



DYNAMIC CHANGES IN THE RETAIL APPLIANCE
AND
TELEVISION MARKET

by

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ABSTRACT

Since World War II, the appliance market has been subject to the varied influences of "discounting," new products, the rise in disposable income, "fair trade" and the Korean Conflict. Each of these has required managers to adapt and change their merchandising methods in order to maintain continuing success.

Dealing with the aspect of discounting, Randall Robinson came to the conclusion that as of 1956, there were no differences of marketing interest between orthodox appliance dealers and the "discounters". The purpose of this paper is to resurvey part of the Robinson sample to determine if the situation has remained stable, and how the influences of the last three years have effected the structure of the appliance business, and dealer attitudes in the Metropolitan Boston area.

The original sample included 90 Metropolitan Boston firms which sold appliances and television. Due to the limitations of time, the author had to select a sample of 51 to be reinterviewed. Chapter II describes the interviewing process and the sampling method used for the study.

The data from the results of this study are not subject to statistical analysis. In addition, the validity of any information received from interviewing is subject to errors of several types. The limitations and significance of the errors involved in this thesis are discussed at length in Chapter III.

The results of the survey, included in Chapter IV, show that the dealers think that their customers have changed considerably. However, the only large change found in the business operations concerns the pricing procedures.

The final chapter contains a complete summary of the project and the conclusions of the winter. Because of limitations contained in the data, the conclusions were based, in part, upon the writer's impressions during the interviews.

The author found that the composite appliance and television business has remained almost stable since 1956. However, competition has increased because of an expanded number of firms which are now meeting

competitive prices. There also seems to be more interaction between the dealers, due to the habits of the consumers, which tends to give rise to a more uniform market structure as far as prices and customer policies are concerned.

Thesis Advisor: Gerald B. Tallman

Title: Associate Professor of Marketing

Letter of Transmittal

Professor Philip Franklin
Secretary of the Faculty
Massachusetts Institute of Technology
Cambridge 39, Massachusetts

Dear Professor Franklin:

In accordance with the requirements for graduation, I herewith submit a thesis entitled "Dynamic Changes In The Retail Appliance and Television Market."

I would like to express my thanks to Professor G. B. Tallman, my thesis advisor, for his counsel and patient guidance. Without his inspiration and advice, I would often have succumbed to despair.

I would also like to express my appreciation to Miss Ann Willis for her editorial suggestions and the time she devoted to typing the first draft.

Sincerely yours,

Alan S. Bloom

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Chapter I

THE PROBLEM AND ITS SETTING

The Problem

The economic growth of the United States, predicated on technological development, has resulted in phenomenal long run benefits. This has not been achieved without substantial problems of short term readjustment. The appliance and television industry has participated in this growth as well as the contingent problems. For marketing managers, the effect of World War II, discounting, the rise in disposable income, new products and product improvements have forced the adoption of merchandising techniques quite different from those of fifteen years ago.

The vast changes in the appliance industry have induced a number of qualified authors to extensively study the attendant marketing implications. One of these men, Professor G. B. Tallman, has periodically investigated the structure of the retail appliance industry since the publication of his pioneering examination of discounting practices in 1939.¹ Acting as research assistant to Professor Tallman, Randall Robinson investigated the Metropolitan Boston retailing scene. The conclusion of the Robinson thesis was that the difference between a "discount house" and the "regular appliance dealer" had all but disappeared as of 1956.²

The purpose of this paper has been to resurvey the Robinson sample of stores to learn if the situation has remained stable, and to determine

¹ Tallman, G. B., "When Consumers Buy at 'Wholesale'", Harvard Business Review, Vol. 17, (Spring, 1939), pp. 339-349.

² Robinson, R., The Marketing Significance of the Appellation "Discount House", MIT Bachelor's Thesis, 1957.

the retail dealer's reactions to the varied market influences and changes of the past three to four years. The project is concerned not only with changes due to discounting practices, but also with any other change which may demonstrate marketing behavior different from that of 1956.

Limitation of Numbers

Sets of data and tables of statistics, while in themselves precisely representing any situation at a certain time, are ineffective as a means of clear and total understanding because the situation or the institution described is temporal and varying. The facts must be tempered by the perspective of their history and causes. For this reason, a brief review of the important trends and activities in the retail appliance business is included. The information, taken from many sources including the dealer's views, is meant only to depict the past qualitatively and to bring the present into perspective.

Review of Discounting¹

During World War II, the bulk of the productive capacity of the world was diverted into the military effort with the consequence of a shortage of consumer goods. As in all durable goods, the war created pent-up demand in the appliance business and led to a true seller's market when peace returned.

In the traditional pre-war retail structure, the dealer was expected to carry the largest share of the merchandizing functions. His jobs included carrying inventory, financing, advertising, displaying, servicing, possessing complete product knowledge, supplying a trained salesforce,

¹ Information for this section is based upon the Robinson Thesis and discussion with some of the dealers who were visited.

delivery, and installation. In short, with the exception of production, he was obliged to be all things to all people. In return for shouldering these tasks, the dealer was rewarded with semi-exclusive district franchises and a high mark-up in terms of suggested list price.

While discounting had gone on before World War II, several dealers interviewed for this project suggested that its increased frequency between the end of the war and the Korean Conflict was due to the large post-war demand and generous gross margins. Discounters found that many of the services offered by the regular appliance dealer could be substantially reduced, or eliminated altogether. Therefore they could sell appliances in high volume, at substantial discounts from list. Initiated after the war, retail price maintenance, in the form of "fair trade" agreements, was not effective in suppressing the price cutting of the discounters.

During the period following the Korean Conflict, discounting, both for aggressive and defensive purposes, became increasingly prevalent. In the present market, almost every firm selling appliances offers prices substantially lower than the list prices suggested by the manufacturer. The Robinson thesis suggests that the "discounter" and the orthodox appliance dealer have reached for position of what might be called equilibrium. That is, the difference between the two has been reduced by either the offering of additional services in one case, or by the reduction of prices in the other.

Thus, the market of today differs from that of the initial post-war period by its increased and, indeed, intense competitive price situation due to:

- 1) elimination of fair trade agreements
- 2) effect of discounting
- 3) satisfaction of the artificial post-war demand

Recent Changes

The appliance and television business is not subject to a large number of marketing innovations. Instead, changes usually arise from long term developments and from new products which either replace the old ones or establish original markets. However, there have been several developments which seem to play an important role in today's market.

