CARTER HAWLEY HALE AND THEIR COMPETITORS IN THE UNITED STATES, CANADA, AND THE UNITED KINGDOM

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By

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This paper centers around Carter Hawley Hale and explores many of their competitors. The competitors were chosen on the basis of their own marketing thrust, merchandising target, or management competence. Each has been studied from a view from the top management. The management philosophies, marketing strategies, and financial reports and outlooks are all covered.

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RETAIL OUTLOOK

The Conference Board at New York that plots financial
trends has come out with figures that have a significant
impact on retailing in the future. By 1990, only eight
years away, one in five U.S. households will have an income
that, adjusted for inflation, would equal $40,000 or more
today. Today, only one in 10 households tops the $40,000
line. This comes when the number of single person house­
holds is rising, currently 23%.

Demand is growing for expensive, high-quality luxury
goods and services such as home computers, video recorders,
food processors, fine and stylish clothing, travel, etc..
And those prepared to provide such symbols of the good
life expect ot do very well.
Carter Hawley Hale started as specialty stores. They are now a major retailer in North America. They operate department stores, high fashion specialty stores, and specialized merchandising outlets through which they market apparel, home furnishings, and more. They have established themselves in North American major cities.

Carter Hawley Hale emphasizes fashion, distinction, service, and quality. Their efforts are directed toward the upper-middle and upper income levels.
Though the actual beginning of the Carter-Harley-Kole Corporation dates back to 1906 when Carter went to Los Angeles, more relevant is the date 1916, when Edward W. Carter was named president of The Board of New York. At that time, the building consisted of three stories, and value of $12 million. The industry observer described it as, "the climax of Los Angeles retailing." Edward Carter proved to be the driving force behind the stores.

He believed that the best way to grow out of the stores, and consequently build an inclusive chain of similar centers. Along with the initial expansion, Carter initiated the idea of a regional chain with central management and a single set of buyers; a revolutionary concept at the time.

It took him six months to complete the downtown store. That it could say for the mill and store - only five million dollars.

By 1929, Carter plunged into the expansion, allowing Carter-Harley-Kole to expand cost through acquisition.

This meant another break with tradition; the industry would have to be through cost and stores, feeling that they had made more progress if they knew the stores.

They purchased all the common stock of Hile Brothers Stores, Inc., consisting of the department stores in San
Francesca; and volunteers in Sacramento. They changed their name to Broadway-Mall Stores, Inc.

In 1956, they began purchasing stock in Japanese and Mexican department stores, along in the San Francisco Bay area. It took them 16 years to complete the merger.

In the early 60s, Broadway-Mall entered the discount and chain store markets. In setting up the national chain, Horst's philosophy was to cut costs and reduce duplication where possible. In contrast to oil and shipping, education, material handling and computing, with control over product we can achieve a 40% to 50% reduction in cost, and have our stores within 25 miles of their headquarters in Los Angeles.

As predictable, the 1970 took interest in the acquisition.

In 1969, Broadway-Mall was represented with stores to require an additional general merchandise or specialty store without prior approval.

By the late 1950s, the merger gave them another way of expanding further in the mail order, "...improved transportation, increased competition and reduced production facilities of the major mail order companies."

In 1969, they moved out of the department stores and exclusively into other fields. They purchased Golden Gate, Sunset Malls (a mail-order chain), Discount House (a high-fashion mail-order), and in 1970, the company's mail-order department was completed. By 1970, they continued expanding.
Company Analysis

The strategies used to attain objectives and goals at Curtis Realty Inc. cannot be translated effectively into short-term planning. However, they have remained relatively unchanged since 1984. For 30 of these 36 years, one man has directed the company; for the most recent of those years, Curtis has stayed on as chairman of the board and his assistant, Stephen, has worked on in such the usual manner.

There are three main areas to cover: marketing, management and finance.
Landung: Warenbriefe/Verkauf

Broadway Stores began a campaign to move from a middle-class department store to the upper-middle to high-sales level after Carter took over. The appealing process is time-

consuming and costly. The wrong level of more fashionable merchandise is added and a better line is dropped.

In the first years, cutting into company profits.

As they moved their department stores toward the upper-

middle class, they entered the upper-class market through

the purchase of their high fashion specialty stores: Saks-

Fifth Avenue, Bergdorf Goodman, and Holt Renfrew. Though the high

fashion business is dynamic, with 67.3% of 1971 total sales

concentrated in the more static department stores, Carter

Brothers felt they were good bets. Their stated objective

was to "build sales and margins through a fashion ap-

proach." They also felt that with their policy of innovation

to be discussed later, that they were more flexible to react
to trends in the fashion world.

Carter also made an early decision to avoid the dis-
count business, at a time, 1966, when most major store groups
were entering it. This philosophy is followed today by

Hayley, feeling a need to set themselves apart.
Because of their recognition of a need for unique prestige goods, their customers became the ones that were able to satisfy "their ego satisfaction needs" in all areas involved. They began supplying their clients from a worldwide market.

Their clientele have growing incomes and are not greatly affected by recession. Moreover, decline in inflation, coupled with major inflation, proving their price, their market segment has a bright future.

They also adopted a customer service policy as their highest objective for 1979. Today, at Bandon's Sanders, a customer can call a personalized shopping consultant who will select the items discussed and have them ready to pick up.

With about half of their sales still derived from California, Carter's Holley Hill is expanding into the other areas of the Southwest. But they look forward to a new future.

California sales growth from 1978 to 1979, as opposed to the Eastern seaboard, with an increase of 4%?

At the same time, blanket advertising campaigns and advertising schemes covered the reading areas for a given regional chain.

You must be able to delineate different regions for each corporate district. They also advertised and promote nationally.
The retailing philosophy of better buying, wide development and 12 better prices has continued quite well. "Within
several years the check is written."

If it is easy to see the logic of these arguments, then they divided after
six years. They sold all their stores in 1951. They had to
regain national control to write their future changes
to five years, for another example.

They were sold with a history of long-term leadership,
feeling that if a person realizes that he is only going to be
at the top for a few short years, then he will tend to make
new years, but the best. 51 years of a long executive
officer for 31 years, 21 as chairman of the board, and
president from 1926 to 1957, is on the ACS.

Their board is established with the chairman position
separate from the ACS position. "Chairman of the board is the
time president of the British stores. They have been major,
life insurance claims, and our attorneys on their board.

A point was raised in 1971. If a specialty store's pro-


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The company usually promotes their top executives from within. This changed in 1990 when Eileen Donawa was given the position of vice-chairman and CEO.

