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SERVICES OF RURAL TRADE
CENTERS IN DISTRIBUTION
OF FARM SUPPLIES

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UNIVERSITY FARM, ST. PAUL

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SERVICES OF RURAL TRADE CENTERS IN DISTRIBUTION OF FARM SUPPLIES¹

H. BRUCE PRICE and C. R. HOFFER

The purpose of this bulletin is to present an analysis of the organization of distribution of supplies and services among the farm population of Minnesota. It is a study of the buying side of the farm family business in contrast with the selling side, to which major attention is usually given. The whole question of the relations between farm people and the villages and cities that furnish them the major part of the supplies and services is also involved.

IMPORTANCE OF FARMERS' BUYING

The average gross cash income of the farmers of Minnesota in 1925 has been estimated by this division on the basis of census data at \$2,100. For 1926, the comparable figure is \$2,091. Neither figure is to be taken as accurate. Altho based largely on data from official sources, the methods available for collecting data are such that it is impossible to make them satisfactorily complete or accurate. Table I gives the average gross cash income of the farmers of Minnesota for each year since 1900. The estimates are even less satisfactory for the earlier years than for 1925 and 1926. The earnings from outside labor are considered a part of the farm family income, in this analysis.

TABLE I
AVERAGE GROSS CASH INCOMES OF FARMERS OF MINNESOTA, 1900 TO 1926

1900	\$ 480	1914	\$1,117
1901	704	1915	1,204
1902	719	1916	1,343
1903	715	1917	1,795
1904	746	1918	2,591
1905	712	1919	2,483
1906	658	1920	2,125
1907	906	1921	1,273
1908	924	1922	1,406
1909	906	1923	1,555
1910	1,062	1924	1,836
1911	910	1925	2,100
1912	1,013	1926	2,091
1913	1,120		

¹The Division of Farm Population and Rural Life, of the U. S. Dept. of Agr., Dr. C. J. Galpin, chief, co-operated in the survey of the 238 stores in twelve cities and villages of Minnesota. Dr. Galpin helped to plan and direct this part of the project. Mr. Hoffer made the field studies and analyzed the data. These data were submitted to the Faculty of the Graduate School of the University of Minnesota as a thesis in partial fulfillment of the requirements for the degree of Doctor Philosophy. Degree granted June, 1925.

A special survey of 694 farm families in 1925 and 1926 showed average cash receipts and expenditures of about \$2,800. An effort was made to select the farms in as random a manner as possible, but it is probable that those included are a little above the average for the state. The true cash expenditure is therefore probably half way between the two figures.

Assuming the figure of \$2,500 to be approximately correct, in 1925 it was spent, as nearly as can be estimated on the basis of available data, as indicated in Table II.

TABLE II
MANNER OF SPENDING \$2,500 OF GROSS CASH INCOME BY MINNESOTA FARMERS IN 1925*

Items	Amount	Percentage of total
Family living	\$ 832	33.3
Automobile	180	7.2
Farm buildings and equipment	173	6.9
Current farm operating expenses	751	30.1
Taxes	120	4.8
Interest	209	8.3
Payment on principal of farmer's debt	130	5.2
Life insurance	30	1.2
Other investments	75	3.0
Total	\$2,500	100.0

* This division of farm expenditures is estimated on the basis of survey data of 694 farm families obtained by Dr. Carle C. Zimmerman in 1925 and 1926, and upon reports of from 200 to 600 Minnesota farmers in 1922, 1923, 1924, and 1925 obtained through questionnaires by the Bureau of Agricultural Economics of the U. S. Dept. of Agr.

Several items in this classification are more or less mixed as to their essential nature. New equipment is partly to replace worn-out equipment, hence is a current farm expense; and partly to increase the farm equipment, hence is a capital investment. The same is true of buildings. It is impossible to separate automobile expense between the farm business and family living. A little of the interest paid is on debt contracted to provide family living or to buy or maintain an automobile. No doubt this is true of some of the payments on principal also. The grouping is so presented in the table because expenditures are made in this way.

It is also well to divide two of these items, "Family living," and "Current farm operating expense," a little further. This is done in Tables III and IV.

From these data it is possible roughly to estimate the total volume of farmers' purchases through trade channels in the state in 1925. Table V presents such a calculation. It shows a grand total of \$1,535 per farm, or \$289,100,000 for the state. This is to be compared with an estimate of sales of farm products through trade channels as given in Table VI.

TABLE III
CLASSIFICATION OF FARM FAMILY LIVING EXPENDITURES (EXCLUSIVE OF
AUTOMOBILE AND LIFE INSURANCE)*

Items	Amount	Percentage of total
Groceries (purchases)	\$280	33.6
Clothing	184	22.1
Housekeeping and fuel	132	15.8
House alterations and repairs	52	6.2
Health	63	7.6
Advancement	74	9.0
Personal	47	5.7
Total	\$832	100.0

* Distributed on basis of data used in Table II.

TABLE IV
CLASSIFICATION OF CURRENT FARM OPERATING EXPENDITURES (EXCLUSIVE OF AUTOMOBILE,
TAXES, INTEREST, AND FARM BUILDINGS AND EQUIPMENT)*

Items	Amount	Percentage of total
Labor	\$193	25.7
Feed	78	10.5
Twine	29	3.3
Silo filling and threshing	68	9.2
Seed	32	4.3
Oil and gas	36	4.8
Veterinary medicine, salt, etc.	23	3.1
Livestock purchased	150	20.1
Machinery repairs	36	4.8
Farm building repairs	17	2.2
Property and crop insurance	19	2.6
Cash rent	58	7.7
Others	13	1.7
Total	\$752	100.0

* Distributed on basis of data used in Table II.

TABLE V
ESTIMATED VALUE OF FARMERS' PURCHASES THROUGH TRADE CHANNELS
IN MINNESOTA IN 1925

Items	Per farm	Total for state (000,000 omitted)
Family living:		
Groceries	\$ 280	\$ 52.7
Clothing	184	34.6
Housekeeping and fuel	132	24.9
House alterations and repairs	52	9.8
Health	63	11.8
Advancement	74	13.9
Personal	47	8.8
Total	832	156.5
Automobile	180	34.0
Farm buildings and equipment	173	32.6
Total	353	66.6

TABLE V—Continued
ESTIMATED VALUE OF FARMERS' PURCHASES THROUGH TRADE CHANNELS
IN MINNESOTA IN 1925

Items	Per farm	Total for state (000,000 omitted)
Current farm expenses		
Feed	78	14.7
Twine	29	5.5
Seed	43	8.1
Other	200	37.7
Total	350	66.0
Grand total	\$1,535	\$289.1

TABLE VI
ESTIMATED SALES OF MINNESOTA FARM PRODUCTS THROUGH TRADE CHANNELS IN 1925

Items	Per farm	Total for state (000,000 omitted)
From dairy herd	\$ 735	\$135.0
From beef cattle herd	147	26.9
Other livestock	628	115.1
Poultry and eggs	150	27.5
Grains	446	81.6
Potatoes	87	15.9
All other crops	107	19.7
Total	\$2,300	\$421.7

The volume of purchases is almost exactly two-thirds of the volume of sales. This is sufficient warrant for giving more attention to selling than to buying, but not enough to warrant neglecting buying altogether, as has been the practice at many agricultural experiment stations.² Buying is neglected as a subject for study probably because it is mostly done in small amounts at a time. We may be concerned about the price when we buy a pair of shoes, and again when we have a watch repaired, but seldom enough so to take any drastic action about it. Moreover, we become deadened to irritations when they are small and often repeated. However, the losses from poor buying and poor organization for distributing supplies to consumers may become nearly as large as the losses from poor selling. A large number of small losses may total as much as a few large ones.

In the analysis from this point on, the term "town" will be used to refer to a country village or city. Cities of from 10,000 to 15,000 inhabitants or more will ordinarily not be so designated.

² The Minnesota station has published two bulletins on co-operative buying, both of which are now out of print. These are No. 171, "Co-operative stores in Minnesota," by E. Dana Durand and Frank Robotka, 1914; and No. 167, "Co-operative buying by farmers' clubs in Minnesota," by E. Dana Durand and H. B. Price, 1917. It has also analyzed somewhat the handling of supplies as sidelines of grain elevators, potato warehouses, and creameries.

SOCIAL SIGNIFICANCE OF THE FARMERS' SUPPLY SERVICE

Good organization for filling the needs of farm people for supplies and services has important implications other than the mere selling of goods and services at low cost. Following is a brief outline of the more important relationships involved. Some of these will be discussed in detail.

1. The most obvious one is that the town merchant acts as purchasing agent for the people on farms, procuring for them from wholesalers the goods for which they ask.

2. Incidental to the foregoing, the town merchant furnishes the people on farms a certain amount of credit. This is far less important in this region than it is in the South or than it formerly was here.

3. Largely incidental to the foregoing, the town merchant acts as agent for the people on farms in selling certain of their products. This is part of the selling and not of the buying side of the farm business and should not be discussed here except that it is closely associated with buying. The eggs taken by the merchant are ordinarily credited against purchases of groceries.

4. Many stores provide important conveniences for farm people when they come to town—waiting room, lunch room, and telephone service.

5. The merchant in his capacity of purchasing agent for the farm people is in a position to help them greatly in the choice of their goods. It is really his function to direct the buying of his customers in considerable part. He does this, in the first place, when he selects his stock of goods. If he is a capable merchant, he will buy only goods that represent honest values. In the second place, if his customers are in the habit of asking for grades or brands of articles that do not represent as good economy as other grades or brands, he will endeavor to educate them. His principal device for doing this is to buy some of the better grades and induce his customers to try them.

Illustration of this is found in food purchases. Studies of farm and village people show that many do not have a properly balanced diet and that it is difficult at many village stores to buy the assortment of foods needed for a properly balanced diet. The merchants say "If they will ask for these things enough times to make it appear that it will pay us to stock up with them, we will be only too glad to get them." This is a short-sighted policy. The merchant should act as a leader in such matters. He should be willing to sacrifice a little at the beginning in order to get people to buy what they really need, particularly if it is possible that he will sell enough to make it worth while from a commercial standpoint. An attractive display of mod-

erately priced fresh fruits and vegetables, for example, will induce many families to lighten their diet, as many so much need to do.

6. Because of his wide contacts with the people on farms, the town merchant is in a position to be a real leader of the farm people along many lines. He can influence their thinking toward more progressive methods of farming, toward better roads, and toward better co-operative marketing and other rural organization.

7. Merchants are also in a position to be highly influential in the town itself. The merchants are the most important single group in most country towns. They alone can decide, in many cases, whether certain changes or improvements will be made that will make the town a better place for farm people to come to for their trading, their education, and their recreation.

The foregoing make up the bulk of the relationships between farm people and town people that are involved in establishing the spirit of friendly co-operation and mutual effort toward common ends that is so essential to the town-country unity so much discussed in recent years.

OTHER SERVICES BY TOWN PEOPLE TO FARM PEOPLE

The above discussion is of relationships between town and country growing out of the merchandising function of the town. Following are some other important ones.

1. Assembling and selling service for most of the farmers' products. The town consumes some of them directly.
2. Banking and financial service.
3. Professional services of doctors, lawyers, veterinarians.
4. Communication service—through mails, telephones, and local newspapers.
5. Educational service.
6. Amusement and recreation service.
7. Religious service.

This study, however, is not concerned with any of these except as they are related to merchandising or retail service.

PURPOSE OF STUDY

The people in a country town and in the surrounding trade area make up the most important economic and social unit in rural organization. Important studies have been made of rural organization along these lines. The first was made in Walworth County, Wisconsin, by Dr. C. J. Galpin. The value of such studies was at once recognized. Soon after, a similar study was made in Dane County, Wisconsin, and since then many trade areas have been mapped in

various parts of the United States. The mere mapping of trade areas, however, goes but a short way toward solving the real problem of establishing the right sort of town-country relationships. The study reported here is concentrated on one set of these relationships, those growing out of the merchandising service of the trade center. Its emphasis is therefore more upon the trade center itself and less upon the surrounding area than in most of the studies made.³

On the whole, farmers have perhaps criticized the local trade center more than they have praised it. Few of them understand the problems that the merchant must solve. They are easily led to believe that trade agencies make an undue profit because at the local trade center the balance is struck for them between the prices for what they sell and for what they buy. They forget or fail to realize that in the prices paid to the local merchant are included all the charges that have been added to the farm product since it left the farm in the raw state. Transportation charges, storage charges, manufacturing charges, as well as the margin that the local trade agency takes, are all combined and added to the price when the local merchant sells the goods back to the farmer. Those who have written on the subject have for the most part either praised or condemned the country town according to their personal point of view. Fiction writers have either magnified its faults or extolled its virtues. Business experts have sought out its weaknesses and have formulated plans for its future growth, but their plans have been much more applicable to city conditions and urban populations than to rural communities, where farmers predominate.