1) The demand for appliances and television is subject to the influence of the consumer's disposable income. Last year the average family spent \$84.00 for the purchase of major appliances (less than that spent on tobacco and liquor), with some of the money expended on replacement of old appliances and the remainder spent on original purchases.¹

The growth of the original purchases market is limited by housing and population increases but may be expanded to the extent that new products appear, and that the market is not saturated. The replacement market, on the other hand, is controlled by the physical durability of the products and by obsolescence. If one assumes that the predominate number of appliances in operation during a five year period after World War II were purchased within that time, then a period of concentrated replacement of these appliances, similar to the period of concentrated initial purchase will be reached. Again, making the assumptions that the population does not grow too rapidly and that the market does not tend

¹ Electrical Merchandising, "The Dealer Needs More Education", February 1959, p. 41, Vol 91, No. 2.

towards saturation to fast, during the "concentrated replacement" period, replacement sales may command a larger share of the market than original purchases. There are many indications that such a shift has recently occurred with its subsequent impact on volume and the ratio of trade-ins to units sold.¹

Replacement of worn-out TV sets, refrigerators and other appliances at last are giving a strong sales lift to the appliance-TV industry. That is the report from the men who make and merchandise these big-ticket consumer products. Manufacturers and dealers who have been talking optimistically of a big replacement market for nearly a decade, now figure it is here. And they give it much of the credit for a continuing up-trend in volume.²

The action of the replacement market and the original purchase market could well result in a standard cycle in the appliance business. For the dealer, the implications of such a cycle, should it exist, could affect his trade-in policy and his decisions on advertising media and copy.

2) Another recent factor of marketing interest is the introduction of portable television. There seems to be some similarity between the effects of portables on the television market and the introduction of "compacts" in the automobile industry. The portable set sells for a lower price than other standard sets, and, thus far, has been sold at or near the manufacturer's suggested list price in the Boston area. (The product is suitable, in certain respects, for supermarket distribution, and may be the innovator of another marketing revolution.)³ Indications

¹ Electrical Merchandising, "Replacement Sales are More Important Than Ever", January 1959, Vol. 91, No. 1, p. 60.

² Wall Street Journal, September 23, 1959.

³ Electrical Merchandising, "TV and Major Appliances in the Market Basket", February 1960, Vol. 90, No. 2, p. 70.

are, as in the not dissimilar example of the car market, that these sets are replacing the sale of table models and, to a lesser extent, consoles. Thus, as with the compacts, the gross volume may be higher, but the profit might be diminished due to low price. The sets are usually sold on a "no-trade" basis, so it follows that the used television market will be affected. (Also because the portables are sometimes purchased instead of the used sets.) Although portables were introduced several years ago, their popularity continues to increase.

3) The retailers of appliances and television run the gamut from very small to extremely large. In order to take advantage of the size and potential volume differences, the manufacturers, possibly with pressure from large retailers, have introduced SPA's or "specials" within the past four years.¹ A "special" is an appliance which is similar to one of the "top of the line" products but contains a few minor alterations, e.g., trim and/or color. The "special" is priced considerably below its "twin" and is extensively promoted. Although nominally available to all dealers, in practice, the "specials" are sold on a carload basis to a single large retailer in any one metropolitan area; he then has an exclusive model and model number which may not be bought elsewhere. If several dealers in any area are large enough to qualify for "specials", they each receive slightly different models, perhaps also at different times. Thus, the large retailer is able to receive a competitive advantage by advertising an inexpensive exclusive model which is very similar to the high priced product sold throughout the area.

¹ Information received from interviewees.

Chapter II
METHODOLOGY

A. Basis

The prime prerequisite for determining the changes in a group of retailers is the possession of accurate and complete information on their past state of affairs. Information serving the needs of such an inquiry was made available in the form of a survey of the Greater Boston area retail appliance dealers taken in 1956. The survey was performed by Randall Robinson, acting as research assistant to Professor G. B. Tallman; it was financed by the Alfred P. Sloan research fund at the School of Industrial Management. The data is a comprehensive investigation of the business practices and attitudes of 90 retail appliance and/or television outlets.

Since the Robinson survey of 1956 was primarily designed to explore discounting practices, it was desirable to devise a new questionnaire oriented towards determining changes. The revised questionnaire is similar to the original. However, unnecessary questions were eliminated and replaced by ones better suited for the purposes of this project. The questionnaire was designed to allow the interviewer to have on hand the previous information, so that variances and discrepancies would be immediately noticed and could be discussed with the interviewee.

B. Selection of Firms to be Interviewed

To determine which firms were to be visited, Robinson's survey made use of the Boston Globe information describing the location and size of all the shopping centers in the Metropolitan Boston area. For reasons of efficiency, he decided to sample all the stores in any one shopping

center which was visited. The shopping centers to be visited were picked at random, based on a stratified cluster sampling plan. The plan excluded the downtown area, but included a greater than proportionate share of the larger centers and a smaller than proportionate share of the smaller ones.¹

Due to the limitations imposed by time, it was impossible to revisit all of the stores in the original sample. In selecting the firms to be reinterviewed, the author felt that the larger firms should be visited in preference to the smaller. With this condition in mind, it was desirable to include a proportionate number of firms in each category of the original sample. Thus, all of the larger outlets were visited and a lesser proportion of the smaller were again questioned. Unfortunately, due to an error in tabulation, a few of the larger outlets were overlooked.

In the original sample, 90 firms were visited. By 1960, ten of the firms included in Robinson's sample had gone out of business, and another eight had changed their location. If a firm which had since moved was included in the sample for the 1959 study, special attention was given to the reasons for such move. The total number revisited was fifty-one outlets.

C. Interviewing

The interview is the pivotal point of any market study, and the results of the project may succeed or fail on the basis of the amount and accuracy of the information obtained. The writer found that the best results were obtained when the visit was timed for a relative lull in

¹ Robinson, Randall, "The Marketing Significance of the Appellation 'Discount House'," M. S. Thesis, MIT, 1957, p. 38.

the day. Mid-week days and early Saturday mornings were found to be particularly satisfactory. If the survey interfered with the press of business, the author arranged for a more convenient time.

Rapport was most easily established by spending the first few minutes in conversation not pertaining to the questionnaire. All the respondents interviewed were happy to cooperate, and being a gregarious group, it was more difficult to confine the answers to the specific question and to a reasonable length of time than it was to elicit the response. Upon reassurance of the confidential nature of the survey, the respondents would often get their records or divulge confidential information such as dual advertising rates which are used for cooperative ads. The interviews varied in duration from forty-five minutes to two and a half hours with the normal session lasting about one and one-fourth hours. In a period of this length, as one would expect, the respondent was occasionally called away by business duties.

Chapter III

Survey Evaluation

In addition to the belief that descriptive statistics are not useful unless tempered by the perspective of history, it is the feeling of this author that a work of this nature requires a critical examination of the methods used and the results obtained. If the figures are only qualitatively correct, as is the present case, the reader should be informed. Any action taken or convictions acquired should be done only in light of the reliability of the results.

Statistical Limitations

The author and Professor Tallman felt that the standard statistical analysis and tests could not validly be applied to the data because:

1) The sample does not fulfill the requirement that each item in the universe have a known, random chance of being selected. This is due to the subsampling procedure which was used to gain maximum information rather than to achieve statistical requirements.

2) The items are not representative of any known population since some firms have moved; others have left the business.

Sampling Error

Because of the sampling procedure and the size of the sample, it can not be assumed that the data represents the characteristics of the population of Metropolitan Boston retail appliance and television dealers. At best, the results are only an indication of the direction of the movements of firms in this area. At worst, it is descriptive of only the firms included in the sample.

