

The Organization of Retail Trade

The Operations of Department and Chain Stores, Mail Order Houses and Co-operative Societies has Made Co-operative Retail Action Necessary

By W. W. SWANSON.

At a recent meeting of the Retail Association of Canada held in Winnipeg it was announced that an agreement had been reached between the two branches of the Association in the East and West respectively. At once an outcry was raised in the press against this agreement, it being asserted that the consumer was bound to suffer as a result of this harmony of action. And yet, as a matter of fact, it is evident that economic losses cannot occur in any branch of trade or commerce without the general public suffering, ultimately, as well. It would seem at first glance as though price cutting and the other practices adopted by chain stores, and like organization, would benefit the consumer; but it is a truism, alike in economics and finance, that material losses must be made good somewhere. Considering the services rendered by retailers throughout the Dominion it must be admitted that their loss cannot be the public's gain.

Price Cutting and Department Stores.

Recently the retailers of Canada profited by the expedients adopted and put into practice by the fruit growers the dairy interests, and other co-operative associations throughout the country. Just as these primary producers were forced to organize co-operatively for self-defence, so it has been found that the retailers were obliged to adopt similar measures. Thus it has come about that the retail dealers, particularly in the United States, have organized to meet price cutters and department stores on their own grounds, particularly in the drug, hardware, jewelry and grocery trades. The druggists were the first so to organize, it having been found an imperative necessity to meet the menace that came from price cutters working through chain stores in this particular business. The chain stores have developed as a result of the operations of department stores, which some twenty years ago invaded the retail drug trade. In recent years department stores have not been as keen competitors of the retail store, at least as far as the drug business is concerned, as the mail order houses and the chain stores that have been located at strategic points throughout the country. It was because of the sheer force of necessity, therefore, that the retail druggists were compelled to form associations to buy supplies on a wholesale basis; and to take advantage of the discounts that can be obtained from manufacturers through buying on a wholesale basis.

This movement in the drug trade has spread to Canada; and in the Dominion it will be found that associations of druggists have been formed, not only to manufacture a large part of their own supplies, but also to exploit and develop their own particular trade marks. Some of these drug associations, particularly in the United States where the movement first started, are merely local in nature; while others cover a very wide area. At the same time, however, whether local or national in scope, all have been formed for the same purpose.

Co-operative Buying.

Particularly in the United States, but more and more in Canada, also, it has been found essential for the retail grocers in the large centres to organize in order that they may purchase their supplies in wholesale quantities. In the grocery trade chain stores have proved more serious competitors than the department stores, because the chain store may be easily placed in a residential district. The grocers, therefore, have formed co-operative buying associations through which it has been possible to secure supplies in wholesale quantities, and, therefore, to take advantage of the discount that manufacturers are able to give. It is rather strange to find that the mail order house has been the most serious competitor of the retail hardware store; and that neither the department store nor the chain store has been able to seriously compete with the retailer in the hardware trade. Nevertheless, as in the grocery trade, retailers in the hardware business have found it necessary to co-operate in buying from manufacturers and other furnishers of wholesale supplies.

These co-operative associations have been formed, for the most part, because it has been exceedingly

difficult for the average retailer to buy to advantage from either the wholesaler or the manufacturer. The ordinary retailer requires in his business wide variety of goods, and is not able to purchase in wholesale lots. It is, therefore, ordinarily impossible for him to secure the discount which his aggregate cash purchases entitle him to. By forming co-operative buyers' associations, however, the different manufacturers are compelled to sell to the central association in wholesale lots; and thus the retailer is able on every cash purchase, no matter how small it may be, to secure advantageous terms. Thus it has come about that the co-operative buying association has replaced, in many directions, the wholesaler. This has been made possible through the elimination of credit and the insistence on the part of the central association that all purchases be made by the retailer for cash. The co-operative buyers' association also assumes the responsibility of making payment for all the merchandise bought; and thus even the smallest retailer may secure the advantage of the discount that comes with a spot cash purchase.

The capital for these associations is supplied by the retail members. In the chief type that has been developed in the United States it has been the practice to permit the retailer to purchase only one share in the association; and to make his dividends depend upon the proportion of his sales to the aggregate purchases of all members. It will thus be seen that this form of co-operation in the retail trade is a practical application of the famous Rochdale plan as worked out in Lancashire over fifty years ago. Other co-operative associations permit the retailer to buy as much stock in the central organization as he may desire; and dividends are paid on the stock issued according to profits earned, irrespective of

the quantity of goods bought by the individual. In this type of organization it is evident that the association is really a joint stock enterprise, in which retail merchants are the chief stock holders. The chief danger is that such associations may become too exclusive, and thus destroy entirely the co-operative feature. They are indeed investment, rather than purchasing organizations.