One important phase of the problem relates to the size of the trade center. It is a generally recognized fact that the small trade center does not offer as high-grade commodities as does a large trade center. Neither does it have as great a variety of commodities. The farmer needs groceries, hardware, furniture, shoes, and clothing as does the urban resident. Farmers fortunate enough to live near a large trade center can buy groceries at an exclusive grocery store, shoes at a shoe store, clothes at a clothing store. Those living near small trade centers either can not buy certain articles near home or must purchase them at a department or general store where only a limited assortment of grades is kept.

Such other advantages as attractive displays, store conveniences, and the knowledge of his stock that the keeper of a special store usually has, are not found so frequently in the small trade center. Farmers are not satisfied with this incomplete trading service. Some-

³ Two bulletins have been published that emphasize the importance of the trade center in rural life—Bull. 245, "Rural organization," by the North Carolina Experiment Station and "Service relations of town and country," Wisc. Agr. Expt Station Res. Bull. 58.

times the dissatisfaction is expressed openly, but more frequently it is shown by the farmer's shopping trips to a larger center or by his patronage of a mail-order house. Such actions lead to misunderstanding between merchants and farmers, and when misunderstanding develops chances become poor that trading service at the small center will be improved. Even the most thoughtful and well-meaning farmer is put in the dilemma of either trading at a small center, which only partly or inadequately supplies his wants, or of playing "traitor" to the small trade center by going to one that more nearly meets his wants and needs. In the first case, the farmer accepts incomplete service and does the best he can under the circumstances. In the second case he incurs the disfavor of his neighbor merchants. Rural community progress awaits a satisfactory interpretation and clarification of these two conflicting interests.

Twenty years ago it was perhaps safe to argue that farmers ought always to trade at their nearest trading point. Today farmers are in doubt about the importance of the local trade center, especially if it is a small one. Catalog houses reached by parcel post and chain stores in larger trade centers easily reached by automobile have greatly changed the situation. The merchants are equally puzzled, and are at a loss to understand the farmer's attitude.

During the last half century great changes have taken place in farm life. Traditional methods of plant and animal production are giving way to more scientific methods. Machinery has taken the place of much hand labor. Farming has become more of a business enterprise, and the farmer in many respects a business man. Have the stores in the trade center where this modern farmer purchases merchandise kept pace with the improvements on the farm? Some trade centers have actually become smaller than they were twenty or thirty years ago. The old type of general store, offering groceries, dry goods, and possibly a small assortment of shoes, still remains. Often the store is dirty and the merchandise is not neatly displayed. No conveniences for customers are provided. The best evidence that stores in general have not kept pace with the times is the goodly number of stores that some towns have. However, in many rural trade centers some stores are clean and well lighted. The merchandise is well displayed, and there are conveniences for customers such as rest rooms, drinking fountains, and free telephone service. There is great variation in the service offered by rural trade centers.

Much has been written about the farmer and his problems. Research studies have been made in order to discover what might be done to make agricultural production more efficient and remunerative. But the counterpart of the farm, the rural trade agency, has been a neglected

field of research. Yet it is becoming an open question whether the greatest progress can be achieved in the socialization of rural community life when the rôle of the trade center that forms the hub of the economic and social life of the community is little understood or is given only casual consideration. The trade center is a vital part of community life and warrants careful analysis and study. Its influence touches every home in the community. The farmer comes in contact with the merchant more frequently than with any other agency in the community. He visits the store oftener than he does the school. He engages in conversation with the merchant more frequently than he does with the minister. And it not infrequently occurs that the clothier, the grocer, or the hardware dealer knows more about the farmer and understands his mental attitudes better than any other person in the community.

This study aims to present the facts as to the trade centers and trade agencies included in this study, to point out the relationships between these trade agencies and the farming populations they serve, and on this basis to suggest programs for improving these relationships through better merchandising.

NUMBER AND TYPE OF STORES

The principal agencies in the country town that supply farm people with merchandise and merchandising service are the stores of various kinds, implement and automobile dealers, lumber yards, grain elevators and feed merchants, fuel dealers, and harness shops. It was thought best not to attempt to study all these types in detail. Accordingly stores were singled out for special consideration. First, the data were analyzed as to the types and number of stores in 603 towns in Minnesota having a population of less than 11,500, as these are given in mailing lists in commercial directories for Minnesota. As would be expected, the data show that in general the larger the town the more the types of stores in it. The 339 towns having a population of less than 500 averaged less than one drug store per town, and more than half had none. Towns with a population of from 500 to 1,000 averaged a little more than one drug store per town. Only one in 20 of the 603 towns had no drug store. Similar data for furniture stores show that rarely do towns with a population of less than 1,000 people have such stores, and only 3 out of 4 towns in the 1,000 to 1,500 population class. General stores, however, are found in all towns, the average in towns of less than 500 population being 2.79. The minimum size of town for a jewelry store is approximately 1,000. Towns smaller than this average less than one. Ladies' ready-to-wear and dry goods stores do not average one store per town until the group ranging from

3,000 to 3,500 in population is reached. The minimum for men's clothing stores is 1,000 population. Shoe stores do not average one per town until the group having a population of 2,500 to 3,000 is reached. Variety stores average less than one per town in all groups under 3,000 in population. The data as to the minimum size of towns in Minnesota for various types of stores may be summarized as follows:

	Population of town
Drug stores	500
Furniture stores	1,000
General stores	*
Grocery stores	1,000
Hardware stores	*
Jewelry stores	1,000
Ladies' ready-to-wear and dry goods stores.....	3,000
Men's clothing stores	1,000
Shoe stores	2,500
Variety stores	3,000

* No lower limit.

In Figures 1 and 2 is shown in detail how the number of stores of each type (except variety stores) increases above the minimum until a population of 5,000 is reached. The increase in each case is general, but irregular—towns belonging to the 3,000 to 3,500 group average 6 grocery stores per town, while towns in the 3,500 to 4,000 population group average only 4 per town. The figures for general, hardware, ladies' ready-to-wear, men's clothing, and shoe stores show similar inconsistencies. The variations in grocery stores and general stores are most marked. It is not reasonable to expect general stores to increase in proportion to the population of the town, because as the town grows many of the commodities ordinarily handled by general stores are sold by more specialized stores.

These data can be taken as a rough guide to the probable number of stores of each type needed by a town of any particular size if it is to conform to the average. Some of the circumstances that cause towns to differ from the average are: An unusually large rural trade and surrounding small villages without certain types of stores, or a summer resort population. In general, however, stores of any type not suited to a town or too many stores of any type are due to the tendency of persons to over-estimate the trading possibilities of the town. This was brought out clearly in the detailed study of twelve towns to be discussed later. Drug stores were found in all of the twelve towns, tho the value of stocks in the two towns of less than 500 population was considerably below the average for all stores. One grocery store was found, in town B, with a stock of goods valued at only \$1,500. The value had not increased since the store was estab-

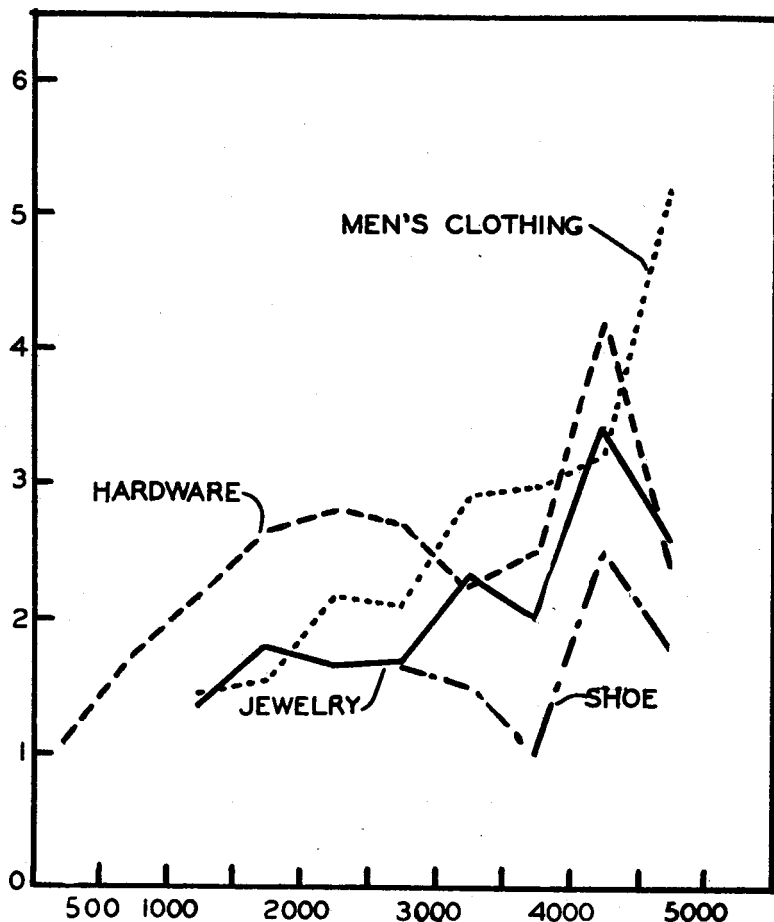


Fig. 1. Population of Towns and Number of Stores

lished. Hardware stores were found in all towns. A jewelry store was found in town D, with a population of 830. The smallest town with a ladies' ready-to-wear and dry goods store had a population of about 2,000. This store had been established for only one year. The next largest town that had a ladies' ready-to-wear store had a population of 2,699. One shoe store was found in the smallest town. The owner had a shoe repair shop in the rear of the store and the same man took care of both. The same was true at town E. At town F, one of the shoe stores was kept by a harness maker and he depended on harness-making to supplement the shoe business. No variety stores were found in towns having a population of less than 1,000. The kind and amount of commodities handled by stores of this type varied a great deal.

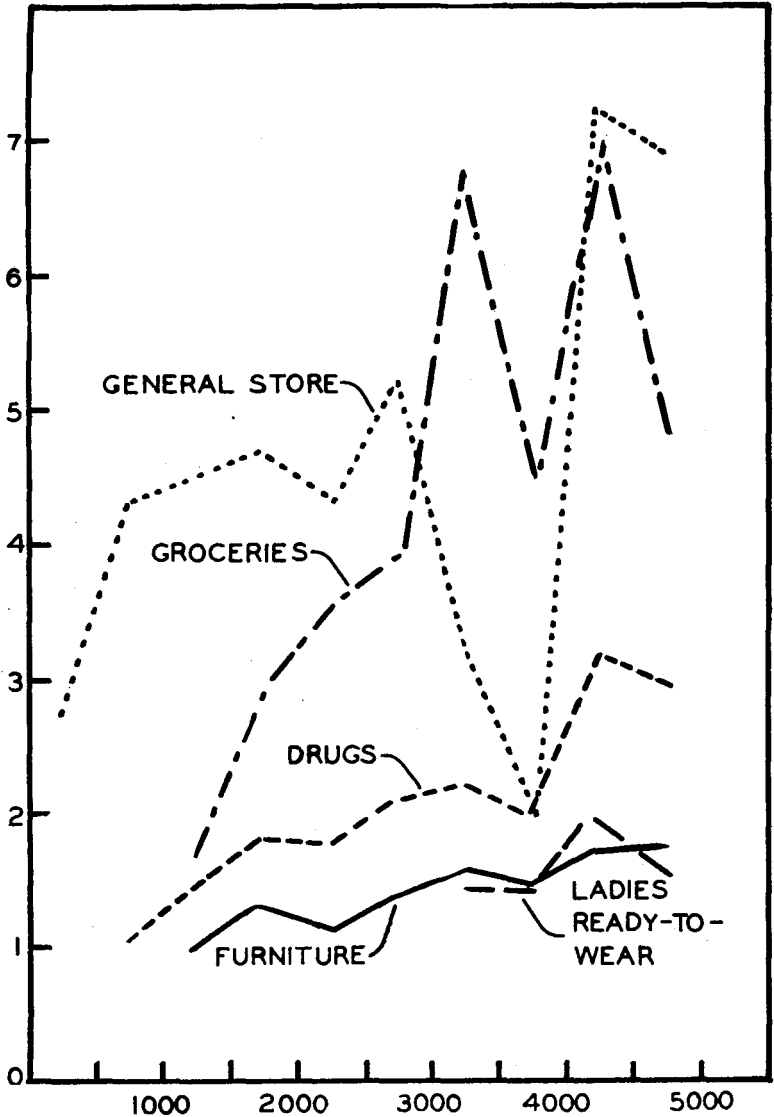


Fig. 2. Population of Towns and Number of Stores

Whether or not a given type of store can permanently exist in a town must depend upon the number of people in the trade area who will buy at prices that will enable the owner to continue in business on a paying basis. It is no more reasonable to expect a small town to have every type of store than to expect it to have different kinds of doctors or specialists in any other field. More important, from the

standpoint of the town and the community, is to make sure that existing types serve their customers efficiently and well.