Difficulty With Definitions

Although the original questionnaire was excellently designed and executed well, it occasioned a certain amount of difficulty when used with the one designed for this study. The major problems centered on interpretation. Identical questions, asked three years apart, elicited responses which were obviously not comparable. Also, at times it appears that the 1956 definitions were not consistently applied from respondent to respondent, making it even more difficult to get a comparable answer. The most frequent problems of this nature were encountered with the following questions:¹

5. The advertising question. Some dealers included their cooperative allowances in computing their advertising expenditures in 1956 but not in 1959 or vice-versa. In addition, there was doubt as to whether the types of things that were included in the figures remained constant (i.e., phone books, calendars).

6. The salesforce question. It is not clear at times when service men and others were or were not included.

8. List price. The problem of trade-ins made it difficult to estimate the fraction sold at list. The interviewee was asked to answer on a basis comparable to 1956, or if that was impossible, to consider a sale at list price as the cash received plus the resale profits on the trade.

18. Gross margin. The writer assumed that the definition used in the past "dollar mark-up over cost as a percentage of the sales price", but many respondents gave entirely uncomparable answers with respect to their actual pricing methods.

¹ See Appendix.

Whenever obvious problems of these types became evident, the respondent was asked to answer on a basis comparable to the figure for 1956. However, at times the original answers were not satisfactory and were changed. No net error is anticipated, though, because exact figures are not used in the analysis, only directions, and also because it was possible in most cases to reduce the responses to common denominators.

Interviewer-Influenced Errors

The results of any interview may be seriously affected by the bias of the interviewer and by the personal reaction of the respondent to being examined. Unfortunately, it is all too tempting for the interviewer to outguess the respondent or to suggest responses which are acceded to by the interviewer--responses which are incorrect. The author naturally attempted to avoid this problem, but several times, in probing motives, it was necessary to offer suggestions. To this extent, the results may be biased, but it is the belief of the writer that the conclusions drawn will be little, if at all, influenced.

Respondent-Caused Errors

Although essential to the study, the respondent is also the cause of the largest error. For the most part, this arises not from an attempt to conceal or give misleading information, but rather from a lack of knowledge. Many answers are at best "estimates," perhaps given in the attempt to save face. Most of the firms visited do not maintain accurate records of some of the information desired. And quite often, the respondent is unaware of the changes due to their slow, gradual nature since they are not noticeable on a day to day basis.

The appliance dealer experiences considerable difficulty in recalling situations of the past which are not connected with specific events. When asked questions about how and why things have changed over the period of 1956 to 1959, the usual respondent was considering the years of 1958 or 1959. There is very little the interviewer can do to aid recall in these cases. The errors introduced by poor memory and lack of knowledge can be quite significant. Questions subject to the largest error of these types are those which deal with proportions and descriptions of changes. Questions requiring a "yes" or a "more", or absolute numbers are less subject to these errors. The amount of the error which becomes included in the final results can be substantially reduced by tabulation in "increased" or "decreased" form since the respondent is much more likely to correctly estimate the direction of change than the amount.

Questionnaire Analysis¹

1. Due to the simple nature of the question, no error is expected in the following questions: (1) Kinds of merchandise; (4-III) Repair and maintenance; (4-IV) Delivery; (4-) Guarantee; and (10) Special discounts.

2. Some questions in the survey require information of a type which the respondent does not know with complete exactitude, either because the figures are not usually included in the accounting procedure or it is information which he has forgotten. In any case, the answers to the following questions usually were the respondent's best estimates rather than the precise facts. (2) Proportion of sales which are in TV or MA; (3) Location of customers; (4-I) Inventory turnover; (4-II) Percentage

¹ See Appendix.

of trade-ins being received; (4-V) Fraction sold on time; (15) Floor space; (17) Gross volume; (18) Gross margin; (19) Net profit.

3. Certain questions presented special problems and are listed below:

(5) Advertising: while the respondent always knew whether he did advertise, he could not accurately estimate the amount he spent, particularly in relation to sales. The advertising expenditure is usually 1-3% of the sales dollar. Because this is such a small number, an "in fact" change of 1/2% becomes very significant in relation to the total advertising done by the firm. Unfortunately, few dealers are that sensitive. To them, there is little difference between 2% and 3%. Respondents were likely to guess at the answer and thus eliminate any meaning from the results. An attempt was made to avoid this problem by asking how the frequency and size of advertising had changed. However, many times the respondent had little feeling for any change. In addition, questions of frequency and size were inapplicable to those firms advertising on match-covers, in phone books, or similar media. The writer feels that the results of this question are so poor as to be meaningless.

(6) Sales-force: Correct information regarding the allocation of the time of employment and comparability with previous answers presented problems. However, the error should not be appreciable.

(7) Relation to price competition and discounts: This question deals with relatives, and so several dealers were not sure exactly where they belonged, since a subjective judgement is required. A change in relation to price competition is not necessarily significant per se because the market may have changed while the firm did not, indicating an insensitivity to market reactions.

When asked how discounts from suggested list prices were presented to the customer, many firms were tempted to answer that they gave lower prices by giving both trade-ins and discounts. The author felt, unless the firm indicated otherwise, that a customer would receive the same prices with or without a trade, and therefore, the firm was classified as giving discounts.

(8) Pricing procedure: It was hoped that an indication of sales price changes would be received from this question. But, since answers were given in terms of \$X or X%, it was very difficult to arrive at any conclusions. In the bargaining or single price questions, a few firms answered with the latter response when clearly they used a negotiating process. The author took the liberty of changing their answers. The final results of that section should have little error.

(13) Consumer changes: Unfortunately, this question posed several difficult problems. Many times the respondent just did not know, and rather than say this, he would guess. On most questions, the interviewee had some idea of the direction, which consumer tastes had taken, and that was all the question required. In this writer's opinion, the wording of the question was itself the cause of a large degree of bias. This is the identical trouble involved in a survey which found that 21% of the population felt that the U. S. "should allow public speeches against democracy" while 39% thought that the U. S. "should not forbid public speeches against democracy."¹

¹ Boyd and Westfall, Marketing Research, Irvin: 1956, p. 25.

Tabulation Error

All results were tabulated and correlated by the author, who did his best to insure accuracy. However, it is at times necessary to make judicial decisions on how large a difference in the figures constitutes an actual operating change. These decisions were based on the magnitude of the numbers, the size of their variance, and the writer's estimate of the respondent's precision in answering. When a decision rule was evolved, consistency of application became the prime object. It is believed that no important errors were introduced, but the reader should be fully aware that an error of judgment on a very few firms could radically alter the conclusions; this is because the sample and the classifications are so limited.