They have an employee profit sharing plan, deferred compensation, and pension plan for the non-salaried employees. Approximately 7% of their workers are unionized.

Carter Hawley Hale has continued a plan of acquisition for the past 20 years. "We buy only related businesses in which our management expertise could be useful." 12

They felt that the specialty store was the wave for the future. Shopping centers are, basically speaking, a horizontal line department store. To back this up, the 1991 report states that in the past three years, department stores have dropped 8.2% in sales while their high fashion and specialized merchandising (accounting for 20% of their business) have increased 10.1%.

They look for companies with strong regional identities, traditional merchandising, good market share, and experienced management. They also expect profitability within one year. They stand firmly behind entrepreneurship.

Carter Hawley Hale goes to great lengths to not lose the experience of these family managers of acquired divisions. Their policy is to not do anything at the corporate headquarters that could possibly be done by the field operations. This leaves the managers of each division with a great sense of freedom. Corporate headquarters handle purely operating budgets and long-range planning. Division heads must cri-
yearly to discuss their plans and budgets. What results is competition between divisions; subsequently, each tries harder. It's not easy to see your stores at the bottom of the divisional profitability list published monthly.

In addition to astuteness, Carter Hanay Hake offers the companies the needed funds for expansion and long-term stability of management succession to family-run businesses.

In 1989, Phil Hanay adopted a plan of no more new acquisitions for a while. It seems that they would purchase a low-profitability firm, turn it around, and start to show a pay-off, then they would buy a new one. The last of these purchases were John Wannamaker and Thalberg in 1992.

The corporation also believes in rapid internal expansion. Their planning star has been Neiman-Marcus and recently Welden's with 30 stores a year scheduled to open for the next three years. There is no obvious fraction of their specialty divisions.

They also began a major renovation project at Knoehle, Goodman and John Wannamaker. Something of a show business approach to attracting customers is prevalent today in retailing.
Enlarging the mid-fashion and specialty merchandising area has helped Section 31, Inc., hold its own in a number of ways. Small retailers who think that the leading industry is a guide to their future, yet because of space constraints and high ticket items, they plan a dependence on having a special factor is out time. 14 Small retailers also provide high service as well. They manage "in our own way."

15 Certain did not view the profit margins on investments any different from that department and specialty stores, believing that they could be equally profitable. 

They have a cost property to possible instead of being, preferring to concentrate their efforts on merchandising.

Increasing turnover at Section 31, Inc., 15% below that of competition. 16 To offset this, a more liberal would be provided when sold. Their sales per square foot were also lower than their competition by 15%.

Several years ago, Section 31, Inc., sold 100,000 of the $100,000 at 18.5% interest, a great percentage in their total sales. In 1992, the company internally financed capital expenditures amounting to $600 million. They also refinanced their own company.
Under the influence of RD Carter and later Phil Reiley, Carter Hawley Hale is in an available position. They have operations in all 50 states with a concentration in the high-growth Sunbelt area, but in the established Northeast and Canada. They foresee the growth of specialty stores and shopping centers and moved in that direction. They asked recently about the possibility of promoting another high-fashion specialty store. Reiley replied, "We already have the best." 11

Many analysts feel that Carter Hawley Hale’s future depends on stockholders coming because of future acquisitions and new stores. With the number of acquisitions, Carter’s growth of specialty stores, they need to be in prime position.
R. H. Macy operates only department stores in five regional store groups; Macy's New York, Bamberger's, Macy's California, Davison's, and Macy's Midwest. The regional groups are structured with a main store in a traditional retail center of a major city. The branches are located in residential areas and suburbs in nearby cities. Of the 92 stores in 13 states, three-fourths are located in major shopping centers.

Macy's also operates a domestic buying office in New York and foreign buying offices in Belgrade, Copenhagen, Dublin, Florence, Frankfurt, Hong Kong, London, Madrid, Manila, Paris, Osaka, Peking, Seoul, and Tel Aviv. They also have representatives in 15 other countries.

Macy's operates a properties division. They own and operate six regional shopping centers and has 50% interest in five others.

Macy Credit Corporation purchases all of Macy's customers accounts.
R. H. Macy was founded in 1858 by Rowland Macy. He had three unsuccessful attempts prior to opening a small fancy dry goods store on Sixth Avenue.

Just eight years later, in 1866, Macy's began expanding his store. By 1877, Macy's filled the ground space of eleven stores on Sixth Avenue. Rowland Macy died in that year. His fancy dry goods store had expanded both conceptually as well as physically; it had become a department store.

The Strauss family had been involved with Macy's since 1874. A general partnership was established in 1888 and they took complete ownership in 1896. The firm was incorporated as R. H. Macy & Co, Inc. in 1919.

By the early 30's, Macy's had expanded to encompass the entire block of Sixth Avenue. Billed the "world's largest store", it had 2,012,000 square feet of floor space.

After continued growth and expansion, Macy's hit a slump period during the late 50's and early 70's, especially in the areas of urban concentration. Their flagship store, Herald Square, had become a "money-losing 20-story discount warehouse". The main problems were population shifts which brought lower income buyers into the city and the
simultaneous trading up of the more affluent of its traditional customers. These problems caused Macy's to have to make a store-by-store analysis of markets before effective merchandising revisions could be made.  

Ed Finkelstein with a Harvard background and six successful years at Macy's California, was brought to Macy's New York to try his hand. He used his merchandising know-how and sense of show biz to revitalize the division, declaring that the Herald Square store would be the department store of the 80's. The new image was directed toward the middle-to-upper income levels; a trendy, fashion oriented family department store. This turnaround was dubbed the miracle on 34th Street. Earnings in New York quadrupled between 1977 and 1979, margins were up to 4.6% in 1980 compared to 2.6% in 1979.
POLICIES/STRATEGIES

Management

While other retail giants sought to diversify, Macy's, one of the country's oldest and largest department store chains, has stuck to the sole business of department stores. In the words of now corporate chairman, Ed Finkelstein, 21

While other have dazzled and disoriented them, we've given them one clear signal. We will be the store that offers current merchandise, fully stocked. That's our business. Having worked so long and hard to establish a merchandising style that has appeal for intelligent, well-informed consumers, we're not looking for new ways to express ourselves.

The fundamentals of retailing are spokin about quite frequently at Macy's. Development of competent management, aggressive and creative merchandising, productive new stores and upgrading old ones, and sound financing are the areas they concentrate efforts.