TWELVE TOWNS IN DETAIL

In order to obtain a more intimate understanding of the problem, a detailed study was made of 238 stores in twelve towns in Minnesota. Table VII gives the number of stores of each kind visited in each town. In order of number, general stores and grocery stores are first, hardware and men's clothing next, and furniture and variety stores last. In selecting towns for this investigation, three objectives were kept in mind: (1) To select trade centers that are strictly representative of rural conditions; (2) to get pairs of trade centers as nearly alike as possible; (3) to select towns varying in size from small hamlets to those having a population of approximately 10,000. The following were eliminated:

1. Towns having a population of less than 300 or more than 12,000. It was thought that towns having a population of less than 300, because relatively few in number, would vary greatly because of local circumstances and hence not be representative.⁴ Towns or cities having a population of more than 12,000 were omitted because, as a rule in such trade centers, the rural trade has little influence on the merchandising.

2. Towns in the Iron Range section of the state, because obviously not agricultural trade centers.

3. Towns with railroad shops and roundhouses.

4. Suburban towns, because of their nearness to large cities and because of the urban character of their residents.

5. Towns where the tourist trade was a considerable factor in the trade relations.

After these eliminations 386 towns remained on the census list.

The next step was to look for pairs of towns of approximately equal size that were located near each other. It was thought that a comparison of towns with similar trade advantages might show one excelling in store service, and if so, the circumstances connected with it would be highly significant. After several such pairs of towns were found, located in various parts of the state, twelve were selected that seemed most nearly to meet all the requirements of this study. The population of these towns, as given in the 1920 census, and their approximate location in the state are as follows:

⁴ Several small crossroad stores were visited but no data could be collected. In the majority of cases the stores were operated as a part of some other business or were being operated at a loss to the owners.

Town	Population	Approximate location
A	454	Central part
B	388	Central part
C	1,142	West Central part
D	830	West Central part
E	1,346	North Central part
F	2,186	North Central part
G	2,790	Central part
H	2,699	Central part
I	3,481	Southwestern part
J	3,325	Southwestern part
K	11,089	Southeastern part
L	7,252	Southeastern part

The people in the counties in which these towns are located are representative of the rural population of the state from the standpoint of nativity, according to the 1920 census. The density of population in these counties averages 31.1 per square mile, the range being from 19.9 in the county in which town F is located, to 57.2 in the county in which town K is located. The state average is 29.5 per square mile. The relative proportions of agricultural and manufacturing production per capita, as given in Table VIII, are significant as indicating to what extent the different areas are agricultural. Thus the county in which town K is located is really more a manufacturing than an agricultural county so far as value of product is concerned, altho the income from manufacturing goes to a relatively small part of the population.

The survey was made in the summer of 1922. The sales data are for the calendar year 1921.⁵

Table VII shows that general stores, drug stores, and hardware stores are found in all of the twelve towns. An exclusive grocery store and an exclusive shoe store were found in town B with a population of only 353, but both were small. Men's clothing, jewelry, furniture, and variety stores were not found in towns of less than approximately 1,000 people. No ladies' ready-to-wear stores were found in towns having a population of less than 2,000.

⁵The survey was made by Mr. Hoffer. As a preliminary step to the actual field work, he lived for several weeks in a typical agricultural trade center. During this time he visited the stores frequently and discussed with the merchants their problems and their methods of doing business.

TABLE VII
TYPE AND NUMBER OF STORES IN EACH TOWN

Town	No. of stores	Type of store									
		Drugs	Furniture	General	Grocery	Hardware	Jewelry	Ladies' ready-to-wear	Men's clothing	Shoes	Variety
A	5	1	..	2	..	2	..	..	..	..	..
B	7	1	..	2	1	2	..	..	..	1	..
C	12	1	1	3	1	3	1	..	1	..	1
D	10	1	..	5	..	3	1	..	..	..	..
E	13	2	1	3	1	2	1	..	1	1	1
F	23	2	1	5	3	2	2	1	3	2	2
G	20	2	2	5	1	3	2	..	2	2	1
H	26	2	2	4	5	3	2	3	3	1	1
I	21	2	2	3	3	2	2	1	3	1	2
J	22	2	1	1	5	2	2	3	3	2	1
K	48	3	3	..	14	5	4	6	6	6	1
L	31	4	3	4	3	4	3	4	4	2	..
Total	238	23	16	37	37	33	20	18	26	18	10

TABLE VIII
VALUE OF AGRICULTURAL PRODUCTS AND MANUFACTURED PRODUCTS PER CAPITA IN COUNTIES WHERE TOWNS ARE LOCATED

Town	Per cent of land area in farms	Per cent of farm land improved	Average acreage per farm	Per cent of farms operated by owners	Value of livestock per acre	Value of crops per acre	Value of dairy products per acre	Total value of livestock, crops, and dairy products per acre	Production per capita		Total production per capita
									Agricultural products	Manufactured products	
A	91.8	76.9	180	77.4	\$12.19	\$18.01	\$4.20	\$34.40	\$754	\$109	\$ 863
B	91.8	76.9	180	77.4	12.19	18.01	4.20	34.40	754	109	863
C	93.5	87.5	192	60.4	10.35	16.16	1.60	28.11	740	114	854
D	93.5	87.5	192	60.4	10.35	16.16	1.60	28.11	740	114	854
E	77.5	51.0	140	82.0	8.98	14.50	4.02	27.25	643	97	740
F	60.0	49.6	156	84.3	6.83	13.38	4.51	24.72	795	129	924
G	91.8	76.9	180	77.4	12.19	18.01	4.20	34.40	754	109	863
H	89.6	63.9	170	81.9	9.39	16.35	3.31	29.05	683	304	987
I	94.0	91.9	216	45.9	12.45	20.49	1.44	34.38	885	45	930
J	92.0	81.8	233	44.7	11.56	17.63	1.41	30.60	761	135	896
K	93.7	73.1	123	78.9	15.82	21.45	6.24	43.56	487	541	1,028
L	93.9	82.3	139	75.0	14.00	20.24	6.36	40.69	620	198	818
Average	88.6	75.0	175	70.4	\$11.36	\$17.53	\$3.59	\$32.47	\$718	\$167	\$ 885
Average for state	58.4	71.1	169.3	74.4	\$ 9.71	\$16.74	\$2.58	\$29.03	\$629	\$510	\$1,139

A fairly accurate measure of the size of these stores can be gained from the volume of business done and the value of the stock carried, as given in Table IX. Ladies' ready-to-wear and dry goods stores have the largest average volume of business, \$93,055. General stores are next with an average of \$89,377. The volume of business for all remaining types of stores varies from \$45,133 for men's clothing to \$11,240 for jewelry stores. These figures are only averages, it is not uncommon for the volume of business to be a third greater or a third smaller than the average. Only in exceptional cases, however, is it twice as great as the average. The widest variations were for general stores, because this term includes stores of all sizes from the little non-departmentized store in the small trade center to the large, well organized store in the larger center. Variety stores also vary much in size, depending upon the size of the trade center in which they are located.

TABLE IX

AVERAGE VOLUME OF SALES, VALUE OF AVERAGE AMOUNT OF STOCK CARRIED, AND AVERAGE STOCK-TURN AND GROSS MARK-UP FOR VARIOUS TYPES OF STORES

Type of store	Number of agencies	Average volume of sales	Average value of stock carried	Average gross mark-up (per cent of sales)	Average stock-turn
Drug	23	\$26,060	\$ 9,055	32.5	2.04
Furniture	16	32,125*	17,906	30.4	1.24
General	37	89,377	23,337	23.9	2.89
Grocery	37	40,698	4,972	17.8	7.57
Hardware	33	42,514	15,969	29.9	1.91
Jewelry	20	11,240†	8,045	31.6	1.06
Ladies' ready-to-wear	18	93,055	23,666	30.8	2.50
Men's clothing	26	45,133	17,000	28.2	1.90
Shoes	18	24,139	10,266	30.1	1.64
Variety	10	45,220	9,930	27.5	3.30

* Data for undertaking are not included.

† Money received for repair work was not included in figures for volume of business.

The volume of the stock varies a great deal by types of stores. A stock of ladies' or men's clothing has greater value than a stock of groceries and has a slower stock-turn. Many merchants in the trade centers covered in this study said they carried a larger stock than the demand warranted. Much of the wide difference in value of the stock carried by general and hardware stores is accounted for by slow stock-turn rather than large volume of business. A lower rate of stock-turn for any given type of store is practically always associated with lower profits and less service to the community. One characteristic of efficient merchandising is to keep the amount of stock low and yet continuously to supply the community with grades and varieties of commodities that can be economically handled.

An increased stock benefits the community only when it includes a greater number of grades and variety of commodities, because then the farmers living in the trade territory have a wider choice when making purchases. The total value of the stock carried tends to increase with the size of the trade center and likewise the rate of stock-turn; but some important exceptions to this are worth considering further.

Table X gives the average volume of business per store for each of the twelve towns and also per 1,000 residents. The latter figure is not highly significant because the great bulk of the business in the smaller towns is with farm families living outside the trade center. One can not judge the size of a trade area from the population of the trade center. It appears from the table that town A has a larger trade area than town B, and town E than town C. Part of this difference is due to location, direction of roads and railway lines, and distance from competing towns, but some is due to better merchandising. In some cases, the advantage that a town early obtained over its neighbors by good merchandising has kept neighboring towns from growing. In general the larger the city, the less the volume of sales per 1,000 town residents, because the smaller the proportion of country trade; but there are some important exceptions. Apparently, for small towns (under 1,000), so large a part of the trade may go to neighboring larger towns or to mail-order houses that the sales per 1,000 town residents may be small. This seems to be true for towns C, D, and B. Here is further evidence of the effect of good and poor merchandising.

TABLE X
SALES PER STORE AND PER 1,000 TOWN RESIDENTS, BY TOWNS

Town	No. of stores	Population of towns	Sales	Sales per store	Sales per 1,000 population in towns
A	5	454	148,900	29,800	328,000
B	7	388	\$ 75,100	\$10,700	\$194,000
C	12	1,142	178,100	14,900	156,000
D	10	830	235,600	23,600	282,000
E	13	1,346	667,000	51,300	496,000
F	23	2,186	798,500	34,700	365,000
G	20	2,790	754,600	37,700	270,000
H	26	2,699	663,400	25,500	245,000
I	21	3,487	729,800	34,700	209,000
J	22	3,325	777,800	35,300	234,000
K	48	11,089	1,404,900	29,300	127,000
L	31	7,252	1,744,400	56,400	242,000

The average volume of sales per store by towns partly reflects the type of stores in the town. Towns that have chiefly general stores usually have a relatively large volume per store. Town L has 4 general stores, 3 grocery stores, and 2 shoe stores; whereas town K has no general stores, 14 grocery stores, and 6 shoe stores. On the other

hand, town D has 5 general stores and town E only 3. Apparently it makes a difference what the general store is like. It may amount to a small department store.

Proportion of Business Handled by Different Type of Stores

Figure 3 shows the proportion of the retail business of these twelve towns that is handled by each of the ten types studied, and Table XI gives the same figures in detail by towns. The wide variations are principally explained by the presence or absence of general stores. Town G has no ladies' ready-to-wear store and only one grocery, so

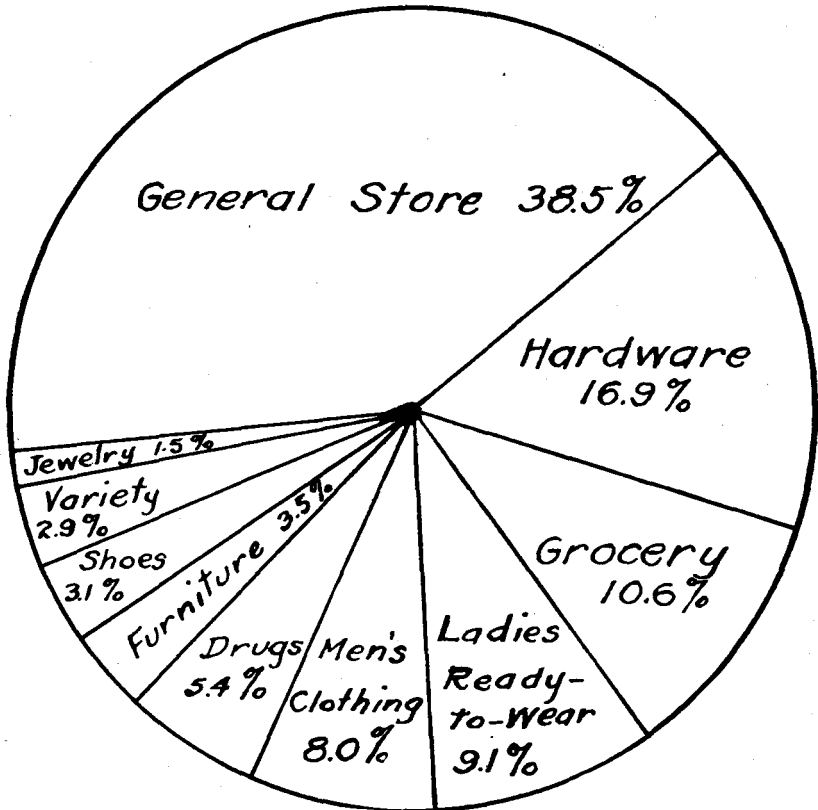


Fig. 3. Proportionate Amount of Money Spent in Different Types of Stores

55.2 per cent of its business is handled by stores that were classified as general. Town H, a slightly smaller trade center, has 5 grocery stores and 3 ladies' ready-to-wear stores, and only 8.3 per cent of the business is handled by stores classified as general. Variations in percentage spent for furniture such as between these towns, and especially between towns E and F, reflect differences in the quality of the stores

or the length of time they have been established. No doubt some of the drug stores carry more sidelines than do others. The principal value of these averages is to show the still great importance of the general store in country towns. The figures by separate towns are worthy of more careful study than is here possible. Examined in detail, they would probably go far to explain why the people in some communities look to the outside for most of their supplies and in others do not, and how this works out by individual classes of goods. The story that would finally emerge would probably give large importance to good and poor home merchandising.

