

BAD BUYING

Some of the losses incident to any form of the merchandising business are due to indiscreet buying or to mistakes of judgment in ordering, and the consequent accumulation of what is very generally called bad stock. Bad stock, however, can be handled in the instalment business to better advantage, so far as profit is concerned, than in a business conducted upon any other plan. In most branches of the retail trade there is a further loss on stock while on the warehouse floor through wear or damage. All this adds to the accumulation of goods which are not really good sellers.

To get rid of stock of this kind it is necessary to offer the articles at reduced prices. In ordinary retail trade the offers necessarily are made at less than the cost prices; hence all accumulations of this kind in an ordinary merchandising business represent a direct loss. The goods, as a rule, cannot be sold at a price that covers even a small profit, for cash buyers are always looking for the very best that they can get for their money, and competition in such instances very frequently causes offers at figures below cost.

In the instalment business, however, with its broader margins, damaged goods and undesirable articles can always be worked off at figures somewhat above cost, for there is always a class of customers willing to take articles of this sort, provided the price quoted is made a little less than that of standard goods or perfect articles of the same kind. Hence it is that the instalment merchant has the advantage over the retail merchant operating upon some other plan in disposing of bad stock. He does not need to cut the prices on bad stock to a figure below cost.