The first fundamental approach concerns a competent management team. Even in these tough economic times, they have reinstated an executive training program. They obviously forsee a need for an increased number and quality of executive.
Their training program, felt to be unique, ensures that only seasoned and broadly experienced people get to positions of store responsibility. Young executives are treated to alternating positions in the buying line and the store line. What results in a person prepared for either line. Macy's feels that this approach encourages change and challenge and it fosters initiative, but it also enhances cooperation as well as competition among their best people.

Most of the top jobs at Macy's are filled from within. There are several reasons for this as pointed out by Chairman Finkelstein. They wish to reward their own successful executives with better jobs and opportunities. Young executives are encouraged. Additionally, a continuity in management is a benefit. No family ties exist between officers of the corporation.

Macy's has 16 members on the Board. They are elected annually to serve. Many of the directors are suppliers of merchandise or services. Management of Macy's maintains that they are not influenced by their presence as to how they buy, sell, or promote those products. 22

Macy's does not seem overly concerned with being perceived as a great source of charitable contributions. They do not lend out employees for charitable organizations. More importantly, their contribution to charity was under $900,000 in fiscal 1981. I do not personally see this as bad as I feel that business is concerned with profit, not charity as an organization.
Marketing

R. H. Macy has been known for years as offering a high quality merchandise at value prices. Their merchandise comes from around the world. They have buyers in every major region of the world, totaling 29 countries. The buying effort is organized under the Corporate Buying Division, Domestic and International, started in 1978.

The merchandise is fashionable, even trendy, where appropriate, buy always current, tastefuy and plentiful. The notion of fully stocked is questioned by myself, and I gather by others within the organization. Mr. Finkelstein emphasized the point in the annual meeting, "I will be more concerned and bothered by lost volume opportunities than I will by a temporary excess of goods in our stores." His explanation being that they would lose the 'allegiance' of their customers if they could not count on a fully stocked store. To a degree, I agree, however, there must be a happy medium stuck, especially in these hard economic times. With the costs of carrying inventory a great deal of capital can become tied up. Finkelstein, in effect, says that he would rather pay the interest rates to finance the peak inventories than cut back. Another consideration is the quick reaction needed to fashion changes. With a large inventory, they are more encumbered than otherwise. On the positive side, this approach has proved successful,
thus far. Additionally, when the economy does turnaround, Macy's will be ready. Past experience shows that retailers are among the first to lead the country out of a recession, and Macy's is likely to lead the pack.

A glamorous and classy image is being projected throughout the Macy's empire these days. The upgraded fashion lines will not attract the right consumers unless they are presented in the most attractive of packages, complete with ribbons and bows. This glamorous image, combined with a shrewd buying policy and tailor it to the specific needs of a particular location, you get enhanced merchandise presentation and increased productivity.

In 1979, Macy's introduced an expansion plan calling for 14 store openings. In 1980, 6 new stores were opened in major shopping centers in keeping with the plan. Macy's sees the suburban shopper as the future. Their strategy is to encircle them with new stores.

Over one-third of their capital budget is allocated to renovations of existing stores. This also includes expansion of existing selling space when the store's performance warrants it.

Macy's has an aggressive capital expansion/renovation plan underway. A total of $300 million will be spent to open 13 new stores. For the next four years, $60 million will be spent a year for major renovations in their three headquarters (Herald Square, San Francisco and Atlanta)
and in ten vital shopping centerstroses.

In a major step for Macy's, expansion into the areas of Florida and Texas. The stores will be large (180,000 to 240,000 square feet) to be located in top quality malls.

The first move will be into Florida. Macy research shows that this market has potential and can sustain growth in the long-run for department stores. The management will be transplanted from the Macy New York division, and the stores will bear the Macy name. This strategy is devised to attract the great numbers of Floridians transplanted from the Northeast that will recognize the name.

The first opening is planned for the Fall of 1983. By the Fall of 1988, they plan to have five stores in operation.

The Houston, Texas metropolitan area. They have found this area to be prosperous and growing. The first store is planned for the beginning of 1984. They again hope to have five stores in operation by 1988.

Some $250 million will be needed for the expansion into Florida and Texas. The funds will be generated entirely from operations. Ed Finkelstein does not foresee this as a strain on their resources.

To present a stronger front in the Midwest, a Macy's Midwest division was formed, including the Macy Missouri-Kansas and Lasalle'e divisions. Through this move they hope to increase profits with a stronger merchandising organization.
One of the major goals they are working toward with their expansion plan is to double the size of the business during the next five years. 

Financial

Even though the economic times have been difficult for all retailers, Macy's has had a relatively good past five years.

Sales for fiscal 1981 were $2.66 billion, an increase of 13.3% over 1980. Comparable store sales were up 9.6%. This is also the average of the past five years. An analyst recently charted this as the best among the department store segment of major retailers. He also stated that comparable store sales comparisons were one of the most critical guides to a retailer's growth momentum, in other words, increasing or decreasing customer acceptance per store. These sales increases for comparable stores are attributed to inflationary trends, higher unit sales, and favorable changes in the relative mix of merchandising price lines. Sales per square foot of average gross store area were $125 in 1981 and $115 in 1980.

Cost of goods sold was 68.9% of sales in 1981, compared to 69.4% in 1980, and 70.1% in 1979. The primary reason for the percentage decreases is the improvement in merchandising gross margins. This is the result of greater
concentration on selling efforts in the higher-margin fashion merchandise.

Management emphasizes expense control through a stringent budgeting process and cost evaluation at all levels of the business. They have also begun programs to limit the impact of inflation by increasing the productivity of both selling and nonselling functions. Some of the measures include; the renovation and rearrangement of selling and support facilities, more efficient use of computer technology, and the installation of equipment to control energy and other costs.

Net earnings for 1981 were $120 million, 16.1% over 1980 and an amazing 56.5% over 1979. This is due to sales increasing faster than cost of goods sold. Earnings per share were $7.35, compared to $6.48 in 1980 and $4.85 in 1979. In April of 1980, there was a three-for-two stock split of common shares. For February of 1981, the dividend rate on common shares was increased to $1.75 from $1.50. The number of authorized common shares was increased from 30,000,000 to 45,000,000 at the annual meeting in 1981.

The corporation provides the funds needed for working capital, the expansion and renovation program, and dividend payments from the cash flow from operations and by financing their customers accounts through the Macy Credit Corporation. There was only one instance of long-term borrowing in the past three years of $12,000,000 for a shopping center.
Percentages of total debt to capitalization has been decreasing over the past three years as a result if the companies earnings performance and the internal financing (23.1% in 1981, 27.3% in 1980, and 30.8% in 1979).