Gross Mark-Up

Table IX also shows gross mark-up by types of stores. The range is from 17.8 per cent for grocery stores to 32.5 per cent for drug stores. Volume of sales and stock-turn are principal factors in producing differences in mark-up between types of stores, but there are some important exceptions. Ladies' ready-to-wear should have the lowest mark-up on this basis, but has almost the highest. Losses from goods obsolete in style no doubt partly explain this. The mark-up on drugs is also higher than can be explained by volume of sales and stock-turn.⁶

There is also a wide variation in mark-up by individual stores handling the same commodity. The variation is least for shoes, hardware, and drugs, and most for jewelry, ladies' ready-to-wear, and furniture. According to this evidence, when the farmer purchases jewelry, ladies' ready-to-wear, or furniture, he can not have the same assurance that he is being served as economically, relatively speaking, as when he buys shoes.

The data also show considerable variations by towns. In some, the mark-up runs high for nearly all commodities, and in others low for nearly all. Nor can all these differences be explained by differences in volume of business and trade territory. There is no doubt a significant relation between the general level of mark-ups of different towns and the size of the trade area.

No attempt was made in this study to ascertain the net profit of the trade agency. It is the gross mark-up rather than the percentage of net profits that determines what the community pays for goods and services.

⁶ The Joint Commission of Agricultural Inquiry found in its investigation the following percentages for gross mark-up in 1921:

Type of store	Gross mark-up per cent	Gross mark-up for stores used in this study per cent
Grocery	19.3	17.8
Hardware	24.08	29.9
Men's clothing	25.16	28.2
Shoes	28.40	30.1

TABLE XI
PERCENTAGE OF TOTAL AMOUNT SPENT IN DIFFERENT TRADE AGENCIES BY SEPARATE TOWNS

Trade center	Drugs	Furniture	General	Grocery	Hardware	Jewelry	Ladies' ready-to-wear	Men's clothing	Shoes	Variety	Total
A	2.7	...	64.0	...	33.3	...	...	...	...	...	100
B	5.7	...	47.1	5.7	35.2	...	...	...	6.3	...	100
C	7.1	3.3	46.6	7.1	22.0	0.5	...	10.6	...	2.8	100
D	4.7	...	71.1	...	23.3	0.9	...	...	...	...	100
E	7.9	1.8	57.9	7.2	11.8	1.1	...	4.5	5.0	2.8	100
F	4.3	8.3	31.3	11.6	11.9	3.4	4.6	15.8	5.7	2.8	100
G	6.1	3.1	55.2	2.3	13.7	2.7	...	5.7	5.1	6.2	100
H	6.0	7.2	8.3	22.1	12.3	2.2	26.8	12.5	1.1	1.6	100
I	5.0	3.8	31.3	21.1	10.8	1.3	6.1	14.0	1.4	5.0	100
J	6.0	6.0	17.9	16.4	10.7	2.6	20.7	10.0	4.4	4.8	100
K	3.3	5.8	...	26.5	11.0	2.1	26.3	10.3	6.0	8.8	100
L	6.6	3.2	31.9	8.1	7.1	1.9	25.0	13.5	2.0	...	100
Average ...	5.45	3.54	38.55	10.68	16.92	1.56	9.12	8.07	3.16	2.90	100

Sources of Goods

The quality of the goods and of the services sold with the goods, however, is of more importance than the margin taken. The rôle of the country merchant as purchasing agent for the community can not be taken too seriously. It is a very necessary rôle. In spite of rapid modern transportation and communication, it would be impossible for each individual to make all his own purchases direct in the wholesale center. Let us see how well this service is being rendered.

A somewhat objective statement of this form of service can be had by noting the places from which the merchant obtains his goods. Each of the 238 merchants gave a list of the principal wholesale or manufacturing centers from which he was buying. The list includes the names of 52 cities extending from Brockton, Lynn, and Boston, in Massachusetts, to Baltimore and St. Louis in the south, and Omaha and Sioux Falls in the middle west. Following are the principal cities and the number of times they occur in the lists:

Minneapolis	152	Grand Rapids, Mich.	7
St. Paul	148	Brockton, Mass.	6
Chicago	139	Sioux Falls, S. D.	4
New York	60	Albert Lea, Minn.	3
Duluth	22	Other Minnesota cities	10
Cleveland	17	Other Ohio cities	8
St. Louis	14	Other Wisconsin cities	6
Rochester, Minn.	13	Other Michigan cities	5
Sioux City, Iowa	12	Other Iowa Cities	4
Milwaukee	12	Other cities	8
Boston	12		
Sheboygan, Wis.	8	Total	676

This 676 averages nearly three per store, and usually includes Minneapolis and St. Paul and one other city. The stores in the southern part of the state may substitute Chicago for one of the Twin Cities. Furniture, shoes, and jewelry account for many of the out-of-state connections.

Most of the buying is from wholesalers' and manufacturers' representatives who visit the stores. Many of the merchants, however, make trips to the cities to see what is offered for sale and to make purchases. They base their selections mostly on what the people in the community have the habit of buying, but to some extent on what they think they can induce their customers to buy by pushing the sale of it.

Grades of Merchandise

The grades of merchandise used by the community are largely determined in the way just described. The common opinion that rural communities tend to use lower grades of goods no doubt has some foundation. Many farm people wear their Sunday clothes so little that it does not pay to buy durable grades—the styles change too quickly. The merchants find that the lower grades are more staple and can be handled with less risk in small trade centers. Merchants in a small community can not afford to carry certain grades and varieties of commodities. The margins would be too large. This may be illustrated by the case of an expensive piece of furniture. The furniture dealer in a small town can not afford to have more than one or two samples of such articles in stock, but customers who are interested in buying expensive furniture want to see several samples before buying. In such a case, it is more economical for the purchaser and for the community generally to get the article at a larger trade center. Most of the merchants, therefore, sell grades varying from low to medium. As the size of the trade center increases, the agencies carrying high grades become more numerous.

TABLE XII
GRADES OF MERCHANDISE BY TOWNS

Town	No. of stores	Low	Low, medium	Low, medium, high	Medium, high
A	5	..	5	..	..
B	7	..	7	..	..
C	12	1	7	4	..
D	10	..	8	2	..
E	13	1	3	6	3
F	23	2	9	8	4
G	20	1	9	8	2
H	26	1	14	11	..
I	21	2	8	8	3
J	22	1	4	11	6
K	48	..	26	14	8
L	31	..	12	11	8

This is demonstrated in Tables XII and XIII, in which the grades "low," "medium," and "high" were determined on the basis of price. A low grade means a low-priced article. These grades were usually made by the merchants themselves. They know what grades of goods they are handling. Some merchants handle all three grades. Of the 238 merchants, 47 per cent considered the merchandise to be of the low and medium grades, and 34 per cent classified it in the medium and high grades. Few stores, even in the trade centers having a population of from 800 to 1,000, sell high-grade commodities. This is one of the trading advantages denied to farmers living near small trade

centers. In any reorganization of the trade relations of the farmers this matter must be considered if trading advantages are made comparable to those of the urban resident. It is significant, as shown in Table XIII, that the general stores most conspicuously carry the lowest grade of goods. Better grades are frequently bought by the furniture dealers, but a special trip is made to a larger town for the purpose. With groceries, however, the stocks carried by the local stores generally determine what is consumed. The grades for shoes are probably somewhat deceiving—low-priced shoes may be admirably adapted to outdoor work.

TABLE XIII
GRADES OF MERCHANDISE BY TYPES OF STORES

Type of store	No. of stores	Low	Low, medium	Low, medium, high	Medium, high
Drug	23	..	4	18	1
Furniture	16	..	10	3	3
General	37	..	33	..	4
Grocery	37	..	20	11	6
Hardware	33	..	13	15	5
Jewelry	20	..	1	18	1
Ladies' ready-to-wear and dry-goods	18	..	4	8	6
Men's clothing	26	..	11	10	5
Shoes	18	..	15	..	3
Variety	10	9	1	..	..
Total	238	9	112	83	34

Altho it is true that at any particular time the goods a merchant carries in stock are largely determined by the wants and habits of the community, in the long run this need not be true if the merchants are progressive. Progressive merchants are always watching for chances to bring in commodities and grades of commodities that will be advantageous to the community, and may take some temporary losses on new lines of goods for the sake of larger gains later or the general advantage obtained in good will of and standing in the community.

The rôle of the merchant in this regard is essentially one of education. Farmers know that a low-grade farm implement is unsatisfactory. Most of them have found out by experience that the returns from low-grade seed or low-grade farm animals compare unfavorably with those from high-grade seed or high-grade animals. The owner of dairy cows knows it is not economical to feed an improperly balanced ration because the cows will not produce so well. But rural people apparently do not know so well the difference between high and low-grade groceries, or realize the importance of variety in purchasing their food supply. This study makes it evident that farmers as a class do not buy high-grade groceries. It has never been proved, however, that they would not buy such grades if the value of the higher grades was clearly brought to their attention.

Merchants who sell hardware, furniture, and household conveniences of various kinds have an opportunity to make farm life more attractive and satisfying. According to a survey made by the United States Department of Agriculture, only 20 per cent of the farm homes have bathtubs; 60 per cent have sinks and drains; 47 per cent, carpet sweepers; 57 per cent, washing machines; and 32 per cent, running water. Seventy-nine per cent still use kerosene lamps. The following statements give some idea of the saving in human energy brought about by modern conveniences in the farm home. "The average housewife who carries water from the well and cistern water from the rain barrel must carry more than twenty tons of water per year. More than fifteen tons of this will need to be pumped from the well. In doing this work she travels more than 200,000 steps and requires 20 days of union time to do it. In addition, most of the water has to be carried back outdoors, which involves one-half as much time and labor as getting it in. Just one month per year (one-half month, farm hours) for her can be saved by installing a water system."⁷ It has been estimated that any lighting system will save a woman about 50 hours per year in cleaning and filling lamps.

A survey of 1,000 farm homes near Owatonna, in Steele County, Minnesota, made by the Webb Publishing Company in 1922, showed the following percentages of homes having the principal kinds of modern conveniences in the home:

	Per cent
Running water	38.6
Kitchen sinks	28.6
Bathrooms	6.0
Gas lights	11.7
Electric lights	10.3
Furnaces	17.0
Carpet sweepers	23.6
Vacuum cleaners	6.3
Washing machines	72.9
Sewing machines	90.0
Kitchen equipment:	
Bread mixers	5.1
Kitchen cabinets	22.7
Fireless cookers	0.3
Steam pressure cookers	0.1
Ranges	98.5
Oil cook stoves	42.9
Floor coverings	43.0

⁷ Minn. Farmers' Inst. Ann. No. 34, p. 52, "Water system, heating system, or lighting plant, which one shall I install first?" by E. A. Stewart. 1921.

These figures indicate that merchants in this community have ample opportunity to sell home conveniences. Seventy-five per cent of the farmers own their own homes. The land is practically all under cultivation. The farmers are intelligent and progressive. Most of them belong to farmers' organizations and take an active part in the social and civic affairs in the county.

There is no question that the time and energy that could be saved by modern appliances would be of great value. "A woman wants time salvaged from housekeeping to create the right home atmosphere for her children, and to so enrich their home surroundings that they may gain their ration of beauty and their taste for books not from the shop windows, the movies and billboards or the jazz band, but from the home environment. Everywhere we hear of the economic importance of a contented rural population. Perhaps the greatest factor in bringing this about will be the healthy, alert and expert home maker who, with the other members of the farm family, will see to it that a part of the increased income from the farm is directed toward the improvement of the home as a means of contentment and stimulus for farm work."⁸

Any merchant, therefore, who promotes the distribution of commodities that are associated with a higher standard of living renders a direct service to his community. Probably there is no other influence that can be as potent as that of the merchant in creating an effective demand for as many of these commodities as the community can afford to have.⁹ With the possible exception of bankers, the merchants at the local trade center know the financial limitations of the community better than any other group of persons. They also have within their control better means than any others of creating desire for commodities that are or may be sold in their stores.