Chapter IV

ANALYSIS, RESULTS, AND FINDINGS

Method of Presentation

Ideally, statistics should be presented with measures of their significance, so that while "certain" knowledge is never possible, at least the boundaries are defined. In this case, the nature of the work and the limitations described in the preceding chapter prohibit calculation of valid means and their variances. As a result the average values of the variables would be extremely unreliable. In order to maximize the information contained in the data without misrepresenting its precision, the figures will be given in terms of the proportion of firms having increases and decreases in the variable. While this will not provide a measure of how far any trend has progressed, it will indicate the direction. This should be sufficient for the purpose of this paper since, to the writer's knowledge, there has been no change of any great magnitude but only relatively small variations with respect to the size of the variable.

All the tabulations were made for the population as a whole, and in addition were sub-classified by: A) shopping center size, primary, major, and intermediate in order of the number of stores included in each center. B) approximate economic class of the center: upper, middle, and lower, in order of diminishing purchasing power. C) firms which had increased, held constant, or decreased their gross sales. Other tabulations were made when the need was indicated and if the classifications had enough items to be significant.

Since measures of significance can not be computed, a ratio will be used as an aid in analysing the data. The ratio is determined by

dividing the fraction of the trait influenced by any one classification by the fraction of the population which the classification represents. For example, if the primary group includes 50% of the total population, it would be expected to account for 50% of the firms which experienced a sales increase. If, however, 80% of the dealers with increased sales were members of the primary classification, a strong correlation between the two would be assumed. In terms of the ratio, the primary group would have contributed 80/50 of normal expectations, or in other words, a ratio of 1.6.

Based upon an examination of the data, the author has somewhat arbitrarily decided that the minimum significant ratio figure is 1.25.

Change in Consumer Traits

The respondent was asked to indicate the direction of the change, if any, in each of seventeen consumer characteristics which were considered important.¹ This question was included because it was thought that changes in the consumer's attitudes should affect the methods of operating the business. Any changes in the general competitive behavior should also be reflected in consumer reactions, corresponding to a feedback system.² After this question was completed, the inter-

¹ Appendix A (See question 13).

² G. B. Tallman, J. W. Forrester, and others currently studying feedback in business systems under topic of Industrial Dynamics. See especially: Forrester, J. W., "Industrial Dynamics," Harvard Business Review, Vol. 36, July-August 1958, and Amstutz, A. E. and Tallman, G. B., Dynamic Simulation Applied to Marketing, a published talk before the Forty-second National Conference of the American Marketing Association, June 18, 1959.

viewee was asked about corresponding changes in his firm's practices with the hope that variations not covered elsewhere would be discovered.

a. "amount of selling effort spent on the floor per customer"

Of those firms responding, 49% felt that they had increased per customer selling time, 31% believed that there was no change, while 20% thought that it had decreased. No classification had a significant ratio.

While the figures tend to indicate an increase in per customer selling effort, the author believes that the wording may have biased the answer. Any significant change would most likely be reflected in a salesforce increase. This was not true, and in fact, there seemed to be little correlation between those firms increasing per customer sales time and those increasing their sales force. On the other hand, there may, actually, be a need for additional sales effort, due to increased competition (see especially c. and e.), and customer sophistication (see item i).

b. "desire for home demonstrations and aid" There was a clear feeling that the consumer's desire for this service had substantially diminished, with 3.2%, 32%, and 64.5% of the firms feeling that the trait had increased, remained the same, or decreased, respectively. There was no significant ratio in any of the classifications.

With increased education through advertising and more product knowledge (item i), the consumer probably has much less desire for home demonstrations. The marketing and merchandizing implications are obvious.

c. "number of stores visited before making a purchase" The general opinion was that people have been doing more shopping before making a purchase, with 55.3% of the stores reporting an increase since 1956, 37% feeling that the same amount was done, and 7.8% saying that the average consumer saw fewer stores now. No significant classification ratios

were evident, although the author expected that this trait would affect the stores in the primary centers to a greater extent since the small center stores tend to have stronger personal relationships with their customers.

Many firms were very emphatic about the increased shopping and definitely felt heightened competition because of it. In the author's opinion, the data does indicate a current trend; the effects could likely be to intensify competition on all levels, including price and services; to require better salesmen to "close" the deal; and to cause more dealer inter-action which could lead the market into a situation where there is less variance from the overall mean by individual firms in their pricing and service operations.

d. "interest in quality or 'top of the line' merchandise" Of the firms responding, 47.5% felt that there was expanded interest in higher priced items, while 27.5% and 25% believed that the characteristic had remained the same, or decreased, respectively. As a general rule, the author believes that the minimum ratio to have any significance must be 1.25. In this case, the upper income group had a ratio of 1.21, but the data was not entirely internally consistent, and so no further comments will be made.

In discussing market changes, prior to asking the question itself, several of the more reliable firms reported that they had experienced a stronger demand for products of a somewhat higher quality. In all cases, they stressed that the demand was not a shift to the top, but more like a concentration on middle of the line items. One of the largest appliance dealers visited explained plans to change both the advertising and pricing procedures of his firm because of the shift in taste. It is

an important question, left unanswered, as to whether this shift is due to the particular year in which the survey was administered or to a secular trend.

e. "ease of trading up the line" The majority, 63%, believed that it was now easier to "step-up" a customer into a higher priced item. Twenty percent saw no change in this area, and the other 17% found it more difficult. No ratios of any significance were noted.

One reason for asking this characteristic was as a check on item d. above. The two questions, while not entirely identical in meaning, are of a somewhat similar nature. Since the figures tend to point in the same direction, a definite trend away from the bottom of the line models is indicated.

f. "price consciousness" Though this question is an emotional thorn for appliance dealers and understandably subject to a biased response, the overwhelming reply, in the form of 82.5% of the answers, was that the consumers had become increasingly more sensitive to appliance and television pricing. Only 2.5% of the firms reported less emphasis, and another 15% indicated no change.

Although subject to a response error, the frequency and emphasis of the answers given by the respondents leaves little doubt that the consumer's price awareness has increased. This, along with item c. indicates a situation of increased competition and more dealer interaction. If this is true, it would be expected that more firms would now be meeting competitive prices that did in 1956. This hypothesis is true, as will be shown later in this chapter (section G).

g. "importance of dealer's reputation" Of the firms replying, 69% thought that the customer placed greater reliance on the dealer's reputation than was true in 1956; another 23.8% saw no change, and a minority, 7.1% thought that it was less important.

As in the previous question, a high response error was expected because of native pride. Thus the author is not sure if the trend is as strong as indicated. This is largely because of a belief in the validity of item f. above. However, by no means are the two questions incompatible. Several dealers felt that the consumers had been confused by advertising and "taken" on repair bills and so were placing more importance on buying from a reliable dealer. Additional confirmation of the importance of a dealer's reputation was given by the 1.28 ratio of those firms which have increased their gross sales during the 1956-1959 period. In other words, perhaps some of the volume increase may be due to a favorable reputation these firms have established with the consumers.

h. "need for financing" Of the appliance dealers interviewed, 51.2% thought the customer had a greater need for using a time-pay plan in 1959 than in 1956. About 10.1% found less need, while the remainder, 38.5% could see no change. No classification had a ratio of any significance.