Inventories increased 21.1% over 1980. This increase in considered essential due to the higher sales levels and the inventory requirements of new store openings.
CONCLUSION

In the past five years, Macy's has made the necessary adjustments to stay competitive in this new era of retailing. They started a bit late, but pulled the company out of its 70's slump.

They have chosen not to follow the other major retailers in the now popular strategy of diversification. Their one and only business in department stores, and they foresee no change in this policy. They believe that the company should stick to what it knows best. I feel that they are limiting their potential. Other types of retailing are essentially the same in focus as their own strategy to upgrade their fashion image, specifically the high fashion specialty stores. They already carry the high-margin fashion goods. On the other hand, they are by no means failing on their present course.

They believe strongly in their 'four-wall productivity'; creative and aggressive merchandising, opening top quality stores and upgrading older ones, sound financing, and a competent team to manage the entire package.

They have begun upgrading their image to appeal to the increasing numbers with a higher disposable income.
They have spent millions and are planning to spend more to expand and renovate. Their impending move to the Sunbelt states of Florida and Texas is good. However, I see them as following the crowd. To obtain the advantage over competitors, they should have been there first.

"It is wrong to spend time looking to others for clues to our future. Our problems aren't our competitors and our opportunities aren't either." This statement is somewhat inconsistent with their actions. They are just now entering the Sunbelt, after many of the other retail companies are. However, for the future they see themselves in a stronger position and able to utilize their management to find the opportunities first.
MARKS & SPENCER, Ltd.

Marks & Spencer is headquartered in London, England. They operate three main divisions: department stores, foods, and exports of their St. Michael label. The department stores and the food departments are in the same building, however, they have separate checkout facilities.

They presently operate the M&S stores in the United Kingdom, France, Belgium, Ireland, and Canada. They export to several countries around the world.
MARKS & SPENCER: BACKGROUND

Marks & Spencer's humble beginning was in the open markets at Leeds, England in 1884. Michael Mark, a Polish Jew, set up his stalls and operated on a fixed price basis. Everything sold for a penny. He found that this simplified his accounting and he also had to search for a wide variety and a high quality of goods to sell for this penny. He consequently had to accept a low profit margin and to make up for this, he needed the highest turnover possible.³⁰

By 1903, Marks and Spencer Ltd. was formed. (Spencer being a business associate since 1894) Control was out of the family hands during 1908-1914. However, by the end of 1914, there were 140 branches. They still displayed the characteristics of an open market: open display, easy accessibility to goods, and self-selection.³¹

Another enduring characteristic was developing at this point, the concern for the staff as well as the customer. The work experience was made as enjoyable as possible. A manageress was put in charge of the staff.

Social service was introduced during the time of World War I. A trip to the United States in 1924 brought about the idea of a continuous flow of merchandise and a centralized organization. These ideas became the foundation of Marks and Spencer.
In 1926, the company went public. In 1928, the St. Michael trademark was registered. They were the first general store in the U.K. to produce their own brand.\(^\text{32}\)

By the mid-30's, M & S was in every U.K. town of significant size, truly a national chain. This increased size led to a closer relationship with their suppliers. They eventually took over the role of wholesaler, unheard of in British business.

At this time, they also began developing their food line. By 1939, food accounted for one-third of sales.

In the 50's, post World War II growth of M & S escalated. Between 1946 and 1955, sales increased 450% and pretax profits were up 351%. Their image shifted from a leading retailer to that of a national institution.\(^\text{33}\) The St. Michael label was on all products and was recognized as a mark of good quality and value.
Management

Marks & Spencer is led by a board of 22 executives. These members are all elected from within the organization, from the senior executives. The board meets every morning to discuss problems and concerns. On Monday, all directors and senior executives meet with the board again to discuss problems. Each and every member is asked for his opinion and any problems they might have. These meetings are quite informal for a British firm. However, this is the most formalized aspect of the executives week.

The top officials of the company maintain an open door policy. Executives that are out of their offices can also be reached, with each assigned a code of light, they can be "paged" anywhere on M & S property. beepers are also used to page executives. This communication system allows for fast and informal information flow.

Management is also expected to review or probe into their own division and the company overall. Every detail of operations is scrutinized to keep a constant check on things.
The branch stores are checked on frequently to monitor quality and performance. Saturdays are especially important in this regard. Each board member and senior executive visits two or three stores. Much time is spent talking with the employees of the store. Each employee is responsible for having up-to-date information on sales of individual items and their assessment of quality, as the executives are known to ask questions of everyone.

Executives are also given a basket of M & S food to take home over the weekend. They are also expected to monitor quality and performance.

Within each store there is a dual hierarchy of management. A store manager is responsible for the commercial operation of the store. The staff manageress is responsible for all personnel functions. Each is usually responsible for 50-60 employees. Women are now being promoted into the store manager position, however, the manageress is always a woman.

The purpose of this approach is to present a spirit of the family, run by a "father" and "mother". When a new store opens, it is expected to achieve this spirit within six months.

There are several philosophies that guide the management of Marks and Spencer. These principles have developed since the beginning at the penny bazzar.
of Michael Marks. None is seen as more important than the others, as each is needed for the business to prosper.

The first is good human relations. They are continually concerned with the well-being and care of their staff, 46,000 employees in the UK alone. They feel that this policy results in staff stability, ready acceptance of modern methods, high productivity and good profits. A medical room, with a nurse continually on duty and visited by doctors (physician, dentist, and chiropodist), infirmary, hairdresser, cloakroom, showers, recreational rooms, and dining rooms are all provided for the staff of each store. The thoughts of Sir Marcus reflect commitment of M & S to their staff, "If the facilities are not good enough for top management, then they are not good enough for staff." They spent £48.4 million on non-contributory pensions, subsidised meals, health care, and other staff benefits in 1981.

Another area of importance to M & S is community involvement. This dates back to the WWI period and the Zionist movement. In the past year, they concentrated on three main areas: response to riots, creation of new jobs through helping small businesses, and the training of young unemployed people. Staff is loaned out to head community projects. They donated £1.4 million to
Marks and Spencer also believes firmly in close cooperation with their suppliers. It is said that no suppliers sells anything to M & S, rather, they decide what is needed and have it made up. A group of technicians decide on raw materials and processes and send specifications to the suppliers. Many of their suppliers rely heavily on M & S for their business. As one supplier put it, "We are retailers without shops and they, M & S, are manufacturers without factories." Because of their great buying power, they can get the suppliers to compete on prices. Marks and Spencer expects their suppliers to use up-to-date technology and machinery.

