for the space of fully three years at a stretch. Wholesale dealers are opposed to cutting prices, and as a rule they would prefer to wait a short time for payments, rather than see the trade of a town ruined through the precipitation of a war of cutting prices. Wholesalers also have it in their power to curtail cutting prices, by discouraging such action on the part of retailers at every opportunity. The only legitimate way to do business is to obtain a fair, living profit upon all commodities, and combinations among merchants to attain this end would be in the interest of all. The