The firms believing that the need increased usually said this was due to the "tightness" of money, and to people purchasing more than their budget would allow. If this is true, it should be expected to show up in the lower income classification, which it did not. As will be shown in section D., the companies were similarly divided when asked what proportion of their sales were made on time, however, the response to this question indicated that the "need" was about 10% larger than the use. This should be an estimate of wording bias.

i. "general education about the uses of, and differences between, products and brands" A response indicating that in general the dealers found the consumer better educated was given, with 71% of the firms encountering more educated customers, while all the remaining 29% said the situation was the same. Again, no classification ratios of impor-

tance were apparent.

This question was included in an attempt to find out whether or not the consumer had become a more sophisticated shopper during the three year interval since the last survey. While it is impossible to determine the amount of consumer knowledge, dealers seemed to feel that the heavy volume of advertising, particularly on television, had made the consumer aware of differences which he did not realize previously. In fact, several dealers complained that their customers knew more than they did about some models.

If the consumer has become cognizant of technical variations in models and brands, the burden of satisfying his demands is increased. Perhaps a change in the "sales pitch" will be necessary, and this may be the reason why dealers are spending more time per customer (see item a.).

j. "desire for repair service and guarantee at the time of purchase" A small majority, 59%, said that the consumer was more concerned with this service in recent times; 31.8% said their attitude had not changed, and 9.1% saw a decline. A contributory ratio of 1.31 was found for the classification group of increased income.

It is the author's opinion that the trend is not demonstrated emphatically enough to be reliable. However, upon probing, several firms said that they were placing more emphasis on service, and some firms are now requiring that the buyer also purchase a manufacturer's service guarantee with the unit. One possible implication being that if the consumer can be coerced into paying for a guarantee which he would otherwise not buy, his concern over service has increased. The contributory ratio of 1.31 means that over 70% of the dealers who increased their sales also found that the consumers were more conscious of the need for service. This may be one aspect leading to the increased importance of

the dealer's reputation (item g.), which also had a ratio favoring firms with increased sales.

k. "desire of seeing merchandise before purchase" The majority of 51.5% saw no change in this characteristic, while another 46% thought the desire had increased and 2.7% believed it had diminished. No classification ratios of any significance were found.

This question was asked in view of the previously successful discounting method of selling strictly from a catalog. Most dealers said that the consumer always had wanted to see the product before it was purchased. The author believes that no trend of change since 1956 is indicated by the results.

Change in Business Characteristics

As described in the section on "Recent Changes", no extraordinary or radical developments have appeared on the market scene since 1956. It is therefore highly likely that all changes in business methods, attitudes, and services have been small, extending from dealer interactions, consumer pressures, and three years of experience. The questionnaire was designed in an attempt to uncover these operational variations. Since it is believed that the results can not be presented as averages with any reliability, the author will continue to indicate only directions of change, pointing out larger than expected contributions from the various classifications. Many more questions were asked than were found to be of interest or importance. The writer has taken the liberty of pruning the unnecessary, and only the data which will add additional knowledge on a reliable basis will be shown.

A. Products Sold

Few of the companies interviewed handled television and major appliances exclusively. The most frequently encountered additional lines included service, parts, furniture, and stereophonic equipment. Only one company had altered its basic product line. This firm stopped handling TV, but continued to carry major appliances; 32.2% of the firms handled white goods but not television and 9.8% sold only TV. Tabulation revealed no benefits in the form of sales volume or gross margin to firms handling the different combinations of TV or majors.

B. Proportion of Sales by Product

There seems to be a slight, but general tendency for television to take a larger share of the gross sales and for major appliances to decline in relative importance. Of those firms handling TV, 44% reported that it accounted for an increased proportion of sales; 32.5% indicated no change, and 23.5% reported that a smaller fraction of their business was in TV. The reverse trend for white goods was indicated by a 6.1%, 45.5% increase, constant, and decrease, respectively, report. It is not clear to the author, what the significance of this may be. Perhaps it is an adjustment by the dealer towards maximizing profits, or it may well reflect a cyclic shift in consumer demand. Also, stereophonic equipment is accounting for an increased volume of the appliance dealer's business. No significant ratios were found in the shopping center size or the income level classifications, indicating a somewhat universal trend.

The author can not explain the high ratios in the sales volume classifications. The 32.5% of the population with unchanged TV proportion accounted for 48% of the increased gross sales classification, or a ratio of 1.47; there also is a ratio of 1.31 for the unchanged major appliance proportion and the increased gross sales group. The

actual proportion of sales in television and white goods ranges widely, and the statistical variance would be quite large. Therefore, no optimum relative proportions are evident. The above ratios may be entirely spurious, resulting only because of the particular firms interviewed, and thus would not be representative of the actual retail situation.

C. Trade-Ins

Of those firms selling television, 82% accepted trade-ins as of 1959, down from 88% in 1956. No clear trend on trade-in proportion was established, since 32.2%, 14.3%, and 53.5%, reported an increase, no change, or decrease, respectively, in the number of sets sold with a trade-in being taken by the dealer.

While no important ratios were found in income group or center size classifications, a relationship between increased sales and increased trade proportion was indicated by a 1.34 ratio. These firms seem to be approximating the national trend, as explained in the section on Recent Changes, and by statistics reported in Electrical Merchandising.¹

Figures similar to those above were also reported by major appliance dealers, although a smaller proportion of them, 61%, accepted trades during 1959. The number of firms reporting an increase in the trade-in proportion was equal to the number reporting no change, each accounting for 27.2% of the population, while the other 45.4% reported a decrease in the fraction of units sold with a trade-in being accepted. No significant ratios are present. The lack of any decisive trend is also

¹ Electrical Merchandising, "Replacement Sales Are More Important Than Ever", p. 60, Vol. 91, No. 1, January 1959, McGraw Hill Publications.

reflected by mixed figures nationally.¹ Much of the trade-in volume is dependent upon the type of appliance handled, and since different companies sold varied products, these results could have been anticipated.

While being interviewed, many of the respondents indicated an increasing reluctance to receive the used merchandise because of the difficulty of resale, the increased costs of labor and parts for re-conditioning, and higher inventory expenses. In addition, the dealer often expressed a feeling that the consumer was becoming more cognizant of the fact that much of the trade-in allowance was fictitious. The consumer, therefore, was becoming more willing to accept a sale without receiving an allowance for his old product. There was also some agreement among dealers that more homes were purchasing a second set, and thus had no used set to trade. Dealers said portables are purchased for this purpose, in many cases.

D. Credit

Dealers in general found no large change in their sales on credit, although the picture may be clouded from what seems to be the increased popularity of thirty day, no charge budget plans. The average dealer sold about 60-70% of his volume on credit, with 34% finding an increase in its usage, 42% said they sold the same proportion of their sales on time and the other 24% saw a decrease.