A "Buy-British" policy is also practiced at M & S. More than 90% of the St. Michael brand, both textile and agriculture, is made in the UK. However, when an outside firm produces a high quality good, it is imported. These outside suppliers are encouraged to open facilities within UK, some 1,000 jobs were created in this way in 1981-1982.
Marketing

Because Marks and Spencer is so well known it can dispense with many of the costly marketing expenses other stores must undertake. 37

Marks and Spencer registered the St. Michael brand in 1928. Today, they sell exclusively their own brand. It has become known good quality and good value. The prices are in the middle range.

Because of need for low-margin, a high turnover is needed. Therefore, only those goods that move are stocked. In each department, there are a few lines that fit this description. With only a few lines, the sales staff can concentrate their efforts better. They carry 3,000 items in textiles and 700 in foods.

Ever since the 1884 beginnings a policy of one markup has been practiced. Today, there is a range for the textile group (26-33%) and for the food group (18-24%).

Merchandise is markdowned only when it needs to move, there are no sales. 38. There is very little advertising. They rely on word-of-mouth to promote their business. What is done is purely for information.

The stores are strictly utilitarian. M & S operates on a policy of assisted self-selection. There is no carpet, no fitting rooms, and cash only is accepted. However, the refund policy is quite lax. This is possible
because of the fact that everything that is sold is the St. Michael brand.

By the late 60's several problems were facing Marks and Spencer. Because of the high market share, continued growth in the UK market was unfeasible. To reach new markets they tried to add a line of upgraded merchandise. They did not attract new customers and in fact lost old ones.

A second problem was M & S's dependence of British suppliers. Suppliers had to increasingly depend on imported goods and they were more expensive.

"Because the company is near saturation in the UK, its growth must be overseas."40.

Exports began of the St. Michael label. Many retailers opened sections offering exclusively their brand. Between 1970 and 1979 exports to these retailers increased three-fold.41 During that period M & S went from a policy of distributing to anyone to a selective distribution, concentrating on a few large retailers. They have even given franchises to distribute the products. They have also opened a company in Hong Kong to expedite distribution in the Far East. Israel, Nigeria, and the Channel Islands are big in export sales.
When England joined the EEC, M & S saw an opportunity to expand to the Continent. They began with France. After research, they found several differences, but opened the stores with products made to compete with French ones. They ran into many problems in Paris. They reviewed operations and decided to continue, yet capitalize on their Englishness. In 1979, they operated at a small profit, and in 1982 progress is termed excellent.

Very early, M & S developed a plan of continuous modernization and extension of its stores. They have a budget of more than L300 million to be spent over the next four years on capital expansion.42 Five new stores were opened in 1981, eight are in progress, and five more are being renovated.

They also entered Canada. They expanded quickly to 60 stores to obtain national distribution, believing their Englishness would be an even greater advantage. Again, poor research was done. Stores were placed downtown, not in malls. Canadians found the merchandise dull and the stores cold. They are operating at a small profit.

Total exports from the UK were L58.0 million in fiscal 1982. Canada and Europe accounted for L31.5 million while direct exports were L26.5 million.
Marks and Spencer is truly consumer oriented where marketing is concerned. They are concerned with what the customer needs, not what he can be persuaded to buy. This is in truth the only way a business can flourish in the long run.

Financial

Sales for the group totaled £2,198.7 million compared with £1,872.9 million for 1981, up 17.4%. Profits before tax were £222.1 million compared to £181.2 million a year ago, up 22.1%. Earnings were £120.7 million, up from £99.5 million. The directors increased the dividend this year. Dividend could be covered 2 times, compared to 2.01 times last year. This leaves £60.4 million to reinvest in the company.

Sales in the UK were £2025.3 million compared to £1739.2 million, up 16.5%. This was achieved during an especially difficult time for the British consumer with less disposable income. The increase is attributed to the introduction of new products, new departments, and improved service. Clothing sales were up 11.8% and food sales were up 21.9%.

In Europe the sales were £313.6 up from £33.3 million. In local currencies, they were up 30%. Profit before taxes was £3.1 million compared to £1.9 million in 1981. One new store was opened and two more with 1982 openings planned. Sales depend on Britain remaining a member of
the EEC, which is the UK's largest export market.

The results from Canada were not up to expectations. Sales increased only 8.9%. Pretax profits were £2.6 compared to £2.5 a year ago. However, in dollars the profit was 5.7 million, down from 6.6 million. Net earnings declined to 4.7 from 6.6 million.

Of the three divisions in Canada the M & S is the worst. Sales of textiles were up 2% and food sales up 21%. However the operating loss increased to $1.5 million from .8 million. Markdowns were substantial. Five new stores were opened costing 2.6 million, and two were closed, leaving 61 stores. No new store developments are planned.

Peoples division in Canada increased sales 14% and operating profit improved to 6.1 million from 5.7 million. Again markdowns were more than expected. Seven new stores were opened and three were closed, 68 stores are operating. No developments are planned.

D'Alliard's increased sales by 8% and operating profits decreased to 4.6 from 5.6. Markdowns were again heavy. Nine stores were opened and two closed, leaving 73 operating stores.

There are many reasons given for the poor showing in Canada; increased unemployment, high inflation and interest
rates, reduced consumer spending. New shopping malls and increased competition are other reasons.

Conclusions

I believe that Mark and Spencer is especially suited for the UK market. Their approach of no-frills marketing to improve their prices is especially suited to the British population.

They were also correct when they saw that expansion would have to be abroad. However, the markets that they entered were not researched carefully enough. They relied on their reputation to precede them in France; later they found that only 3% of the French had ever heard of them. Again in Canada, they rushed into the market and today have a total of 207 stores, the majority operating at a loss.

I believe that retailing requires some of the show business appeal. Even a little pampering of the customer is warranted. They are just now beginning to offer extra services to their customers. In the UK, they have been around long enough to establish a good reputation, however, they do not have that in their overseas operations. Yet, they still do little advertising.

To really become profitable in their overseas operations they must be willing to adapt to the new
markets. They need not abandon the philosophies their company was built on, but they need to take a long hard look at them for the overseas markets.
FEDERATED DEPARTMENT STORES

Federated Department Stores operates 268 main department stores, branch stores, specialty department stores and discount department stores. These are located in 27 states and are in major metropolitan areas. They also operated a major supermarket in California with 101 supermarkets.