Advertising

The foregoing leads naturally to the question of educational methods available to merchants. Those most readily available all belong in the broad general category of advertising.

⁸ "The farm women's problems," by Florence E. Ward. U. S. Dept. of Agr. Dept. Circ. 148. 1920.

⁹ Just how much of the income of the farm should be spent in house conveniences, furniture, books, and other commodities can not be determined, but it is certain that the investments in land and farm machinery have taken an undue portion of the farm income. "Any farm that can justify binders, silage cutters, hay forks, pumping engines, shredders, side-delivery rakes, corn harvesters, potato planters and finely equipped barns can afford every modern convenience for making the home a good place for women to live, work, rear children and develop in them the love for farm life." Herbert Quick, in "Good Housekeeping," Vol. 57, pp. 426-36. October, 1913.

TABLE XIV
ADVERTISING BY TYPES OF STORES

Type of store	No. of agencies	Advertising cost		How spent			
		Average amount	Per cent of volume of sales	Newspapers		Circular letters, store papers, etc.	
				Average amount	Per cent of total	Average amount	Per cent of total
Drug	23	\$316	1.19	\$201	63.5	\$115	36.5
Furniture	16	436	1.35	343	79.7	87	20.3
General	37	721	0.80	406	56.2	315	43.8
Grocery	37	193	0.45	152	78.9	40	21.1
Hardware	33	435	1.02	245	55.5	196	44.5
Jewelry	20	155	1.24	112	72.4	42	27.5
Ladies' ready-to-wear and dry goods	18	798	0.84	531	66.6	266	33.3
Men's clothing	26	554	1.20	364	65.7	190	34.3
Shoes	18	275	1.14	241	87.5	34	12.5
Variety	10	405	0.89	275	67.9	130	32.1

TABLE XV
AVERAGE AMOUNT SPENT FOR ADVERTISING BY DIFFERENT TYPES OF TOWNS IN 1921

Town	Amount spent	Per cent of volume of sales	How spent			
			Newspapers		Circular letters, store papers, etc.	
			Amount	Per cent of total	Amount	Per cent of total
A	\$ 1,525	0.45	\$ 350	22.9	\$ 1,175	77.1
B	275	0.26	45	16.3	230	83.7
C	3,038	0.92	1,803	59.4	1,235	40.6
D	970	0.26	695	71.7	275	28.4
E	11,875	1.32	618	52.1	5,692	47.9
F	9,463	0.92	7,303	77.2	2,290	24.2
G	10,460	1.00	5,470	52.3	4,990	47.7
H	7,025	0.76	3,520	50.1	3,505	49.9
I	12,300	1.26	6,575	53.5	5,725	46.5
J	10,325	1.07	6,225	60.3	4,100	39.7
K	20,525	0.86	16,370	79.8	4,155	20.2
L	15,750	0.80	12,750	80.9	3,000	19.1

In this study, each of the 238 merchants was asked what amount he spent for advertising and how he spent it.¹⁰ Tables XIV and XV show the average amount spent by each type of store and by towns.

The percentage of sales spent for advertising varies from 1.35 for furniture stores to 0.45 for grocery stores. There is a general tendency for the amount spent for advertising to decrease as the commodity that the trade agency sells becomes more staple in character. Conversely, as the commodity becomes less staple, in the sense that customers can get along without it, the amount spent for advertising increases. Such a tendency seems to indicate the power of advertising to create a demand on the part of the buying public.

The method of advertising differs with the individual trade agency and with the size of the trade center. Newspapers are the most important carriers of advertising, altho not to the extent ordinarily supposed. The proportion of the total amount spent for newspaper advertising increases as the size of the trade center increases. There are two reasons for this: First, as the trade center gets larger, the larger public to whom the appeal is made is more economically reached through a newspaper. Second, as the trade center gets smaller, the quality of the local paper as an advertising medium decreases. Some small towns are without a newspaper.

There are exceptional newspapers and exceptional merchants in small towns who write especially interesting advertisements; but as a general rule the foregoing statement holds true. In the smaller communities, it is more feasible to use means that will build up or maintain close personal relations with the customer. This is done usually by store papers, circular letters, or personal letters. There was a noticeable tendency to make greater use of these methods in the twelve trade centers from which the data were secured. The reason given most frequently for this increase was that if the advertisement is sent to the farmer by letter he will be sure to see it, but if it is put in the paper it may be overlooked.

As compared with city merchants, the merchants in small towns rely more upon store and window displays. This does not mean that such displays are better. They reason that farmers are coming to town anyway and it is time enough to appeal to them after they come. This is the probable reason for the small amount spent in advertising by grocery stores and general stores. Customers visit these stores often, several times a week in some cases. Hence any special commodity can be brought to their attention with little or no expense. The method of giving out samples of such commodities as soap, breakfast food, and canned goods also has value as an advertising medium. The fol-

¹⁰ Donations for various community projects were not included in this amount.

lowing statement made by a grocer with twenty-five years experience well illustrates this attitude. "Let the clothiers and the ladies' ready-to-wear men do the advertising. The people will buy groceries anyway if they come to town." It must be conceded that there is some foundation for such a statement. It is possible for a few stores in a trade center to carry the burden of advertising while all share in the benefit resulting from it.

In country towns, at least, display advertising is likely to be less competitive and more informational than newspaper advertising. An attractive and seasonal window display is unquestionably a means of creating desire on the part of the community for the goods displayed. The psychology of suggestion works as well here as anywhere. An attractive display of a washing machine in the window of the hardware store may lead to the sale of a washing machine. The window display of furniture unquestionably has its influence in determining the kind and grade of furniture people in the community will buy. The urban resident may view all the latest and best products of industry in show windows when he goes into the main part of the city. Whatever impressions he gets acquaint him with commodities that are associated with a high standard of living. Such suggestions ordinarily come to rural populations only to the extent that local trade agencies supply them. In this respect the automobile has done much to raise the farmer's standard of living because it has made it possible for him to visit the larger trade centers where commodities of great variety are displayed. One merchant visited during this investigation had built a large glass showcase near the entrance to his store in which he displayed high-grade prunes, dried peaches, pears, and other articles. This merchant kept fresh fruits and vegetables on display in the show window during the winter. Customers who entered the store saw these displays and frequently made purchases. Extension workers who deal with problems of nutrition and child feeding find that a progressive merchant who is willing to co-operate in getting people to use more fruits and vegetables can do much to improve the health of people in his community.

In the trade centers used in this study, the clothing stores paid most attention to displays, tho over 50 per cent of the drug, hardware, and variety stores had window displays that appeared seasonal and attractive at the time the investigation was made.

Special sales as a means of advertising are used by all types of stores except grocery stores. Distinction must be made between the special sales and the featuring of what are called "leaders." "Special sales" include only sale events that the merchant advertises as special. It appears in Table XVI that only one jewelry store out of 20 featured

such a sale. Four of the 33 hardware stores used this method to facilitate the disposal of goods. Few of the drug stores, except the Rexall stores, held special sales. The proportion of the other types of stores that hold special sales varies from a fourth to a half. Arguments have been presented for and against special sales. They stimulate interest in the local trade center, but the final result is not entirely favorable in all cases. Many buyers have lost confidence in sales because commodities have been misrepresented. Furthermore, if special bargain days, or other forms of special sales are held too frequently in the community they tend to make shoppers of the customers instead of regular buyers. They get into the habit of waiting until some special sale event to make heavy purchases. This gives the merchant and the clerks too much work on sale days and not enough at other times. In a long run, it is doubtful if the community gains in either economy or service by these events. Due credit should be given, nevertheless, to the interest they stimulate in the local trade center and in community life generally. But the question remains, might not this interest be created more advantageously in some other way?

TABLE XVI

NUMBER OF STORES USING DIFFERENT METHODS OF ADVERTISING—BY TYPES OF STORES

Type of store	No. of stores	Special sales	Demonstration	Type of advertising		
				Quality	Price and quality	Price
Drug	23	9	7	13	2	8
Furniture	16	5	4	4	10	2
General	37	13	15	1	13	21
Grocery	37	0	19	3	7	25
Hardware	33	4	14	8	18	7
Jewelry	20	1	1	17	3	0
Ladies' ready-to-wear and dry goods..	18	6	4	7	4	7
Men's clothing	26	6	0	13	6	7
Shoes	18	6	2	5	4	9
Variety	10	5	0	0	1	8
Total	238	55	66	71	68	94

Demonstrations, also, are effective in creating a demand for new commodities. The trade agency that demonstrates a high-grade brand of canned goods or the desirable points of a vacuum cleaner has taught the community something about the use of canned goods and vacuum cleaners. Fifty-one per cent of the grocery stores, 42 per cent of the hardware stores, 41 per cent of the general stores, and 25 per cent of the furniture stores held one or more demonstrations during 1921. Other types of stores whose commodities were not so easily demonstrated occasionally held demonstrations, so that 27 per cent of the 238 stores used this means of advertising.

Table XVII gives the foregoing and additional details as to advertising methods by towns. There are wide variations in the extent to which use is made of special sales and demonstrations.

TABLE XVII
NUMBER OF MERCHANTS USING DIFFERENT METHODS OF ADVERTISING, BY TOWNS

Town	No. of stores	Special sales	Dealer's helps	Demonstrations	Records on prospective customers	Type of advertising		
						Quality	Price and quality	Price
A	5	1	5	0	5	0	1	4
B	7	1	3	2	3	0	2	5
C	12	6	10	4	5	3	3	5
D	10	1	6	0	2	1	4	5
E	13	4	11	5	4	4	5	4
F	23	10	15	6	8	7	6	11
G	20	5	10	7	5	6	6	6
H	26	3	13	6	7	5	7	13
I	21	6	14	8	12	8	3	10
J	22	5	12	6	8	8	6	8
K	48	9	31	13	12	14	15	17
L	31	5	23	7	8	15	10	6

Another development in rural merchandising is the practice of keeping records on prospective customers. These records are used to help the merchant determine the possible demand and to increase the sale of certain kinds of commodities in the community. The task of keeping such a list up to date involves a large amount of time and effort, however, hence the practice is not followed to any considerable extent except in the case of men's clothing, ladies' ready-to-wear, and hardware stores.

Some indication as to the advertising methods practiced may be obtained from the use made of "dealers helps." "Dealers helps" is a trade term and includes suggestions for advertising or material for circular letters supplied to the merchant by wholesalers or manufacturers. Such material is usually informational—it describes the desirable points of the article under consideration. A majority of the trade agencies of all types use these helps in some way. The general comment on their use was that they are helpful, tho frequently they are not applicable to rural conditions. Salesmanship in rural communities is a personal affair, and if these helps do not have the personal touch, or are worded in terms that a farmer does not understand, they are valueless.

For purpose of further analysis the advertising was divided into three types—emphasizing quality, price, and both.¹¹ From the com-

¹¹ The classification was determined as follows: (1) The merchant was asked to classify his advertising. (2) The man who had charge of the advertising work for the local paper or papers was asked to classify the advertising. (3) The investigator looked over several copies of the paper and classified the advertising. The classification was then given and agreed most nearly with the results of the three persons.

munity standpoint, advertising emphasizing price is least desirable because it tells the customer nothing about the type and quality of the article. It is not educational or constructive in nature. Advertising emphasizing both quality and price is used most commonly. It is educational in the sense that it tells the customer about the article, and informational in the sense that it causes him to associate price and quality. Advertising that emphasizes quality only is used chiefly by trade agencies that specialize in selling commodities of a high grade. Such advertising acquaints the customer with the characteristics of high-grade articles. If such advertising really gives information as to quality, it has more educational force in the community than either of the other types.

Rural trade agencies are paying less attention to price in their advertising and more to quality. The reason for this tendency is that the merchant finds it more satisfactory to sell a high-grade article. An inferior article frequently produces a dissatisfied customer because the quality of the article is remembered long after the price is forgotten. Here, then, is a subtle influence at work in rural communities creating a demand for a grade of commodities that is associated with a higher standard of living. The service of the trade center in this respect consists in creating the demand for commodities of high grade.

The Building

Farmers and farmer families go into the stores at their local trade center more frequently than they do into any other buildings. From the community point of view, the store is a place where commodities are stored, displayed, and sold. Stores in urban trade centers are more usually neat, well lighted, and clean than are those in rural trade centers. Yet the farmer enjoys trading at a clean store just as much as does his city cousin. A farm with dilapidated buildings, broken-down fences, and weedy fence corners is a detriment to the community; even more so is an old store building poorly lighted and unclean.

The 238 stores visited in this study were considered from this point of view and classified according to the following scheme:

Walls and ceiling:

"Clean" means absence of dust, soot, and stains on the walls;

"dirty" refers to walls on which there were accumulations of soot, dust, and stains.

"Well lighted" means a store has windows at the rear, side, or ceiling that admit light. A store was considered poorly lighted when there were no windows at the rear or in the ceiling.

View from doorway:

“Unobstructed” means an arrangement of shelves, counters, etc., so that a customer upon entering can get a view of the whole store.

“Obstructed” means an obstruction near the door so that the customer can not get a view of the store.