Many economic factors influence the use of credit; no changes of any magnitude have occurred during the past three years, and therefore

¹ Electrical Merchandising, Vol. 91, No. 1, McGraw Hill, p. 60, "Replacement Sales are More Important Than Ever". Their figures show that the trade-in proportion varies from appliance to appliance, and with the exception of TV, no yearly trend is evident.

a clear cut trend was not to be expected. Dealers went to the opposite extremes on giving reasons for any changes, with some saying that prosperity and higher disposable income reduced the needs for loans. Others, with equal enthusiasm, stressed the "tightness" of money, increased costs of living, and consumers' desire to have more goods as reasons for a decrease. Several of the large dealers said that credit was used as a lever by the customer to insure satisfaction regarding product operation and service arrangements.

E. Salesforce

Again, responses indicated a relatively static situation, with equal proportions (27.5%) of the firms showing an increase and a decrease in the number of salesmen employed. The rest, 45%, answered that they had not undertaken a net hiring or dismissing.

The amount of labor performed by a sales group is very flexible, and thus would not be expected to vary greatly without a proportionally larger change in sales volume. Firms with an increased sales volume accounted for a greater than proportionate share of the firms with an expanded sales force having a ratio of 1.41. In the same manner, firms with decreased sales accounted for a more than proportional share of a decreased salesforce, represented by a ratio of 1.6. The fact that firms seem to be equally divided indicates a relative stability as far as the composite market is concerned, but reflects differences in the welfare of individual companies and managements.

F. Consumer Allowances

Most major appliances and television sets are sold at substantial discounts from list. The dealer has the option of presenting the discount in the form of a trade-in allowance or as a straight reduction in price.

In 1956, 61% of the firms used the straight discount procedure; 19.8% gave the reduction in the form of a trade-in allowance, and the balance said that they did not meet the market competition. In 1959, 69% presented their reductions in discount form, with a corresponding decrease in firms giving "true" trade-in allowances.

When queried as to why they changed from a trade-in allowance to a discount procedure, most of the firms answered that the consumer is less impressed by large, over-stated prices for their used items and are becoming more interested in the actual out-of-pocket costs of purchase. They also explained that most of the trades are junked, and the dealers would prefer that the customer retain them. Several dealers said that they tell the customers, 'This will cost you \$X, and I'll take your trade, or you can dispose of it.' These results tend to illuminate the slight tendency to reduce the proportion of trades accepted as explained in section G., above. It also sharpens the clarity of price distinctions, and, to that extent, increases competition.

The increased dealer apprehension regarding trade-ins, as described in section C. and in this section, may result from the replacement market generating a larger supply of used products faster than the demand can remove them. In a market supported by replacement sales, there should be relatively light interest in used sets, since that is what would be in the hands of the consumers.

G. Market Pricing

The firms interviewed were asked in 1956, and again in 1959, what was their relationship to price competition. They were given the choice of "a. to initiate price competition; b. to meet price competition; or c. not to meet price competition, but to depend on other appeals."

The 1959 response gave 8.15% as "a"; 51% as "b"; 6.15% somewhere between "b" and "c"; and 34.6% as "c". Some 36.5% of the firms changed their attitude regarding price competition since the original questionnaire was administered. The majority of the changes, 72.5%, had the net result of placing firms in a more competitive position with respect to the market. There are no significant ratios present.

The data on the number of firms which have changed their pricing to a more competitive basis, plus the number of firms already pricing in the "b" classification is substantial enough to indicate a definite trend towards a more competitive market in relation to the Boston area's prices. However, several companies indicated that there has been a general price rise in Boston during the past three years due, in part, to the ending of a price war by several of the largest, and, therefore most influential retailers. This being true, it is difficult to say if the trend towards pricing conformity results from the dealers' becoming more aggressive or if the general price increase affords them a margin at which they can be competitive. If the former is true, it could be considered as one of the transient effects of "discount house," and as such, is probably a secular trend. If the latter reason is true, then meeting competition is not so relevant to the pricing decision as is the particular gross margin. There are some indications that the trend is conscious, and active, since a few dealers have changed their pricing procedure from "list minus" to "cost plus," and others have priced on a cost plus fixed dollar amount rather than fixed percentage. The author believes that dealers switching to a "cost plus fixed dollar" price are following the lead of many large volume distributors.

H. Negotiation Procedure

In both questionnaires, the firms were asked whether they quoted prices on the basis of a bargaining procedure or did they offer a single price to all customers. The 1959 results showed that 80% of the firms used the single price method, while in 1956 only 52% of the companies used the procedure.

The author at first had difficulty in believing that a shift of that magnitude had, in fact, taken place. However, a review of the questionnaires and the respondent's reasons for making the change established its validity. Many reasons were given for the change, including: 1) it eliminates internal headaches. 2) bargaining method created ill-will when one customer found out that he had paid more for the same item than had his neighbor. 3) market is more competitive now. 4) they want to make a profit on all units rather than "win" on some and "lose" on others. 5) easier to emphasize and sell the services.

Although it is not entirely clear what effect this has on the general price level, it appears that most dealers who have changed, established a price toward the lower end of his bargaining scale. There was also a tendency to base selling prices on a cost plus fixed dollar amount basis when changing, although its extent is not clear.

I. Sales Volume

The companies interviewed were asked to indicate their 1959 gross sales volume. This was done on the basis of a letter code. It is possible, then, that a change in sales volume would not be recognized because of the coding brackets. In some cases, a doubling of volume could be achieved without changing the sales bracket. However, several times when a firm was on a borderline or had substantially changed its

volume, the interviewer was told. In any case, the numbers are only used for indicating the direction of the volume and not its magnitude.

Only a minority, (17%), of the firms interviewed reported a diminished sales volume. On the other extreme, a 53.2% majority experienced an increase in sales, and the remaining 29% did not move through the bracket limitations.

These figures are somewhat startling when examined in relation to the change in national gross sales figures for appliances and television. The year 1956 was a peak one for "big ticket" items, and the retail volume of every major product declined in the two years following.¹ The author does not have comparable data for 1959, but it is his opinion that all of the loss has not been regained. If the national statistics hold true for the Metropolitan Boston area, increased sales by one set of firms corresponds to a larger than proportionate drop in another set because the total market is on the decline. This, in conjunction with the factors outlined in previous sections, is probably what accounts for the almost unanimous complaints about increased competition voiced by the interviewees.

As might be expected, those firms dealing with an upper income group performed much better than the average, having a ratio of 1.31 for increased income; or in other words, the stores with upper income classification contributed 1.3 times their expected proportion to the firms with increased sales.

¹ Electrical Merchandising, "Product Market Studies", McGraw Hill, January 1959, Vol. 91, No. 1, p. 64.

J. Gross Margin

All firms interviewed were asked for their 1959 gross margin as a percent of sales. When the 1956 and the 1959 figures were compared, 32% of the respondents indicated an increase, 44.6% reported that their margin was the same, and 23.4% suffered a decline. The firms in the major center size classification had a ratio of 1.64 for increased gross margin. No significant sales volume ratios were evident.