The main section they operate is department stores. The eleven are Abraham and Straus, Bloomingdale's, Burdines, Filene's, Foley's, Goldsmith's, Lazarus, Levy's, Milwaukee Boston Store, and Sanger Harris stores, each operates as a separate division. Shillito's and Rike's divisions were combined into a single division in 1982. The Bullock's division operates 24 department and specialty department stores. I Magnin division operates 25 specialty stores.

Mass Merchandising is the second classification of stores. The Gold Circle division operates 27 discount department stores. Richway division operates 12 discount department stores.

Federated also operates of supermarket division. They have 101 supermarkets in Los Angeles. Along with this division, they operate the related food processing facilities.
Their latest acquisition has brought them into yet another phase of retailing. Childrens Place carries children's apparel and merchandise. They operate in 12 states with 66 stores.

Of the department stores, 117 are owned and 92 are leased. They own 38 of their discount stores and lease 21. They own 39 supermarkets and lease 62.
FEDERATED DEPARTMENT STORES: BACKGROUND

Federated Department Stores was founded to consolidate four of the leading merchadising families: the Lazaruese of Ohio, Filenes of Boston, Bloomingdales of New York, and Abrahan and Straus's Rothschild of Brooklyn. In the early years, Federated was little more than a loose holding company of these stores. They were incorporated in 1928.

In 1945, Fred Lazarus proposed that Federated become an operating company in fact. The other retailers resisted the idea at first. However, when F. Lazarus put the idea as an ultimatum, either do it his way or he would pull out, they changed their minds. This was a timely decision for the companies to strengthen themselves. The upcoming years proved to be very successful ones for retailers.

They began immediately purchasing other department store chains. Fred Lazarus bought nine of them, turning Federated into a sprawling giant. The FTC took interest in 1964. The result was that Federated was restricted from buying any more general-merchandise stores for five years.

Instead, they began an all-out effort in expansion of their divisions. The divisions moved out of their trading areas and became truly regional in nature. They
also moved into entirely new areas with several of their divisions. They took their firm and made it nationally known.

In 1967, they created the Gold Circle division, a discount mass merchandising unit specializing in soft goods. They added to this a discount foods arm. A year later, they established a similar operation in Florida, the Gold Triangle. They specialized in big-ticket hard goods. Many of these divisions were started, not to show a profit in the 70's, but to show up in the 80's.

For the 70's Federated was banking on the idea that department stores still had a lot to offer consumers. They had hoped that as customers became more affluent, they would be willing to pay for the increased service that a department store was known for. They did not count on the rise in specialty stores. Their main thrust for the 70's was a continued growth program into suburbia with the conventional branch store. They did this at a time when observers were predicting a fall in the department store appeal.

Up until this time, Federated was run as a family business. 'Mr. Fred', as Mr. F Lazarus was known, was the chief executive of Federated since it was organized in 1945. His middle son succeeded him as chairman and chief executive officer in 1967. His youngest son was vice-president. They hired an outsider from, of all places,
Campbell Soup in 1960. Paul Sticht's main area of concentration has been of the corporation's goals and long-range planning. This long-range planning was something relatively new to retailing, learned at Campbells.

Federated acted on the principle that the groups they acquired could continue to operate as separate companies. They believed in the importance of being unique. They felt that if the central office interfered with operations of separate divisions, that they would all take on characteristics of the aggregate. The commitment to autonomy is as old as Federated itself. The name itself is a description of their principle. The extent of central offices involvement with the divisions was to set performance standards and then let the management talent go to work. They called this their management by challenge. Sales and profit goals are set and individual management was responsible for attaining them. However, when a new division was acquired, the central office expected it to take up to seven years for the operation to contribute to the overall profits. The top management of a new division usually changed within five years after a acquisition.

In the early 60's, problems were being encountered in the Federated empire. Because of the great expansion, management was growing very thin. An outside consultant was hired in 1960, and he diagnosed the trouble as a
management build up to keep pace and also a lack of long-range planning. A few years later, four new executives were named to newly created positions at the top.

During the mid-70's recession, Federated pulled through with barely a scratch. However, when consumer buying was down in 1976, their profits fell 25%. The chairman and chief executive Ralph Lazarus and president Harold Krensky faced the tough job of remodeling the department store group. There were three main thrusts to their strategy. The branch expansion would be less localized. They felt that the regionalization would open new opportunities for growth without the dependance on the economy in a single trading area. Another strategy was for the top of each division to pool their merchandising and management thinking. The vehicle for this exchange was a committee task force. The divisional autonomy, so much a part of Federated tradition, was finally being cut into by central office. Such things as computerized inventory control and other financial controls were coming from the top. The top management for each of the top stores was named by headquarters. Budgets, new store openings and policies all began to come from Ohio. In the area of branches, Federated began looking for expansion moves anywhere in the Western United States, especially the Southeast and Southwest. They also purchased Rich's in the Atlanta area. They operate department stores,
discount stores, and boutiques.

Another of the big shifts at Federated was the increased emphasis on the high-margin items such as fashion goods and a move away from the low-margin hardgoods. “Fashion concentration is profit concentration.” 49
FEDERATED DEPARTMENT STORES: POLICIES/STRATEGIES

Management

Federated is run by a group of 20 board members. Ralph Lazarus is now chairman of the board. The president and chief executive officer is Howard Goldfeder.

The overriding goal, as set forth in the annual report, is the increasing of the shareholder's investment. The first priority is to increase the corporate return on equity to a level that not only considers the relative risks associated with any investment, but also compensates shareholders for the effects of long-term inflation. They propose to place a renewed interest on investment productivity in existing businesses and also in new ones.

The long-standing policy of Federated has been one of autonomy. That has given away in the past, but only as much as was necessary for increased productivity. Each division is responsible for current operations, personnel, merchandising, purchasing and other similar matters. Direct buying is conducted by each of the divisions by the individual buyers. Home office provides extensive advisory services to each of the division. There are two subsidiaries of the corporation. One is Federated Acceptance
Corporation. They are involved in buying accounts receivable of the company. The other is Federated Stores Realty, INC. which develops and operates shopping centers.

Most executives start at the bottom, on the selling floor. Federated believes that this makes for a well rounded manager. Recently, more and more managers are being hired from the outside to fill the top level positions. They are at times hired from non-retailing backgrounds.
Marketing

Federated offers on the majority, a higher-margin type goods, especially the fashion merchandise, in their department stores. They have dropped their mass merchandising divisions. The Gold Triangle and the Gold Circle, both offering discount merchandise in either the soft or hard goods, were dropped in 1981. They felt at Federated that this discount end did not offer sufficient growth opportunities for their expansion plans.