“Neat” appearance means that a store has boxes, cans, or other forms of merchandise arranged in regular rows on shelves or counters.

“Untidy” means that the merchandise is arranged in a haphazard fashion on the shelves and counters. Broken boxes on shelves and counters and merchandise left on the counters after it has been shown to a customer were considered as untidy.

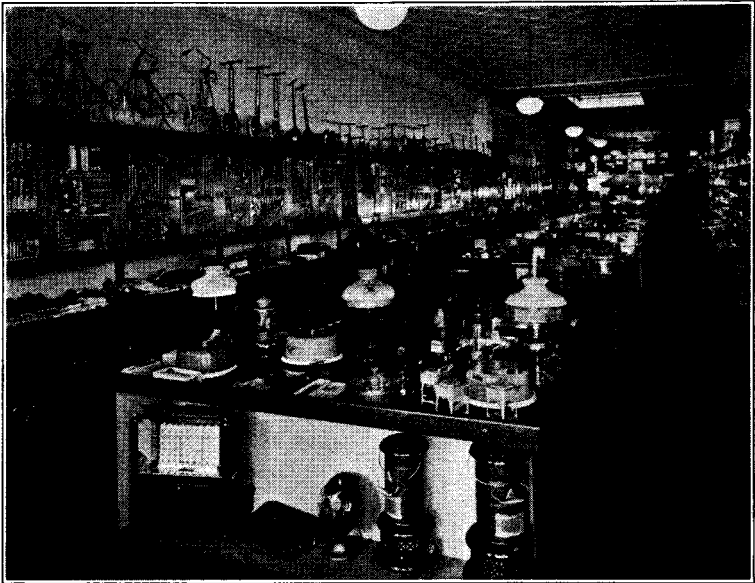


Fig. 4. A Model Hardware Store (Courtesy Minnesota Retail Hardware Association.)

Arrangement of merchandise:

“Related groups” means such an arrangement of merchandise that articles of a similar kind and class are grouped together on counters or shelves. For instance, the tin or enamel ware used in the kitchen constitutes a related group.

Placards:

“Neat and plain” means placards on which the printed material is neat and easily read.

Floor:

"Clean" means that the floor was free from bits of paper, used matches, or other rubbish.

The results of the analysis according to this plan are given in Table XVIII. Approximately 85 per cent of the 238 stores had clean walls and ceilings and were well lighted, 91 per cent had an unobstructed view from the entrance of the store, and 71 per cent were neat in appearance. In 73 per cent of the stores, the merchandise was arranged in related groups. The floor was clean in 82 per cent of the stores, and 60 per cent had neat placards.

It will be noted that only 5 per cent of the stores had rest rooms or other conveniences for customers. Such services are considered a means of advertising by the merchant because they bring people to the store. They are appreciated by the farmers and help create a friendly feeling between farmers and townsmen, particularly as most towns do not provide such conveniences. Perhaps stores will enlarge their services of this sort in the future. A public telephone; a writing desk with pen, ink, and blank checks from the local banks; and a drinking fountain will become a part of the equipment of a progressive store.

Services are also offered by the trade centers as a unit that produce the same result as those offered by merchants individually. They differ from the services given by individuals only in that they are given through the co-operation of several agencies and are more extensive in character. For example, the trade agencies in town E rented the theater and gave a free motion picture entertainment each Saturday afternoon. Such activities as co-operation with farmer organizations and community development projects fall in this class. Services of this sort may be offered by the town corporation. They may take the form of providing public parks, keeping the town clean and neat, removing unsightly buildings, and providing parking space for automobiles.

The Merchant

This discussion of town stores is not complete without some attention to the men who operate them. There was a time when little business ability was required to manage a store successfully. Just as farming has demanded men with greater ability as farmers, so merchandising demands men with greater ability as merchants. The rapid development of the chain stores and the heavy sale of mail-order goods in the community are possible largely because merchants in small trade centers in the community can not or do not use modern methods in

TABLE XVIII
THE BUILDING AND ITS INTERIOR APPEARANCE, BY TYPES OF STORES

Type of store	No. of stores	Walls dirty	Ceiling dirty	Poorly lighted	Conveniences for customers		View from doorway obstructed	Appearance untidy	Floor not clean	Merchandise not in related groups	Placards not neat and plain
					Rest room	Miscellaneous					
Drug	23	1	1	5	..	1	2	2	1	3	..
Furniture	16	1	2	6	..	..	4	3	3	3	..
General	37	11	8	6	4	7	4	22	17	19	9
Grocery	37	12	12	5	2	..	1	14	8	14	2
Hardware	33	8	6	6	1	..	4	15	11	12	8
Jewelry	20	1	2	2	..	..	..	2	..	3	1
Ladies' ready-to-wear and dry goods	18	1	2	1	4	5	1	1	1	1	1
Men's clothing	26	1	..	5	1	..	3	3	..	1	1
Shoes	18	1	..	..	..	..	2	5	1	6	2
Variety	10	1	1	..	..	..	..	1	..	1	1
Total	238	38	34	36	12	13	21	68	42	63	25

merchandising.¹² While it is probably true that the most capable merchants tend to gravitate to the large stores in cities, it is quite possible that the rural trade center offers equal or even greater opportunities for the man who is energetic and businesslike, and who understands rural people.

Of the 238 merchants interviewed, 115 were members of their state association. Ninety-six attended the conventions of the state associations, 154 were members of the organizations of businessmen in their town, and 221 made buying trips into the city at least once or twice a year. By such contacts, a merchant gains inspiration for his work and a broader vision of service to his community. If a merchant stays in his store all the time and fails to meet fellow merchants, he can not be of the greatest service to the community. Without some stimulus, he will have few new ideas. At conventions and other meetings, merchants discuss their common problems and compare results of different methods of making the store a bigger factor in the community. The following topics taken from a convention program indicate the nature of the lectures and discussions:

- "The Retailer's Service to Mankind"
- "Practical Merchandising"
- "Community Bargain Days"
- "Business Building Plans"
- "How to Build up an Infants' Clothing Department"
- "Salesmanship."

TABLE XIX

PERCENTAGE OF MERCHANTS, BY TYPES OF STORES, WHO HAVE WIDENING GROUP CONTACTS IN AND OUTSIDE OF LOCAL COMMUNITY

Type of store	Members of local business men's association	Buying trips to cities	Members of state association	Attend state convention
Drug	86.9	65.2	95.6	65.2
Furniture	68.8	68.8	50.0	43.8
General	45.9	64.9	21.7	21.7
Grocery	56.7	8.1	18.5	13.5
Hardware	66.6	57.6	84.8	72.7
Jewelry	75.0	40.0	70.0	40.0
Ladies' ready-to-wear	77.8	77.8	44.5	44.5
Men's clothing	8.0	80.0	42.4	46.1
Shoes	72.2	38.9	44.5	50.0
Variety	0	70.0	3.3	0

¹² "Let the small town retailer quit talking 'unfairness' and face the real reason why the mail order house takes business from his town. The real reason is that the small town retailer is not so good a merchant. He can be if he will merely study modern merchandising and then go after the business as though he meant it. It is not uncommon for small town merchants to plan local trade 'revivals.' They discuss how they can 'keep the business in the old home town,' and plan advertising urging the local public to be loyal to the merchants who support the town. All things being equal, the public prefers to support home trade, but better values, greater variety, and lower prices make the public loyal to its own pocketbook."—Harold Whitehead, "How to run a store," p. 26.

TABLE XX
THE MANAGER, BY TYPES OF STORES

Type of store	No. of stores	Member of state association	Attends convention of state association	Buying trips to cities	Member of local business men's association	Education				Previous experience			
						Less than 8th grade	8th grade	1 or more years in high school	Business college	College or university	Work in store	Work on farm	Other work
Drug	23	22	15	15	20	..	4	12	..	7	20	0	3
Furniture	16	8	7	11	11	4	4	7	2	1	13	1	2
General	37	8	8	24	17	13	8	16	6	..	34	0	3
Grocery	37	7	5	3	21	7	16	14	2	..	23	3	11
Hardware	33	28	24	19	22	6	14	10	5	3	21	2	10
Jewelry	20	14	8	8	15	3	8	8	..	1	18	0	2
Ladies' ready-to-wear and dry goods	18	8	8	14	14	3	5	9	2	1	13	0	5
Men's clothing	26	11	12	21	21	2	11	12	2	1	21	0	5
Shoes	18	8	9	7	13	5	8	4	..	1	13	0	5
Variety	10	1	0	7	0	1	6	3	..	..	4	0	6
Total	238	115	96	221	154	44	84	95	17	15	179	6	38

Table XX gives the education and previous experience of the 238 merchants. Forty-four had less than an eighth-grade education. Nearly all of these had spent most of their lifetime working in a store. Almost a third kept general stores. Eighty-four of these men had eighth-grade education, 95 had spent one or more years in high school, 17 had business college training, and 15 were college or university graduates. Almost half of the college graduates were druggists. This is due to the fact that most drug store owners have training in pharmacy, and this training is obtained at a college or university.

It also appears that three out of four had worked in a store as either clerk or manager before they became the managers of their present stores. This indicates that practical experience as a merchant is quite as essential for successful merchandising as practical farm experience is for farming. Incidentally, one reason for the failure of so many co-operative stores owned by farmers is that the value and importance of a manager who has had training and practical experience in merchandising has not been fully appreciated.

The value of a good education and training for a business career from the standpoint of the community is becoming more important every day. The old plan of letting trial-and-error methods determine a man's fitness to serve the community as a merchant is proving unsatisfactory. The man who is managing a store needs to be trained for his task, or to be sufficiently educated that he can profit from an apprenticeship under a good operator. Moreover, it is an important fact that a merchant with a high school and college training is better qualified to become a community leader. In many rural communities leadership and initiative for community projects are given by some business man at the trade center. Communities have become accustomed to accepting the initiative and leadership of merchants. Where it is lacking, there is likely to be little co-operation between farmers and merchants at their trade center. Community development is achieved most rapidly when there is co-operation between town and country. The more educated both farmers and merchants become, the easier it is for them to co-operate.

The average age of these merchants, according to Table XXI, was forty-five years. The average period of residence in the community was twenty-six years. Thirteen years was the average length of time that they had been managers of stores. The figures indicate that the merchant in these trade centers does not often move from one community to another. He is a permanent resident and knows the majority of the people in the community. This familiarity gives the merchant a chance to make his store more fully meet the needs of its customers. It was noted that the son of the merchant often succeeds his father as manager of the store. The family name becomes

associated with the institution. If the store has earned a reputation for fair dealing in the community, this reputation is handed down from one generation to another.

TABLE XXI
QUALIFICATIONS OF MANAGERS, BY TYPES OF STORES

Type of store	No. of stores	Average age of manager years	Average number of years resident of community	Average number of years manager of store
Drug	23	44.9	24.5	16.7
Furniture	16	55.0	33.5	20.0
General	37	45.8	21.9	13.0
Grocery	37	39.8	28.9	8.8
Hardware	33	43.3	27.5	11.9
Jewelry	20	45.2	27.1	16.2
Ladies' ready-to-wear and dry goods	18	46.5	22.3	10.5
Men's clothing	26	41.7	22.0	10.7
Shoes	18	48.3	31.5	14.3
Variety	10	45.6	17.2	10.5
Average .....	..	45.6	25.6	13.2

No data were obtained as to the clerks. In the preliminary investigation it was discovered that the manager knows little concerning the clerks except their ability as salesmen or saleswomen. Many merchants could not state without considerable difficulty how long the clerks had been employed in the store and few knew how far the clerk had gone in school. It was also observed that the wife and older children often help in the store quite as much as the farm wife and family help with farm work.

According to Table XXII, 15 per cent of the merchants stated that they balanced their books each week, 71 per cent each month, and 14 per cent yearly. Only 75 per cent discounted their bills with the wholesalers or manufacturers. It is surprising that as many as 25 per cent do not take advantage of these discounts, because such discounts, which usually amount to 2 per cent, are net profit for the merchant. The chief reason given by these merchants for their failure to discount bills was that customers who have been given credit can not or do not pay their bills when statements are sent to them. However, a merchant who has good financial standing can make a profit by borrowing money at a bank with which to discount his bills.¹³

¹³ "Cash discounts are closely connected with profit. 'Two per cent ten days' is too important a source of revenue to be neglected, but how few retailers secure all discounts. It is better by far to borrow money at 8 per cent per year than to lose any cash discounts. A merchant's credit rating is enhanced if he earns the reputation for being prompt in the settlement of his bills. If you let the account run for thirty days before paying (at which time it is due net) you are really borrowing money from the manufacturer for twenty days. You are allowed ten days of the thirty in which to get the cash discount. This means that you pay 2 per cent for twenty days' use of the money. This equals 3 per cent for 30 days or 36 per cent per year. No business can afford to borrow money at such usurious rates."—Harold Whitehead, "How to run a store," p. 105.