The trend towards an increased gross margin discussed in section G. above is at best only slightly apparent from the data in this section. It is very likely that the keen competition during the past several years has forced some of the marginal dealers out of business and has held gross margin down to a subsistence level.

K. Net Profit

Net profit figures were not asked in the 1956 survey, and it is doubtful if many respondents would divulge the information in any case. Therefore, the 1959 questionnaire asked only about the relative change in this figure.

On balance, the composite market demonstrated no large net change, as 23.6% and 19% respectively, reported increases and decreases for this important item. In general, net and gross should tend to move in the same direction, although not to the same degree. The survey results tend to follow this maxim, and thus adds some credence to the indication of a slight rise in gross profits.

L. Inventory

Of the firms visited, 75% of the TV dealers stock an inventory in addition to floor models, and 69% of the appliance dealers do likewise. An increase in the amount of inventory carried (in proportion to sales)

was reported by 38% of the TV dealers and by 27.2% of the appliance dealers. The existence of constant inventory was stated by 33.3% and 27.2% of the television and white goods retailers, respectively. Only 21.5% of the television dealers had reduced their stocks, while 46% of the major appliance dealers have reduced the inventory to sales ratio.

To the firms who receive the largest share of their income from appliances and TV, inventory turn ratios are obviously of extreme importance because of the investment required. In discussing this problem, a substantial fraction of the dealers indicated that they had been at least partially successful in shifting the burden of inventory to the distributors. In most brand lines, the dealers were able to obtain delivery within 24 hours on the standard models and thus felt a diminished need for maintaining them in stock. Any serious trend in this direction is limited by the dealer's loss of quantity discounts.

Chapter V

SUMMARY AND CONCLUSIONS

Chapter I in Brief

The purpose of this thesis is to determine the changes in the attitude and business structures of a sample of Metropolitan Boston appliance and television dealers. The information was obtained by a resurvey of some of the firms included in the Robinson sample of 1956.

The market has become more oriented towards price competition since World War II because of "discounting," satisfaction of the post-war demand, and the failure of "fair trade" agreements to be effective in maintaining retail prices.

Current activities which have become of significance since 1956 include: the growth in the proportion of purchases made for replacement; the expanded popularity for portable television; and the introduction of "specials" - models sold exclusively by one retailer.

Chapter II in Brief

In 1956, Robinson interviewed 90 retail appliance dealers, selected on the basis of a stratified cluster sampling plan. Of the original sample, 10 firms were no longer in business. Due to the limitations of time, this author reinterviewed 51 of the remaining companies. In choosing this sample, the author attempted to include the largest firms of the original sample, and to maintain a proportionate number in each category of the 1956 sample.

All interviewing was performed by the author. In general, the respondents were happy to cooperate and would often divulge information that was strictly confidential.

Chapter III in Brief

The data is not adaptable to statistical analysis, and can not be taken to represent the situation of all Boston retail appliance and television dealers.

The difference in definitions from year to year and respondent to respondent caused some difficulty in obtaining comparable results.

The bias of the interviewer, and his attempts to probe can harm the results of the study. The author tried to reduce these errors as much as possible.

The respondent is the largest cause of error in the study. This is due to his imperfect knowledge about the variables, and difficulty in remembering and perceiving gradual changes.

Specific questions lead to differing degrees of reliability. The advertising, salesforce, pricing procedure and consumer trait questions are subject to the largest response errors.

Chapter IV in Brief

This chapter presents the findings and analysis of the results. Since the number of firms in the sample is small and statistical analysis is not applicable to the data, it would be unreliable to use the means of the variables. Instead, the data is presented in terms of the number of firms which increased or decreased their relation to the trait in question. For aid in analysis, and to supplement for statistical correlations, use is made of a ratio which indicates any larger than expected contributions by any classification to a change in a variable.

Conclusions

There are three main tasks involved in the preparation of a marketing paper. First, the data must be assembled; second, the facts must be

analyzed and evaluated; and finally, the conclusions must be drawn. There are several methods by which one may arrive at conclusions. One is to ingenuously select a "conclusion" and then validate it by judiciously picking the correct facts from the total amassed information; another method is to scrutinize all of the facts and see if a conclusion is logically deducible. Unfortunately, the author has fallen prey to the lure of the latter method and is therefore unable to arrive at a conclusion.

He can not conclude that nothing has changed, since several variables are substantially different from the 1956 results. On the other hand, no cohesive positive conclusion is allowable because, if supported by one set of facts, it is invariably disputed by another. Faced with this paradox, but still optimistic, the author will present what he believes has happened on the basis of the facts, tempered by the impressions received during the interviewing process.

From the frequency and zeal of the complaints received during the interviewing process, it would be very difficult not to surmise that the appliance business had not become somewhat more competitive during the last three years. One reason these dealers may experience the increased competition is because of the smaller total market, that is if the Boston area has been subject to the same decrease in sales as was evident nationally. (This could be counteracted by having less dealers, but it would be difficult to assume that many more firms had left the business than had entered it.) In addition, over 25% of the firms interviewed claimed that they have altered their relationship to price competition in such a way that they are now more competitive. The great majority of the interviewees believe that the consumers have become more price conscious, and therefore, in order to sell the merchandise, the

dealer must meet his competitor's prices.

If indeed, competition on a price level, had become more intense, it should be reflected in the composite markets' gross margin and more particularly in the margins of those firms who said they have increased their competitiveness. As a matter of fact, this is not true. Section J. suggests no margin decline, in fact, if anything about a difference is implied, it may have been a slight increase. The same is true for those firms which have tended to meet price competition - about 75% show no margin change, and about the same proportion have increased their total sales volume. These figures, are much larger than those reported for the total population. (The gross margin question was very unreliable, and many dealers may have confused this figure with net profits. Thus, while they increased sales and decreased their gross, the net remained about the same. The confusion was then extended to the data by the dealers reporting a constant gross margin) In light, of the above paragraphs, it is the author's opinion that competition on a price level has been broadened, but the "area price", as determined by the dozen or so very large dealers, has not gone down. In other words, more stores are now pricing to "meet" competition, but "competition's" prices have remained about the same or may even have risen due to the ending of a price war. (This rise would not be reflected in the data since the companies in the "war" were not in the sample.)

It is the author's opinion, again only partly supported by the data, that the difference between dealers is diminishing. One way in which this is illustrated is by the increased number of dealers participating in price competition, as just described. If the dealers' feelings that the consumers are more "price conscious" and that they "do more shopping before marking a purchase" are representative of the true state of

affairs, then it is logically deducible that dealer interactions will be increased. Increased interaction, by means of the customers, will force the dealers to give the same services and prices as their "competition" and thus lead to more conformity and less variance in the market as a whole. This is especially noticeable in the stores which carry appliances and TV as a sideline, for example, the furniture and hardware stores. These companies do not want to meet prices or to offer the services given by an "appliance" store and, in almost all cases, have cut back their appliance and TV volume during the past three years. In their external attributes, most firms in the business are now very similar. Almost all of the firms selling appliances and television as their major products, stock an inventory, give credit, provide service either by their own employees or through a subcontracted service firm, offer guarantees of a very similar nature, and most believe that they have competitive prices. With the elimination of the "sideline" stores, and increased consumer shopping, the tendency towards conformity can be understood. The main differences between firms in their location, the personality of the salesforce, and other characteristics which are not subject to precise measurement.

