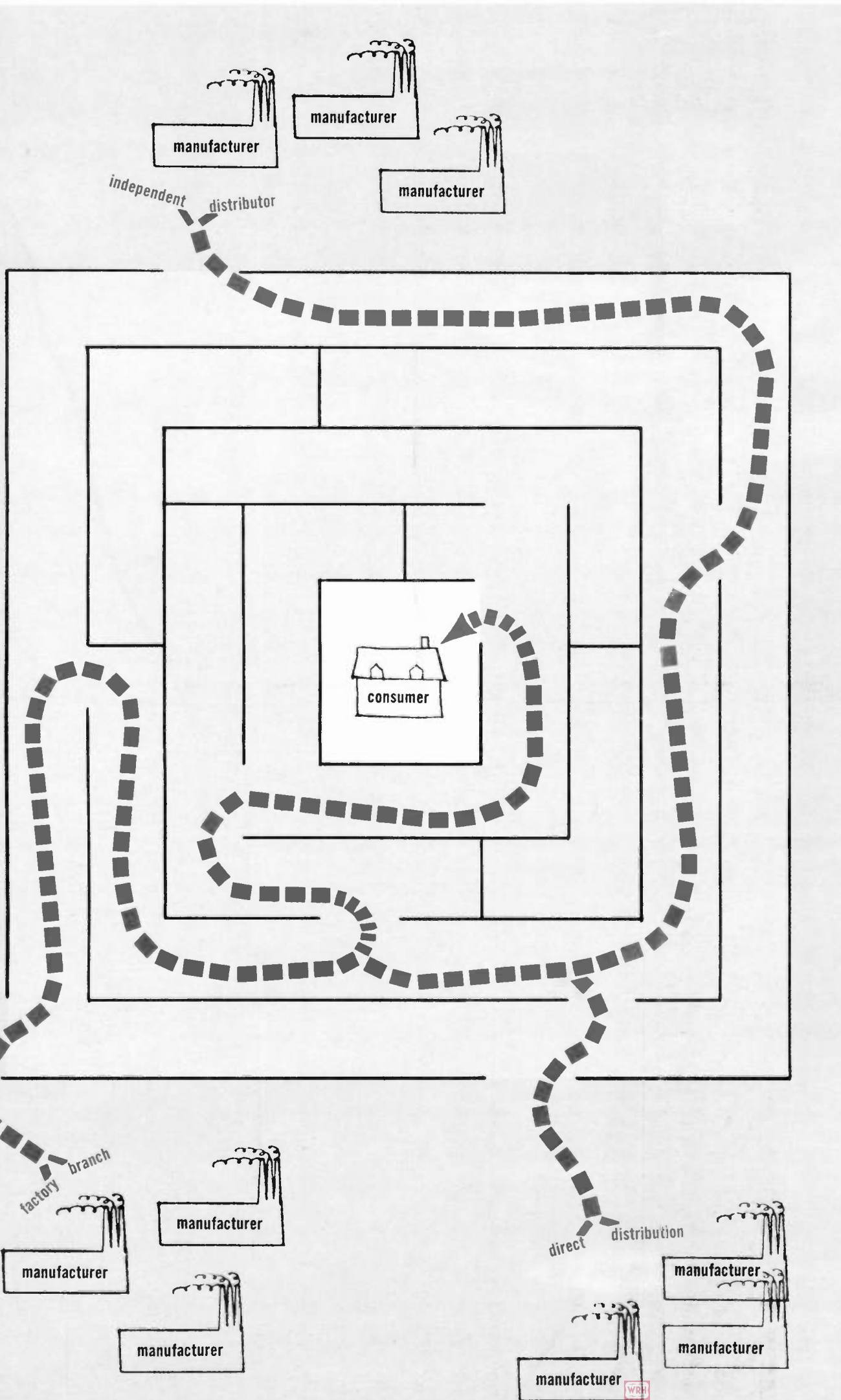


MERCHANDISING WEEK

EDITED FOR THE HOME GOODS RETAILER/A MCGRAW-HILL PUBLICATION/50 CENTS/VOL. 97 NO. 50/DECEMBER 20, 1965



◆ □ □ □ **Distribution dilemma:** The profitable path from the manufacturer to the consumer winds through a maze of forces and counter-forces. Is the best route through direct, branch, or independent distribution—and where do retailers fit into the puzzle? For a map of the near future, see.....p.11

AT PRESSTIME □

□ □ □ □ **A \$7.40 AM-FM radio** from Taiwan should sharpen price competition on imported radios. This low f.o.b. price comes from Dah Seng Hong, largest producer of transistor radios in Taiwan. McGraw-Hill World News in Taipei reports that Dah Seng Hong completed 10,000 of the 9-transistor AM-FM sets for shipment to the U.S. at the end of November, and it has a U.S. order to build 50,000 more of the sets by the end of March. The price is expected to drop to \$6.50 f.o.b. by the middle of next year. Total Dah Seng Hong production this year will total about 420,000 sets; estimated production for next year is about 600,000 sets. Dah Seng Hong is presently building the sets for Shin-shira-suna Manufacturing Co. of Japan, but next year the Taiwan company plans to take some orders itself, rather than only doing subcontract assembling for Japanese companies.