They have made plans for the 1982 to expand the department stores by 17. Mass merchandising will receive 12 new stores, and 11 new supermarkets will be opened. Children's Place will open 21 stores. Federated Reality opened three shopping malls in 1981 and plans to open four in 1982.

There are several trends in the market place that Federated intends to capitalize on. They are outlined in the annual report. One of the trends in that the maturing 'baby-boom generation will hit their peak income years in the upcoming decade. American lifestyles are changing in that there are an increasing number of two-income families. The family size is also being reduced. The result is that the population will have a higher
percentage of families with a markedly higher income per household. Combining the maturing baby-boom and the higher income per household, it has been found that these consumers will be in the 35-44 age group. They will have an increased appreciation of good quality and value.

Federated feels that as a diversified retail firm, they will be in the position to offer a wide variety of merchandise and services. They will be targeted to satisfy the demanding, dynamic, and diverse consumers of the future.

As the growing numbers of baby-boomers reach the peaks of their income years, their incomes will be 26% higher than the average for all earners. Their spending priorities will be for better apparel, quality furnishings, convenience items, home entertainment merchandise and luxuries. The increasing numbers in this category will make a great impact on retailers in the 80's.

Although the marriage vows are being said later than in the past, they are on the rise. With this comes the need for home furnishings, and household items. Households in the big-spending category of 35-44 are growing at twice the average rate of household formation.

An echo-boom, the after effect of the baby-boom will bring an increase of purchases for baby needs. This accounts for the purchase of Children's Place, designed to meet these needs.
The choice has become one of either career or children, either way, Federated hopes to cover all possible basis. With a greater number of women in the workplace, there will be several observed changes. (The number of working wives in the 35-44 age group will increase at more than double the average growth rate for all working women.) There will be an increased demand for weekend, noon, and evening shopping, catalogue and video shopping, one-stop convenience, delivery, and other types of services will be expected.
Financial

The financial position of Federated remains strong, despite the hard economic times. They are rated by both Moody's and Standards and Poors in the triple A class.

Sales for 1981 were $7.1 billion, an increase of 12.2% over 1980. Branch stores produced 79.9% of department store sales in 1981, 78.2% in 1980 and 77.2% in 1979. Department store sales increased by 12.6%, mass merchandising by 4.7%, and supermarkets by 15.4% in 1981. Because they have closed the poor performers in the mass merchandising division, the sales increase excluding those would have been 11.2% instead of 4.7%. If the supermarkets that were closed had been excluded, the increase would have been 17.1% instead of 15.4%. The sales increases reflect their investment in new stores, expanded old ones and also, the effects of inflation. Comparable store sales increases were 7% in 1981 and 5.5% in 1980.

Operating profit for the department group increased by $77.5 million. As a percentage of sales in 1981, it was 10.6%, the highest level since in 1978. Mass merchandising increased their operating profit by $6.9 million. As a percentage of sales, 2.8% in 1981, compared with 1.9% the year before. Supermarkets had a $10.8 million increase, 3% as a percentage of sales.
Interest expense rose $10.1 million, compared to a $1.7 million increase reported in 1980. Interest costs were minimized due to the receipt of funds due to the sale of two shopping centers.

Earnings for 1981 were $258.5 million, an increase of 17.9% over 1980 earnings of $219.2, excluding unusual items. The unusual items for the 1981 report were; the equity gain on the sale of two shopping centers, write-off of investments, and charitable contributions.
FEDERATED DEPARTMENT STORES: CONCLUSION

Federated is one of the highest ranked retail organizations in the department store business, they have been consistently. I must therefore agree that, financially, they are quite strong. However, the figures do not represent the future, only the past. I see Federated as a large company, almost too large to react quickly to changes. With supermarkets and specialty high-fashion goods all under one management team, I think they are too diversified. They also have a mass merchandising division.

To be successful, you cannot compete with everyone that is making a profit. They have researched the future and know what is to be expected in the future. Their acquisition of Children's Place proves that. However, I feel that they need to concentrate their efforts.

They have been so profitable in the past because of their size. They also began acquiring before the other retail companies. This now leaves them with only an expansion program as their main concern. Not to say that they will not be interested in acquisitions, they will not be out looking for them.
ALLIED STORES CORPORATION

Allied Stores is one of the country's largest retailing organizations. They operate 512 stores, in 44 states, the District of Columbia and Japan.

There are two divisions at Allied. They operate 25 separate department store divisions. They are scattered across the United States and are permanent fixtures in each community they are in. There are seven specialty store divisions. Many are high-fashion, high quality, with national recognition.

Allied operates seven regional shopping centers, five are wholly owned.

There are four subsidiaries of Allied which support their retail operations. Allied Stores Marketing Corporation and Allied Stores International Incorporation both provide merchandising research and information. Alstores Realty Corporation owns the majority of the properties on which the stores operate. This is financed through long-term mortgages. Allied Stores Credit Corporation holds their customers' accounts and finances this through short-term borrowing.
ALLIED STORES CORPORATION: BACKGROUND

Allied began as the creation of B. Earl Puckett and was incorporated in 1928. The stores he assembled were weak and sought the group buying power and financial assistance from a central management. Puckett, on the other hand, saw the real estate value of the stores, not their future retailing success. He purchased as diverse a range as could be; large, small, big city, small town, mostly downtown rather than in the suburbs.

Because of the wide variety, the management was very decentralized. What control there was, was minimal.

During the early years of the Depression era, building volume was the driving philosophy. "It was in fact, just about all the company had." They continued to acquire more stores, build new ones, all in an effort to add volume.

During the 60's, their situation had changed little. They went through a period of greatly increased expansion. They built 55 new department stores, increasing selling space by 40%. Suburban commitment jumped 30% to 50% of sales. They also moved to enter the growing discounting market.

At first, results were promising. Sales rose 52% and return on equity jumped to 10% from 7.1%.

However, in the late 60's problems began emerging. The loose central management was dragging at productivity.
The top management at Allied had been with the company 30-40 years. The lack of new people with fresh ideas showed. Additionally, when they had expanded, they concentrated on their key markets to the point of saturation. And there were important markets that they were not even represented in; such as Chicago, Washington, Los Angeles, and San Francisco. Also, the retailing boom of the 50's began to ease up and Allied suffered from their lack of market dominance.