Summary of Conclusions

It is difficult to arrive at any definite conclusions based on the data because of some internal inconsistencies. However, in general, there does seem to be a tendency towards more uniformity of policies in the industry. Perhaps because of the trend towards uniformity, the extent of price competition has been broadened. There have been no large changes in other areas of the dealer's operations.

APPENDIX

CONFIDENTIAL REPORT TO PROFESSOR G. B. TALLMAN - M. I. T.

1. What kinds of merchandise or service do you sell?
2. What percent of your total business income in 1959 resulted from the sold of TV _____ (_____); of major appliances _____ (_____)?
3. Are your customers usually located in this neighborhood _____, or from other areas _____? Has there been a change in the general type of customer with which you deal, during the past three years? (Changes such as different economic background).
4. What of the following services do you offer as a regular part of your merchandizing?
 - I. Stocking an inventory? _____ (_____) On the average, how many months supply do you stock of TV _____ (_____); of major appliances _____ (_____)? How many manufacturers' brands of TV _____ (_____) and major appliances _____ (_____) do you regularly stock? About what percentage of your television and major appliance sales are made from models which the customer can view and examine on your floor or in your inventory? _____
 - II. Accepting trade-ins _____ (_____) Do you recondition and resell traded-in TV sets and appliances _____ (_____)? Approximately what percentage of your TV sales are made with a trade-in being accepted _____ (_____); major appliances _____ (_____)? About what percentage of your firm's total sales volume comes from resale of traded-in appliances and television sets? _____ (increased or decreased since '56?)
 - III. Repair and maintenance, other than that offered by factory For TV _____ (_____); for major appliances _____ (_____)? Do you handle your own service _____, or subcontract it _____? (if own) How long have you offered repair service _____? Do you service only products which you have sold _____? or do you also service those sold elsewhere _____? Do you believe that the service department operates at a profit _____?
 - IV. Delivery _____ (_____) Is delivery usually included _____ (_____) in your quoted prices, or is it quoted as an extra _____ (_____)? Is it subcontracted _____ (_____), or handled by your own employees _____ (_____)?
 - V. Arranging time payments _____ (_____) Approximately what fraction of your TV and major appliances sales are on time _____ (_____)? Has your method of financing changed since 1956?

VI. Guarantee merchandise, other than the distributor's and manufacturer's warranty ___? What terms do you offer ___? Is your guarantee policy about the same as 1956?

VII. Does your firm offer any other services to the customer?

5. Do you advertise, or have other kinds of promotion which reaches people outside your store ___? Approximately what fraction of your total 1959 sales dollars did your store spend on such external advertising and promotion, excluding distributors' and manufacturers' allowances ___? In what media is your largest expenditure made ___? In what other media, or by what other methods do you promote your store ___? On what product types do you spend the largest proportion of your advertising budget ___? Are you placing ads more frequently now than in 1956 ___? How have the size of your ads changed since 1956 ___?
6. How many sales people do you employ for the sale of TV and major appliances inside the store, full-time ___; part-time ___; as fraction of full-time ___? Do you have any agents or sales people who regularly solicit business outside the store full-time ___; part-time ___? As a fraction of full-time ___?
7. The appliance business is presently more competitive than ever before. There are several aspects of this competition, such as price, service, location, etc. Would you say your relationship to price competition has been a) ___ to initiate price competition, b) ___ to meet price competition, c) ___ or not to meet price competition but to depend on other appeals? ___
- (If 1959 is a or b) Do you offer lower prices primarily through the use of discounts ___, or trade-in allowances ___? ___
- (If 1959 is c) How do you sell customers? a) people do not seem to be aware that price differences exist ___? b) sell service ___. What service? ___ c) other ___
8. There seem to be two distinct pricing procedures for selling TV and major appliances. One is bargaining, and the other is to have a single price for all customers. In general, which method do you use? ___ (if bargains) What general method do you use to calculate your first quoted prices? ___; your minimum prices? ___ Approximately what proportion of your TV and appliance sales are made at the first quoted prices ___? At the minimum prices ___? In what direction have these figures changed since 1956? ___ Approximately what fraction of your sales are made at manufacturers' list prices ___? Do your salesmen usually quote complete prices ___ or base prices where the customer is given the option of buying extra services ___? What services may they buy? ___
9. Have you had to change your method of doing business during the past three years because there is discounting going on? How?

10. Do you extend discounts to special groups other than your employees _____ (____)? What fraction of your total TV and major appliances sales are made to members of these groups? _____ (____)?
11. As a result of the competitiveness in appliance and television retailing today, dealers are naturally concerned about their costs of operation. Have you discovered any specific methods for cutting your costs below what they were three years ago? What are they?
12. The appliance dealer has a wide variety of appeals which he may present to the customer in an attempt to induce purchase. In your opinion, what are the most important appeals that a dealer should use when selling TV and major appliances today? (____)
13. On this page is a listing of several desires and characteristics of the consumer. Based on your experiences in selling during the past three years, could you please indicate the direction of the change, if any, in each of these traits?
- a. amount of selling effort spent on the floor per customer _____
 - b. desire for home demonstrations and aid _____
 - c. number of stores visited before making a purchase _____
 - d. comparison between similar items of different brands _____
 - e. examination of different items of the same brand _____
 - f. ease of satisfying customer at time of purchase _____
 - g. amount of bargaining with the salesman _____
 - h. interest in quality, or "top of the line" merchandise _____
 - i. importance of dealer's reputation _____
 - j. desire for repair service and guarantee at time of purchase _____
 - k. price consciousness _____
 - l. ability and desire to "serve themselves" _____
 - m. search for bargains _____
 - n. ease of trading up the line _____
 - o. desire of seeing merchandise before purchase _____
 - p. need for financing _____
 - q. general education about the uses of, and differences between, products _____
14. In what ways have your firm's policies been altered to meet these changes in the consumer? (specific changes)
15. Approximately how large is the floor space in your store which is used for TV and appliance display _____ (____)?
16. What changes in the market, your strategy, or in the customers' purchasing characteristics which have come about during the past three years, have had significant effects on your business?
17. Solely so that we can tell how to group your store for comparison with the other stores we're visiting, would you mind indicating which of the letters on the first of these pages most nearly approximates your 1959 combined TV and major appliance sales volume? _____ (____)

18. Also, so that we will have some way to compare the price policies of the stores we're visiting, would you mind indicating which set of letters on the second of these pages most nearly approximates your 1959 gross margin on the sales of TV and major appliances?
____(____)
19. Finally, could you please indicate whether your net profit as a percentage of TV and appliance sales volume, has increased; decreased, or remained the same during the past three years? (trend?, why?)

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