□ □ □ □ **Color tv troubles:** As color booms at home, U.S. manufacturers are running into increasing problems abroad. U.S. tv equipment manufacturers and government representatives have launched a last ditch effort in Latin America to save some foreign color tv markets for the U.S. NTSC system. Only Japan and Canada *continued on p.3*

Arvin SOLID STATE STEREO

The Solid Profit Line with the
**BIG TICKET
 BEST SELLERS**



Arvin Solid State Stereo Phonograph with FM/AM/FM Stereo Radio
 Fine furniture styling and detail in a magnificent 58" cabinet of genuine Walnut veneer and selected hardwoods.
 Arvin Model 86P58 Sugg. retail \$359.95



Arvin Solid State Stereo Phonograph with FM/AM/FM Stereo Radio
 An exciting concept in contemporary styling, a 52" cabinet of genuine Walnut veneer and selected hardwoods.
 Arvin Model 86P48 Sugg. retail \$329.95

New extra length Solid State Stereo Phonographs with FM/AM/FM radio in Genuine Walnut Veneer Cabinets

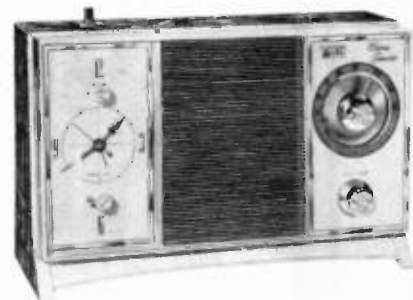
Arvin gives you more to offer your big-ticket console customers! Two new top of the line Stereo combinations with quality performance at a price which is realistic for *them*—and more profitable for *you!* With Arvin you can offer luxury-length cabinets of genuine Walnut veneer and selected hardwoods; acoustically balanced 6-speaker sound system; advanced solid state circuitry for instant play, cooler operation; 4-speed deluxe automatic changer with Diamond needle; six separate controls including bass, treble, volume, and stereo-balance for personalized tuning—PLUS superb FM/AM/FM Stereo radio.

Here are the outstanding models in an entire line of Arvin all wood Walnut veneer Stereo Consoles, priced from \$94.95 to \$359.95. Step up to Arvin Stereo . . . your big-ticket line to solid profits.

Visit these permanent show spaces:
 Chicago, Merchandise Mart—1477
 New York, 230 Fifth Ave.—612
 San Francisco, Merchandise Mart
 Hollywood, 1025 N. Highland Ave.
 Arvin Sales Dept., Columbus, Ind.



For complete information, write, wire or call
Arvin
 ARVIN INDUSTRIES, INC.
 Consumer Products Div., Dept. E-9, Columbus, Ind



Arvin Solid State CLOCK RADIO in Deluxe Walnut Wood-Grain Cabinet

Arvin Solid State, AC powered 5 transistor radio chassis teamed with precision full-feature clock. Includes every wanted convenience: "Wake-to-Music," "Wake-to-Alarm," Slumber Switch, Doze Light, plus "Repeat-A-Call" alarm. Precision vernier tuning, 4" Velvet Voice speaker, sensitive rod antenna.

Arvin Model 56R38 Sugg. retail \$29.95



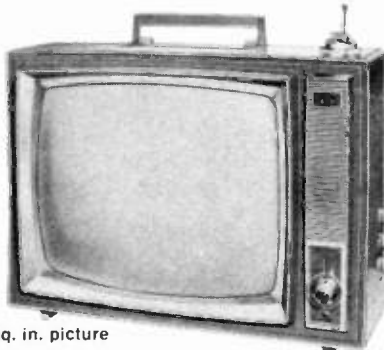
Arvin SOLID STATE HI-FI TAPE RECORDER AND PLAYER

Best buy under \$50! Weighs only 5 lbs., records and plays back at 3 3/4 or 1 1/2 ips. Transistorized Solid State chassis for instant play, cool operation. Capstan drive for accurate tape speed, utmost fidelity. High impact black plastic case. Comes complete with microphone, 225 ft. tape, two 3" reels, 1 roll splicing tape.

Arvin Model 86L19 Sugg. retail \$49.95



Arvin SOLID STATE 9" TV 39 sq. in. picture
 Plays Anywhere—On battery or AC
 Sell TV's newest portable market. This new ARVIN all-channel TV goes anywhere, plays anywhere. Operates on rechargeable battery pack (optional) or regular AC power. Weighs only 11 1/2 lbs. Super-bright picture locked in with AGC. High gain IF amplification for top fringe area reception. In Wood Grain finish.
 Arvin Model 66K18 Sugg. retail \$139.95



Arvin 19" ALL-CHANNEL PORTABLE TV 172 sq. in. picture
 Big screen portable TV at its best. Keyed AGC for steady picture. One time VHF "memory tuner". Front facing 5" Velvet Voice speaker. 3-stage high gain IF amplification for sparkling clear pictures even from hard-to-get stations. Slim, clean lined on-the-go styling in Two Tone Beige with Gold Trim.
 Arvin Model 66K48 Sugg. retail \$139.95



Arvin Solid State FM-AM RADIO in Deluxe Walnut Wood-Grain Finish

A delight to demonstrate! Powerful 11 transistor Solid State instant play chassis, AC powered for finest AM and FM reception. Special push-pull output for extra power. Variable tone control. Switchable AFC. Lighted slide rule dial. Big 5" speaker. Slim line molded plastic cabinet.