TABLE XXII
NUMBER OF STORES PRACTICING CERTAIN BUSINESS METHODS, BY TYPES OF STORES

Type of store	No. of stores	Balancing of books			Discount bills	Monthly statements	Member of co-operative buying agency
		Weekly	Monthly	Yearly			
Drug	23	6	14	3	23	16	17
Furniture	16	0	14	2	11	12	0
General	37	7	20	10	24	25	8
Grocery	37	9	26	2	31	35	1
Hardware	33	5	22	6	20	20	17
Jewelry	20	0	19	1	14	16	0
Ladies' ready-to-wear ..	18	3	14	1	14	16	2
Men's clothing	26	3	18	5	21	22	2
Shoes	18	2	14	2	12	14	0
Variety	10	1	7	2	8	10	0
Total	238	36	168	34	178	186	47

Only 19 per cent belong to any co-operative buying organization. The feeling was general among these merchants that if their credit was good they could buy just as economically from private wholesale concerns. Several of the more progressive merchants were in favor of co-operative buying by local merchants. Farmers are rapidly taking advantage of co-operative effort in production and marketing. In this respect they have gone far ahead of merchants in their communities.

Seventy-eight per cent of these merchants send monthly statements to their customers. This practice is becoming more common. Some merchants still hesitate to send out statements because the customers may be offended if they receive a statement month after month. Probably at no other place does the personal relation between the merchant and the farmer become so evident as it does in the case of credit. The farmer expects credit, and custom has decreed that it shall be granted to him. Undoubtedly there is a basis for this practice. At certain seasons of the year the farmers in some areas receive little or no income from their farms, and during such periods it is a convenience for them to receive credit from local merchants. Furthermore, the granting of this credit works no great hardship on the store if there is a definite understanding as to when the payments will be made. But here difficulties arise. If the farmer has a crop failure, he has no ready money to pay such bills. But the merchant must have money if he is to continue in business. Some farmers fail to appreciate the predicament of the merchant and neglect to make a satisfactory settlement. Some will even withdraw their patronage from a store when asked to settle an account at such times. They may have to pay cash with the new merchant, but this does not benefit the one that first gave them credit. The first merchant has in reality lost a customer because he was considerate enough to give him credit.

All the merchants who gave credit to their customers were asked how much had actually been lost by bad debts. Not enough information could be secured on this point to warrant a tabulation. However, the amount reported as actually lost was very small in most cases, usually not amounting for all years combined to over 5 per cent of the annual volume of business. The real loss was the loss of the use of the money. Whatever the trade agency loses from bad bills must come out of the net profit of the concern, except that in the long run it is shifted to the community as part of the cost of merchandising.

TABLE XXIII

AVERAGE AMOUNT CHARGED TO CUSTOMERS' ACCOUNTS BY DIFFERENT TYPES OF STORES
(ONLY ACCOUNTS CARRIED FOR MORE THAN THIRTY DAYS ARE CONSIDERED)

Store	No. of stores	Amount of credit per store	Per cent of volume of sales
Drug	23	\$ 2,634	9.9
Furniture	16	7,431	23.1
General	37	12,168	13.6
Grocery	37	4,445	10.2
Hardware	33	12,836	29.8
Jewelry	20	1,146	9.1
Ladies' ready-to-wear	18	4,291	4.6
Men's clothing	26	3,541	7.8
Shoes	18	1,900	7.8
Variety	10	200	4.4

TABLE XXIV

AMOUNT CHARGED TO CUSTOMERS' ACCOUNTS BY DIFFERENT TOWNS

Towns	No. of stores	Amount of credit, all stores	Per cent of total volume of sales
A	5	\$108,950	32.5
B	7	33,100	31.5
C	12	123,850	29.2
D	10	89,412	25.9
E	13	127,600	14.2
F	23	152,915	14.8
G	20	99,950	9.6
H	26	133,683	14.7
I	21	93,900	9.6
J	22	88,750	8.8
K	48	142,600	6.0
L	31	251,530	12.8

The amount of credit, according to Table XXIII, varies greatly with different trade agencies. The type of commodity has some influence, as hardware stores and furniture stores uniformly extend the highest percentage of credit. These stores handle commodities that involve the expenditure of relatively large sums of money at one time and therefore the need for credit occurs more frequently. Table XXIV indicates that type of agriculture and community custom also have a part in determining how much credit a merchant will give.

The small trade centers give more credit proportionally than the large ones. The question of credit does not rest entirely with the merchant, but a constructive policy regarding it can do a great deal to modify community attitudes and practices. Both merchants and farmers realize the disadvantages of store credit and are adopting measures to restrict it.

PROGRAMS OF IMPROVEMENT

The foregoing gives us a description of the merchandising relationship between the farmer and his trade center in terms of the most important type of merchandising agency, the country store. If the study had included implement dealers, lumber yards, and all other types of local trade agencies, no differences except in details would have appeared. The same problems of volume of sale, mark-up, grades of goods, advertising, credit, and plant and equipment would have entered. To the extent that some of these agencies are co-operative, some new problems might have arisen; but the co-operative aspects of the problem will be discussed in a later section. Our reason for studying any one of these types is to derive suggestions for a program of improvement. This can be done for stores on the basis of what is already presented; and not much variation will be needed for the others. In the pages following, four possible plans of attack on the problem are considered. These are as follows:

1. Retain existing agencies in their present form, but strengthen them by improving their merchandising practices.
2. Retain local units as at present, but have them joined into chain units or other types of integrated organizations for the purpose of better buying and the like. The degree of centralization can range from very mild overhead direction to almost absolute dictation from above. Such overhead organizations can be either proprietary or co-operative.
3. Concentrate the local merchandising function into fewer units and in larger villages.
4. Organize consumers into co-operative buying units. These may be purely local independent units, or they may be federated into larger units for some purposes.

Strengthening Existing Agencies

Economic progress is seldom made by scrapping existing machinery and building anew. Even the new types of institutions may come to prevail, a long period precedes in which the old and the new contest for supremacy. And sometimes the final result is such a strengthening of the old that it prevails again in the end. The success with which the country store has thus far withstood all assaults upon it indicates

that it is well worthy of all the help that can be given it. If the merchandising in all the twelve towns studied were only on as high a plane as in one of the twelve, the situation would be improved greatly. If it were as good in all stores as in the best in several of the towns, the problem would be two-thirds solved.

Specifically, the method of improvement along this line consists of better handling of the various details that have been described—in buying better goods and better values in goods, in inducing customers to buy better goods and more goods of the sort they need to raise the plane of their living, in getting a more rapid stock-turn, in larger volumes of sales, in lower mark-up, in better credit arrangements with customers, in cleaner and more attractive stores, in more conveniences for customers, and, growing out of all the foregoing, in a more friendly and more co-operative spirit between merchants and farmers than exists in many communities.

For carrying out such a program of improvement, what is principally needed is to strengthen organizations of retailers so that they can develop research and extension programs and conduct schools for the training of managers and salesmen. No doubt public agencies such as agricultural experiment stations and extension divisions and schools of business with their research bureaus can be of great assistance to retailers' organizations in such activities.

But one can expect progress along such lines to be slow. The great majority of the present generation of merchants are too well satisfied with their methods to take kindly to most suggestions for improvement. Worst of all, retailing is a type of activity that appeals to the fancy of a great many people regardless of their qualifications for it, with the result that new stores are constantly being started. This has two evil effects. It brings into the work constantly a new supply of untrained merchants, and it introduces an undesirable type of competition. It also tends toward too many retailers at any given time. It is a poor merchant who can not get enough business in the first few months to keep going, and if he is only half-competent after that he stands a fair chance of squeezing in beside those already there, and presently all are in need of a little increase in mark-up in order to be as well off as before.

Integration of Local Units

Because of the slowness with which progress is made when the initiative and decisions are left with individual merchants, plans are constantly being conceived, and in some cases tried, by which more or less of the authority is reposed in an overhead organization. The chain store is one type of such development. In this case, the local units are owned by the central organization and the local operator

is a hired manager, perhaps paid partly on a profit-sharing basis. All the buying is done for the organization as a whole; and one general sale, price, and stock-turn policy is prescribed. The accounting is mostly done in the central office, only records being kept by the local manager. Chain stores have had a great development in the United States in the last 15 years, and the growth still continues. But they have made less headway in country towns than in large cities. Their policies are not flexible enough to fit well into local situations; and they rarely carry a full enough line of goods to meet all the needs of rural communities.

The usual proposal in the way of federation is that already mentioned, namely, co-operative buying by local merchants. In view of the success of farmers' local creameries in federating to sell butter in Minnesota, the idea has a large appeal to many people; and some success has already been achieved in this country by retailers. The future will witness some interesting attempts along these lines.

These two programs by no means exhaust the possibilities. Integration of locals may be for any number of purposes other than buying, or for any combination of purposes with buying. The merchants in one community may unite for the purpose of handling the local credit situation to better advantage.

Concentration in Fewer Units

A rapid increase in population of the trade area has more effect on the average volume of business handled than an increase in the number of stores. That this is true for most lines of merchandise is demonstrated by the figure showing the larger average volume of sales in the larger towns. The increase in volume also results from the disappearance or decrease in size of the very small villages and the compensatory increase in size of the medium-sized towns.

Social change is ever present in rural as in urban life. The natural social units that existed fifty years ago bear little resemblance to those of the present day. What changes will be wrought by the end of the next half century can be only surmised. Neighborhood groups are disappearing, and in their place the community emerges as the social unit of rural life and interest. The little district school has given way in many places to the larger and more efficient consolidated school. The rural free delivery brings the mail from a larger town. Neighborhood activities no longer afford diversion for the farmer folk. Social activities on a community basis and the attractions of distant amusement centers are increasing in importance.

The rural trade center has not escaped the effect of these consolidating tendencies. Small trade centers are disappearing and larger ones are taking over their function of supplying the needs of the rural

people. Over 40 per cent of the trade centers having less than 500 people lost population between 1910 and 1920.¹⁴ The cross-road store has entirely disappeared in some sections of the country, and it seems to be only a question of time until the majority of small trade centers with two or three stores will have to give way to the larger centers with which they unsuccessfully compete.

But these changes do not come without considerable readjustment. Custom and tradition still play a large part in modern life, and certainly the rural population is no exception. One of the chief problems in social progress is to get people to adjust themselves to new and changing conditions with the least possible waste of time and energy.

It is not surprising, therefore, to find people clinging to these small trade centers as heritages of the past and benefactors of the future. Possibly no force tries more arduously to perpetuate this institution in modern community life than does the trade center itself. It offers convenience to the farmer because it brings commodities nearer the farm, tho the automobile is making this advantage less important. In former days it furnished a meeting place for the people in the neighborhood, and many profound questions have been discussed around the stove in the little country store.

From practically every standpoint the fates are against the small trade center and slowly but surely a new type of trade center in rural regions is developing. The advent of the automobile has made it easy for the farmer to drive ten or fifteen miles to purchase commodities that were formerly purchased at the nearest store. He is especially likely to do this if the commodities are of such grade and variety that ample assortments can not be profitably kept in stock at the local stores. Very little, if any, of such commodities as ladies' ready-to-wear, dress shoes, men's clothing, and expensive pieces of dry goods are being sold at trade centers of less than 1,000 population. Merchants in such trade centers must necessarily limit their stock to staple grades and to varieties that the people in the immediate territory frequently buy. So farmers are purchasing commodities in the larger trade centers, where special stores are found, whenever it is desirable to look over larger assortments than are carried by the stores in the small trade centers.

Furthermore, associated with this specialization in commodity service is a greater variety of other services that make it more advantageous for the customer to buy at the larger center. The merchants are more proficient in giving their services. Commodities are more attractively displayed and more attention is given to informing the customer about the commodities he buys. Nor should it be forgotten that the farmer

¹⁴ Gillette, J. M., "Rural sociology," p. 463.

gains, at the consolidated center, the social stimulus that can be produced only by contact with larger population centers.

The small trade center does not completely serve the modern farmer who is thoroly scientific in his agricultural practice. The modern farmer wants more than flour and coffee. He wants association and ideas. At the larger trade centers there are more organizations that may enlist his interest. Some of these organizations bring the farmer and his family in contact with educational and cultural influences that they would miss entirely at the small trade center.

In addition to these obvious disadvantages, the data for trade agencies in these twelve trade centers show that the non-departmentized general store and consequently the small trade center are maintained at a degree of waste to the community. The average mark-ups are higher in the smaller trade centers than in the large ones. The average mark-up of the general stores was 23.9 per cent. The same groceries, dry goods, shoes, and hardware could have been bought at the stores specializing in them at the larger centers at an average mark-up of 20.2 per cent, thus saving 3.7 per cent. Omitting shoes, the average mark-up at the larger centers would have been 20 per cent, thus saving 3.9 per cent in favor of the larger trade center. Leaving hardware out, the saving is 1.3 per cent.

The only possible advantage that the small competing trade center has to offset its higher gross mark-up is its nearness to the farm. In this respect it is a convenience and a time-saver for the farmer. But good roads, the automobile, and the desire of the farmer to go to a larger center are gradually overcoming this advantage. The mere fact that such places are decreasing in number is proof of this statement.