As a net result, gains in the early 60's were lost. On a $500 million increase in sales, earnings for the 60's decade came to only $1.4 million. Earnings per share declined.  

Expansion continued despite the poor results of the 60's. Management hoped things would pick up. Twenty new stores were added in 1971-1973.
Management

There was a much needed management change in 1972. Thomas Macioce, 54, took over the chief executive position when Schlesinger retired. At this point, Allied consisted of 16 discount stores and 142 department stores. They operated in 28 states under 30 names, varying in size all the way from very small to quite large. Macioce was vice-president of finance and had experience in law before becoming president and chief executive.

His main concentration was on the bottom line, putting his main emphasis on maximizing the sales productivity of existing stores.55

There are several strategies that Macioce implemented at Allied to initiate a turnaround. Because he is still heading up Allied, these practices are still in place.

One of the first steps was to slow down the expansion rate for a short breather. This time was to stop and analyze just exactly where they were going.

Management moved toward centralization. Each store division is under the supervision of its own management which is responsible for day-to-day operations and profitability. Central office works with each group to determine goals and policies. Reports of weekly progress
were sent to the central office. There they kept a watch on the previous year's figures. Additionally, the merchandising function was centralized. Purchasing is done directly from the divisions in some cases, however, they do operate buying offices. A domestic buying office is in New York and foreign buying offices are in London, Frankfurt, Florence, Montevideo, Madrid, Osaka, and Seoul. This gave Allied more clout with their suppliers. Stores began concentrating on creating an impression with their merchandise presentation.

The quality of sales help is another area of concentration. Sales recruiting, video cassette training, and rotation are all part of their strategy to increase efficiency.

Their long-term strategy is to capture the market share in the high-profit-potential classification. Translated, this means an emphasis on the specialty divisions.

All-in-all, their one-step-up program, begun in the late 70's, is still being followed. Not only the price lines, but also the fashion and presentation is being improved. They are dropping the 'budget basements', feeling that they are much too price competitive. They are also adding designer labels and better labels to their stock. However the step-up plan has a different emphasis for each store; as each has its own identity.
In the future, Allied plans to continue to look for suitable acquisition, will further its trading-up plan, build up its geographical representation for its department stores, and "explore the opportunities for rounding out our business in finance and insurance."57

They will not according to Macioce, diversify into manufacturing. They will not join the parade to the discount and the low ind field in general. They do not plan to go oversees. They feel that these ventures have not been successful in the past.
Marketing

Allied had begun a step-up program in the 70's. This covered increased pricing, as well as merchandise and presentation. They added better brands and designer labels. They began to emphasis these in their promotions.

This step-up program was targeted toward the more affluent customers of the 80's. They also have begun targeting toward the specialty groups. Petites, large-sized women, and the working women.

Allied's target has been up. The strategy is higher-quality, higher-fashion, and higher-priced. Keeping this in mind however, Allied "seeks to satisfy the general merchandise needs of their markets, serving customers of all ages with varied interests and incomes." 58

Allied is known throughout the retail world as an expansion minded firm; it is in fact their heritage. They opened 17 department stores in 1981, two Bonwit Teller's, and 1- Plymouth Shops. Capital is allocated to the divisions with the most promising futures, and superior returns.

Allied completed a major acquisition move in 1981. They purchased the outstanding stock of Garfinckel, Brooks Brothers, Miller & Rhoads, Inc. (Garfinckel) This purchase represented an increase of 260 stores in 33 states,
the District of Columbia, and Japan. In addition to the ones listed in the name, there is Catherine's Stout Shoppe, Ann Taylor, and Harzfeld. This acquisition represented a total outlay of $234 million. They had to borrow $100 million, due in 1983. They are also looking for long-term financing of their short-term debt of $230 million. At a time when most retailers are avoiding long-term debt, with their attached high interest, this is a gutsy move for Allied.

This acquisition contributed greatly to Allied's position in the specialty field of retailing. This area now represents 10% of Allied's sales, 90% going to department stores.

For 1982, a more restrained expansion program is called for. Four department stores, five Brooks Brothers, four Ann Taylors, three Catherine's and two Plymouth Shops are planned. It is obvious from their expansion that they foresee specialty retailing to be a growing concern in the future.

One reason for the increased in expansion in the specialty end is the economic advantage over department stores. The initial investment is less and they can be opened faster. Another reason is that they cater to 52% of the population, women.59
However, they will continue selective expansion in their department stores. They will be smaller, scaled-down versions, and only the departments with the greatest profit potential will be represented. (They will be 25% smaller than existing stores.) The capital outlay is expected to be $750 million for the next five years. In 1982, the outlay was $486 million; without the Garfinckel acquisition, it was $131 million.

The downtown locations and their discounting operations were both losing money. To counteract the losses, Allied to consolidate the operations. (They later dropped the Almart-J.B. Hunter stores altogether.) During the mid-70's, 68% of Allied sales were generated from suburban locations versus 32% from downtown. However, when the economies of downtown retailing improve, Allied intends to seek investments there. They feel that the population is increasingly moving back to the cities.
Financial

Sales for fiscal 1982 were $2.73 billion, including $252 million contributed by the Garfinckel division. Excluding the Garfinckel acquisition, sales rose 9.4%. Sales rose 2.6% in fiscal 1981. The first half of 1981 saw strong sales. The second half was disappointing. Inventory commitments had been made and as a result, promotions were heavy.

Earnings were 5.9% in 1981, $88.3 million compared to 8.4% in 1980.

Margins were maintained, as were cost of goods sold. Interest expense increased significantly to 2.1% of sales, compared to 1.3% and 1.5%. Almost three-fourths of this was attributed to the Garfinckel acquisition.

Short-term borrowing increased and resulted in decreased current assets. The ratio of current assets to current liabilities dropped to 1.65 to 1 as compared with 2.45 to 1 in 1980.

Merchandise inventories increased by 19%, excluding Garfinckel. Ratio of inventories to net sales was 16.3%. The preceding years were 15.1% and 14.8%. This is accounted for by the sudden decrease in sales during late 1981.
ALLIED STORES CORPORATION: CONCLUSION

As a whole, I see Allied moving toward a sound future. Their assessment of the increasing importance of high-quality, high-fashion is a good one.

Allied's latest acquisition has put them into a position of having both strong department stores and strong specialty stores. They have also divested the discount division and any under par performers.

"Allied is one of the few major big-store companies which appears to have cleaned its house and is poised for a clearer, more simplified, less encumbered approach to future growth." 63
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