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THE COST OF DOING BUSINESS.



MAN asked THE DRY GOODS REVIEW the other day if a wholesale house could do business on a basis of 5 per cent. profit on the invoice prices of goods. The answer was that such a proposition was absurd. A recent address at a business men's convention in the Southern States dealt with this question of

the cost of doing business, and the sentiments are worth considering at this time both by retailers and wholesalers :

Business methods of to-day are quite different from those of our fathers of 50 years ago. Then they had no railroads, no telegraph lines, and a merchant had to make a long, tedious journey to market to supply himself with 6 or 12 months' supply of merchandise ; mails were slow and newspapers were not read as much as they are to-day , people were not as well informed on subjects in general. Then profits in selling goods were very large, and it was not necessary that one should be particular about his expense account or his profits, which were always large enough and easily obtained. But the introduction of railroads and telegraph lines have wrought a wonderful change in the increased methods of transportation and the marvellous improvement in the interchange of communications between the most distant portions of the world.

FAMILIARITY WITH BUSINESS DETAILS.

Commerce has been revolutionized. The merchant and manufacturer of to-day have the opportunity of extending their trade to an extent only limited by their power to produce and their ability to determine the needs of customers. Commerce is always conservative and has its basis in knowledge, and hence it is highly important that we should acquaint ourselves with all of the details of our business and not be groping along in the dark without any knowledge of where we will land, awaiting the inventory and balance sheet at the end of the year to ascertain whether we have made or lost.

CHANGED CONDITIONS.

Bradstreet's reports that out of a list of firms doing business in the United States and Canada of 1,162,048 there are 300,000 names of individuals, firms and corporations annually dropped. One hundred thousand of these are not classed in the regular failures, since they pay in full by exhausting their means and quit business on account of failing to succeed. You will notice there is about one-third of the total number who drop out annually and are yet not classed as failures in the ordinary commercial reports. About the same number of new persons join the ranks, which, of

course, makes a rapidly changing body. If this condition of things is kept up for a little while you can readily realize that the business public of to-day are a different population from that of comparatively a few years ago, and that with the new methods and the new conditions prevailing it is highly important for us to equip ourselves for our work.

REMEDIES FOR EXISTING EVILS.

It is generally admitted that the last few years of business have been periods of depression, and the immediate future does not promise much change for the better. Competition seems to be growing fiercer and harder. The percentage of profits in proportion to the gross sales must now be larger than it was formerly in order to take care of the expense account, but unfortunately the percentage of profits to the gross sales seems to be growing less. This must be remedied. The question now is how to do it. One way is to cut down our expenses, which most every one will find difficult to do ; another is to increase the percentage of profits on our gross sales, which we may do by concert of action ; but it will require concert of action, which, from the very nature of the case, is very difficult to obtain, but it must be obtained in some way, and if we cannot devise methods possibly our successors will, and it must be a humiliating confession to think we have not the ability to accomplish this end. My idea is that one of the most successful methods of bringing this about is for all to look closely into the question of

WHAT CONSTITUTES THE TRUE COST OF DOING BUSINESS.

The idea only a few years ago was (and I am persuaded there are still some who think so) that the invoice price and freight added to deliver the merchandise into the store constitutes the proper cost upon which to base the selling price, and if he has sold for a profit beyond this he is making money. This might be true if he had no house rent to pay, no interest on capital, no interest on borrowed money, no insurance, no taxes, no office expenses, no stationery bills, no postage, no telephone, no drayage, no boxing, no clerk hire to do the work in the store, no traveling salesmen, hotel bills, railroad fare, etc., for same, no salaries for the principals themselves, and, in fact, every other item of expense that enters into a business which is not considered in the invoice price with freight added, but all of these expenses will come in whether we want them to or do not want them to, and must be figured into the annual balance, even though they were not counted in the cost of distributing the goods.

It would be far better to recognize them as part of the cost when