Economies Affected.

Such retail associations have made wonderful progress in the United States, and are now beginning to gain a foothold in the Dominion. The economies that are affected are many; no salesmen are employed, and the organization buys from manufacturers and wholesalers on a cash basis. As all sales based on credit are eliminated, it is obvious that great savings may be effected. It is interesting to observe, also, that all members of such a central organization look after their own costs of transportation and so forth; while, under former conditions, these costs were borne by the wholesaler. It is obvious, therefore, that the co-operative association of retail dealers is able to effect many economies that are impossible when business is carried on through the ordinary wholesale centres.

The great danger of these associations is that they may become exclusive; since all members must pay for purchases in cash which many small retailers are not able to do. At the same time conditions are such that the cash system must be insisted upon if the association is to hold its own against the old competitive wholesale houses. It is essential, nevertheless, that the association as such be imbued with the proper co-operative spirit, and that its business be influenced by democratic ideals. Many organizations have been promoted by self-interested individuals whose main business has been to sell stock, to reap profits, and then get clear of the organization. If the retail co-operative association is to be worth while the driving power must come from within, and not through the self-interest of outside individuals. And above all, no matter what economies may be effected by participation in such a central organization, it is imperative that the retailer be alert, progressive, and always on the lookout to adopt modern business practices. Otherwise no amount of co-operation can save the retailer from failure.

Wholesale Prices in Canada in 1915

Department of Labour's Annual Review of Prices

The great rise in prices during the war, which became very steep after the middle of 1915, is shown in the report just issued by the Department of Labour entitled "Wholesale Prices in Canada, 1915," which also contains information regarding Retail Prices and prices in other countries.

In Canada the wholesale prices of 272 commodities averaged over 8 per cent. higher than in 1914 and 9 per cent. higher than in 1913, while the retail prices of some thirty foods were 2 per cent. higher than in 1914 and 7 per cent. higher than in 1913, allowing for the importance of each article in family consumption. By December, 1915, however, the steep rise had brought the index number of wholesale prices to a point 20 per cent. higher than in July, 1914, while retail food prices had risen 10 per cent. during the same period.

The index number of wholesale prices stood at 148.0 for the year as compared with 136.1 for 1914, and 135.5 for 1913, but by December, 1915, had reached 191.1 as compared with 134.6 for July, 1914. A weekly family budget of food averaged \$7.86 for 1915, \$7.73 for 1914 and \$7.33 for 1913, but for December, 1915, stood at \$8.13 as compared with \$7.42 in July, 1914.

It may be noted that the rise in prices has continued during the current year as shown from month to month in the Labour Gazette. The index number of wholesale prices reached 180.9 for May but declined slightly thereafter, metals, chemicals and certain materials being lower. In retail food prices the weekly budget reached \$8.63 for August, there being a decline only in July when midsummer conditions lowered prices very slightly.

In other countries retail food prices also rose steeply, the rise from the beginning of the war to the end of 1915 being calculated as high as 113 per cent. for Austria, 83 per cent. for Germany, over 30 per cent. in the Netherlands, Norway and Italy, and 44 per cent. in Great Britain. In Australia the rise was

nearly 30 per cent., as a result of drought, while in New Zealand it was only 16 per cent. In Japan, prices were lower than in 1914 and 1913.

The results of the great rises were considerable increases in the cost of living, particularly in the expenditure on foods. In clothing, house furnishings, etc., stocks in the hands of manufacturers and dealers were often sufficient to prevent great rises for some time even a year or more, but in food increases were immediately felt. At the beginning of 1915 staple foods were substantially higher than before the war though in many cases somewhat lower than the high levels reached during the few weeks of uncertainty and speculation which followed its outbreak.

Increased Trade Activity.

The report shows that the rising prices were accompanied by increased activity in industry and trade. Not only did the needs for the prosecution of the war make necessary increased production in many lines and new production in goods never before attempted or thought of, but production was renewed in many lines and in many districts abandoned previously owing to the poor returns normally obtainable. These changes again had great influence in stimulating other branches of industry and trade, causing higher prices. This reaction was soon experienced in many lines at first depressed by war conditions. In Canada, wheat, oats, flour, cheese, butter, packed meats, pulp and paper, first felt the stimulation of increased demand due to war conditions but these were soon followed by wool, fish, leather, zinc, copper, chemicals, New Brunswick lumber, linseed oil, and later iron and steel as well as most metals and metal products. In the latter part of 1915 the upward movement was particularly strong in metals, chemicals and wool, while in jute, silk, rubber, etc., among imported materials the rise was marked."