

EFFECT OF SIMPLIFICATION AND TURNOVER ON THE COST OF DISTRIBUTION

Simplification

Every merchant has a certain amount of capital which he can invest in merchandise for resale and his chances for profit depend mostly upon the frequency with which his capital can be reinvested,—turned over, leaving in his hands each time a reasonable percentage. This percentage is not earned until merchandise is sold. The merchant who thinks himself forced to carry too many articles of the same description is faced with the problem of reducing the number of brands and varieties carried. Any scheme of merchandising which does not consider this problem carefully and constantly fails just that much of approaching a possible height of success.

A good many merchants have been scared away from this idea by the thought that it means stripping the stock to the bare bones; that it forbids carrying new styles and novelties. This is all wrong. In Figure 1, a supposititious case is presented to show the effect of more or less varieties upon the amount of the investment in stocks when the number of articles in each variety remains the same. In the left hand group, Column B is based upon what we may regard as an average condition of stocks; Column C shows the investment needed if the number of varieties is only half as great; and Column A contemplates twice as many varieties as in Column B. For example (Column B): suppose that a retail dealer in men's clothing carries ten styles of hats and caps with forty of them in each style at an average wholesale value of \$2 each, his investment would be \$800. If he should decide to carry only five styles with the same number in each style his investment would be cut in two; and if he should double the number of styles his investment would be doubled. These facts are shown very clearly by the left-hand group of Figure 1 which merely happens to be based on the retailing of men's clothing. It would be quite as consistent if applied to groceries or drugs or to the wholesaling of articles since we are concerned here only with principles and not in the least with any particular conditions or with any particular kind of business. *These facts apply profoundly to every phase of Distribution, from the manu-*