When it is remembered that the average community in this study spent from \$500,000 to \$1,000,000 each year for such commodities as groceries, shoes, and dry goods, the saving of \$1.30 for each purchase of \$100 becomes significant. If it is assumed that the amount purchased is only \$500,000 the saving amounts to \$6,506. For a million dollar purchase it would amount to \$13,000. There is much complaint about lack of funds for community center houses, good schools, and other improvements in rural communities. Yet by supporting, as many communities do, small competing trade centers with small, inefficiently managed stores, the rural communities are losing voluntarily the amount necessary to supply community center buildings or other institutions of social value. If the waste in maintaining the small trade center, carried over from an earlier stage of social evolution, were spent in promoting community development along constructive lines, many of the maladjustments of the rural environment would in all probability disappear.

The size of the rural trade center that will be able to stand the competition of the larger centers is largely a matter of conjecture. It seems certain, however, that many of the very small trade centers will disappear along with the crossroad stores. Possibly in the adjustment process a certain number will find new or better means of service and will make a place for themselves in modern community life. Their worth will be determined by efficiency in distributing grades and varieties of commodities that they can economically handle and by the conveniences they offer to farmers who live in the vicinity.

Each succeeding step in rural social development brings to that part of society living on the farms the advantages that appear in dense centers of population. Science and machinery have made farming more of a business enterprise. Consolidation in many states has well nigh obliterated the educational disadvantages of scattered populations. The community church, supplanting small denominational units, is giving to such centers more nearly the same religious advantages as the small urban centers have. The disappearance of incomplete and unsatisfactory service in commodity distribution seems to be the next step in bringing to people who live on farms the trading advantages enjoyed by those who live in cities. Automobiles have made it possible for farmers to go to large trade centers. The result is the consolidated trade center.

Consumers' Co-operation

In many rural areas, consumers' co-operation has already played an important part in the program of reform of rural merchandising. In 1924, there were 717 co-operative stores in operation in the United States,¹⁵ nearly all in states that are predominantly rural. Half of them were located in Minnesota, Nebraska, Iowa, Kansas, and Wisconsin.

In Minnesota it was possible to ascertain the exact location of 96 co-operative stores that handled merchandise exclusively in 1924. Forty-five of these stores, or 42.5 per cent, were located in towns having a population of 500 or less; 23 stores were in towns having a population of from 500 to 1,000; 6 in towns having a population of from 1,000 to 1,500; 3 in towns of 1,500 to 2,000 in population; 3 in towns of 2,000 to 2,500; and 16 in towns of over 2,500 population.¹⁶ Just why the co-operative stores are found in rural territory is explained in a large measure by the difference between the merchandising service in urban trade centers and in rural trade centers. In urban centers more efficiency and specialization are found. The chain stores,

¹⁵ U. S. Dept. of Agr. Bull. 1302, p. 29. 1925. "Development and present status of farmers' co-operative business units," by R. H. Ellsworth.

¹⁶ U. S. Bureau of Labor Statistics Bull. 313, p. 16. 1923. "Consumers' co-operative societies in the United States in 1920," by Florence Evelyn Parker.

which make their appeal to the public on the basis of cost of service and efficiency, are generally very successful in urban trade and their existence and growth tend to prevent the organization of co-operative stores in cities. The reasons why farmers organize co-operative stores may generally be summed up under the head of dissatisfaction—with prices, with service, and with assortment and quality of goods. Of 48 managers in Minnesota who were asked "Why was your store organized?" 26 stated that the chief purpose was to get merchandise at a lower price for members; but 16 of the 26 also mentioned a better stock of merchandise.

In 1913, the number of co-operative stores in Minnesota was estimated at 126; in 1917, at 102,¹⁷ while in 1921 the number reported was 189. The reasons for this increase can be only conjectured. A moderate amount of success on the part of those established was no doubt an important factor. Also, during the years from 1913 to 1920 the prices of retail commodities nearly doubled.¹⁸ This may have accentuated the farmers' feeling of dissatisfaction with the existing stores. It is usually not a scarcity of stores in a town that explains the establishment of co-operative stores; it is rather some kind of dissatisfaction with existing trade agencies. Frequently a newly formed co-operative association buys a store already established. Since 1921 few new stores have been organized, and 64 of the 189 reported to be in business at that time definitely reported that they were out of business in 1924. It was not possible to obtain exact information on 19 stores, but very likely most of them were not in existence as co-operative stores, for in several cases the letters sent to them were returned unclaimed.

All of the 55 co-operative stores reporting to the Division of Agricultural Economics in 1924 handled merchandise that would put them in the class of general stores. Ten stores handled one or more sidelines. Feed was the sideline most commonly handled. The others were machinery, livestock, wood, coal, lumber, and grain. Feed was sold by 9 stores; machinery by 7; livestock by 4; and wood, coal, lumber, and grain by 2.

The total gross sales of the 45 stores handling general merchandise only for 1923 was, according to the summary following, \$2,473,434, or an average of \$60,326 per store.¹⁹ The highest gross sales reported by any store was \$177,422, and the lowest was \$15,312. Similar data for 45 co-operative stores during 1921 show that the total gross

¹⁷ Minn. Agr. Expt. Sta. Bull. 184, p. 36. 1910. "Farmers' co-operation in Minnesota 1913-1917," by J. D. Black and Frank Robotka. (No longer available.)

¹⁸ U. S. Bureau of Labor Statistics Bull. 300. May, 1922. "Retail prices 1913 to December, 1920."

¹⁹ The stores handling sidelines were not included in the computations that follow, so data presented here deal with the 45 stores selling general merchandise only.

sales was \$2,792,945, an average of \$62,065 per store. The difference is about equal to the change in the level of retail prices. The average value of stock carried by these stores was \$16,190. In 1921, the value of stock for the 45 stores handling general merchandise was \$18,290.

TABLE XXV
SUMMARY OF 45 CO-OPERATIVE STORES IN MINNESOTA HANDLING
GENERAL MERCHANDISE ONLY IN 1923

	Totals for 45 Stores		
Opening inventory			\$ 648,071
Closing inventory			678,373
Gross sales			2,473,434
Expense			319,149
Credit outstanding			258,626
	Average per Store		
Opening inventory			15,807
Closing inventory			16,546
Gross sales			60,326
Expense			7,784
Credit outstanding			6,450
	Range		
	High	Low	
Opening inventory	\$ 50,578	\$ 2,003	
Closing inventory	44,256	2,021	
Gross sales	177,423	15,312	
Expense	24,398	1,677	
Credit outstanding	17,048	387	

The volume of business and value of stock carried in 1921 by 37 privately owned general stores was given earlier in the bulletin as \$89,337, and the average value of stock carried as \$23,483. Some of the stores, however, are really department stores. In 1923, the average gross mark-up for the 45 stores was 13.2 per cent of the sale price of articles. The percentage of gross mark-up for the 45 co-operative stores in 1921 was also 13.2 per cent. The gross mark-up for the 37 privately owned stores in 1921 was 24.9 per cent. However, comparisons between the mark-up for co-operative stores and for privately owned stores are misleading unless two other factors are known, namely, the profits each group of stores makes, and the services each group gives. Data for these items are not available, and hence no conclusions can be drawn. Thirty-three of the 45 stores gave data with sufficient completeness to make it possible to determine their net profits or losses. On the basis of this calculation, 20 of the stores had a net profit of \$65,021, an average of \$3,251 per store, and 13 had a net loss of \$118,353, an average net loss of \$9,104 per store. The co-operative store may give less service. It is likely to carry only the most staple grades and varieties of commodities. It may employ fewer clerks and spend less for advertising. The 45 stores spent a total of only \$5,499 for advertising in 1923. Fourteen did no advertising.

The reasons for the failure of some co-operative stores are numerous and complex. In many cases the exact causes can not be definitely stated. A list of possible causes of failure was submitted to a responsible person in each town in Minnesota where a co-operative store had gone out of business between 1921 and 1923, and the informants were asked to check the reasons or causes for the store's failure. Forty-one replies were received, and the report was as follows:

Inefficient management	25
Sold to private firm	21
Insufficient capital	15
Too liberal extension of credit	14
Lack of leadership among co-operators	13
Lack of co-operative spirit	11
Too many competitors	7
Special local factors	1
Other reasons	1

"Inefficient management" is a general term that includes a combination of many things. In the minds of those replying, however, it meant something fairly definite. A considerable amount of experience is needed to manage a store successfully. The work is complex and only persons who are experienced and who have a particular aptitude for it can be very successful. Such persons ordinarily command a high salary. Frequently the directors of co-operative stores are not willing to pay a salary high enough to make sure that they are employing an efficient man. No information could be obtained as to the training and experience of the managers of stores that had gone out of business in Minnesota; but of the managers of 50 stores that were in business, only 39 had had any experience in merchandising before they became managers of the co-operative stores. Before doing any kind of work as merchants, 15 of the 50 had been farmers and 6 had been laborers. The others had done many kinds of work. The managers of stores that failed probably had less experience and training to fit them for the work than the 50 from whom some data were obtained.

The second cause (in order of frequency of occurrence) for failure of co-operative stores was selling out to a private firm. This is only a secondary cause in most cases, the real cause being some other factor—as inefficient management, insufficient capital, or too liberal extension of credit. Insufficient capital is mentioned fifteen times as a cause for failure. This may be due to overstocking or to too liberal extension of credit or to a lack of security with which to borrow the needed funds. Too liberal extension of credit is mentioned thirteen times. It is probable that this factor was often responsible for the lack of sufficient capital. It is a bad merchandising practice

under any circumstances to give too much credit, and it is doubly bad for a co-operative store that is poorly organized or inefficiently managed. The 45 stores reporting had given \$258,626 in credit, an average of \$6,450 per store. This amounted to 10.6 per cent of the annual sales of the store. The 37 privately owned general stores studied in 1921 extended a credit amounting to 13.6 per cent of annual sales. The privately owned stores are evidently more careful about making collections, for 64.4 per cent of the 37 merchants send monthly statements to their customers, while only 46.6 per cent of the 45 co-operative stores did so. Only 42 per cent of the 45 co-operative stores discounted their bills regularly with the wholesalers, 26 per cent discounted them part of the time, and 33 per cent never discounted them. The practice of discounting bills means a considerable saving, and efficient store managers can not fail to take cognizance of this fact. It is interesting to note that, as previously mentioned, 64 per cent of the privately owned stores regularly discounted the bills of wholesalers.

Other factors mentioned as causing failures of co-operative stores are lack of leadership among co-operators, lack of co-operative spirit, too many competitors, and special local factors. The first two are fundamental. Unless people understand the principles of democratic management, patronage dividends, and the policy of paying only a reasonable rate of interest on money invested in stock, success is uncertain. In most communities some persons are prone to overemphasize the benefits to be derived by co-operation. These are the ones who promote the enterprise. Then when the co-operative store is organized the benefits do not meet expectations. Disappointment and failure are bound to result. Whether or not there are too many competitors in a community is really a question of whether the stores already existing are serving their patrons efficiently. It is clear that there is no necessary relation between the number of stores in a town and their efficiency. It is more nearly correct to say that some co-operative stores fail because the privately owned stores are apparently performing their task of selling goods as efficiently as it can be done under existing circumstances, than to say that co-operative stores fail because there are too many competitors. Any store can justify its existence in the community only by giving efficient service in handling commodities that are regularly needed.

Just what will be the future of the co-operative store movement in rural communities is difficult to say because many factors may influence the growth of the movement. Merchandising in rural trade centers is undergoing a change. Perhaps as this readjustment process goes on, privately owned stores will become more adept in discerning the needs of the community and at the same time will use the most

efficient methods in meeting them. The existence of many efficient and up-to-date stores in rural trade centers shows that such a change is taking place. On the other hand, in many rural trade centers the stores are not up-to-date or well managed. Suspicion and prejudice often characterize the relation between merchants and farmers. In a town where this is the case it is always likely that a co-operative store will be organized and the privately owned stores will either become more efficient or will be supplanted by the co-operative stores with their more efficient service.

Present tendencies indicate that if co-operative stores are to be generally and permanently successful, they will have to form district or central organizations, just as other co-operative organizations organized originally on a community basis have done. In fact, such central organizations are already in existence. Following are statements concerning three such organizations: "In the State of Washington, where the Grange Warehouse Company of Seattle does the bookkeeping and accounting for twenty odd stores, through the opportunity thus afforded for detecting wastes, inefficiency and leakage, the average overhead expense has been reduced to about nine per cent. The Co-operative Central Exchange at Superior, Wisconsin, does not offer bookkeeping service for its affiliated societies, but does audit the books of between forty and fifty of these. In Illinois fifteen to twenty societies have subscribed for the central bookkeeping service of the Central States Co-operative Society."²⁰ Such is the tendency at the present time.

²⁰ U. S. Dept. of Labor, *Monthly Labor Review*, Vol. 19, No. 6, p. 156. December, 1924.