Arvin Model 36R48 Sugg. retail \$54.95

now use NTSC. Although Brazil is considering NTSC, Argentina is already tentatively committed to the French system.

The French and West German systems are gaining an edge in Europe, too. The U.S. decision, after government and industry collaboration to find a solution: send technical help and information to Latin American nations, particularly Argentina, Chile, and Venezuela—all key markets—and name a group to study the world market with an eye to drawing markets away from the French and West German systems.

□ □ □ □ **MARTA has strengthened its position** with a more stringent system of billing, to be inaugurated at the first of the year. Under the new system, MARTA will assess its dealer-members when they buy outside the co-op. Previously, MARTA members handled all aspects of transactions outside the co-op as individuals; now they will be required to submit copies of invoices for their non-MARTA transactions.

MARTA's action is designed to strengthen the position of suppliers who sell the co-op as a group, by putting billing assessments on a more equal basis; before, MARTA had assessed members only for group transactions—those in which MARTA handled the billing of its members.

Just last month (MW, Nov. 8, p.3), Zenith's New York factory branch decided to stop selling to New York buying co-ops. (Zenith still sells MARTA New Jersey.) MARTA New York is now splitting its Zenith spending—a \$5 million buying volume—among other manufacturers—who deal with MARTA as a co-op.

□ □ □ □ **Frigidaire's St. Louis zone has cut prices** on some refrigerator models. The reductions range from \$10 to \$43. Only a few weeks ago, Frigidaire instituted similar cuts in the highly competitive Chicago market.

□ □ □ □ **A new string of Originals** will be introduced by Kelvinator at the winter market in Chicago. The new Originals—all decorator-front refrigerators—will not replace or delete the existing line of design-oriented refrigerators. About 90% of Kelvinator's upcoming line will feature new designs; the remainder

will feature variations of current designs adapted to units in new sizes. Prices will be about the same as those of the current Originals line.

In recent weeks, a number of companies have introduced refrigerators with textured fronts—not “decorated” in the strictest sense, as are Kelvinator's. (Gibson and Amana, however, do have units incorporating color and design.) Those offering units with wood-grained fronts include Frigidaire, Philco, and Sears, Roebuck.

□ □ □ □ **The costs of a New York show** for the home electronics industry are being explored by the major tv manufacturers as an alternative to the 1967 Music Show, now set for Chicago's McCormick Place. Set makers are unhappy with the National Assn. of Music Merchants decision to move the Show to McCormick Place.

□ □ □ □ **Sylvania policies will not change;** this pronouncement was made by John Morgan at his first press conference as president of Sylvania Home Entertainment Products Corp. Morgan succeeded Robert J. Theis, who left Sylvania for a vice presidency at ITT.

□ □ □ □ **The tv industry is sweating out a strike** at Phelps-Dodge Copper's Inca Manufacturing Division, one of the major suppliers of copper wire for color tv deflection tubes. The strike, which began Dec. 1, has already shut down the color yoke production lines at Advance Ross Electronics Corp. RCA and F. W. Sickles, also suppliers of yokes, reportedly have a 30-day supply of wire on hand. At the weekend, negotiations to settle the strike had resumed as the industry hoped for an early settlement.

□ □ □ □ **An electric window washer** from Eureka-Williams? The company last week denied that it was planning to be the first manufacturer into the field next month at the Housewares Show. R. C. Connell, vice president for sales, said the firm would not introduce an electric window washer in “January or February.” Beyond that, he would not commit himself.

Industry toasts 1965, predicts more cheer in 1966

If appliance-tv retailers, distributors, and manufacturers are joyous this Christmas week, they should be even happier next year at this same time.

The reason: predictions of continued sales prosperity. The National Electrical Manufacturers Assn. forecasts that industry shipments of major electric appliances are expected to vault over the magic 2 billion mark in 1966. The gas industry is also predicting another record sales year (see p.8).

EIA prognosticates another booming sales year in consumer electronics. The Electronic Industries Assn.'s 1966 outlook: b&w tv, 6.1 million sets; color tv, 4.3 million sets; radio, 14.7 million home units; phonographs, 1.9 million consoles and 3.6 million portables; tape recorders, 560,000 units.

NEMA predicts a 4.2% increase in dollar value of majors shipped in 1966, from an estimated 1965 total of \$1,974,247,000 to \$2,057,026,000. NEMA expects unit shipments in seven of eight products categories to rack up gains in the coming year (see chart at right for details).

On a percentage basis, automatic dishwashers should lead the appliance group in 1966, according to NEMA, with shipments expected to increase 10.1%, and portable models leading the way. But the volume pace-setter will be the old sales stalwart, the refrigerator, which is expected to break through the 5 million unit barrier for the first time.

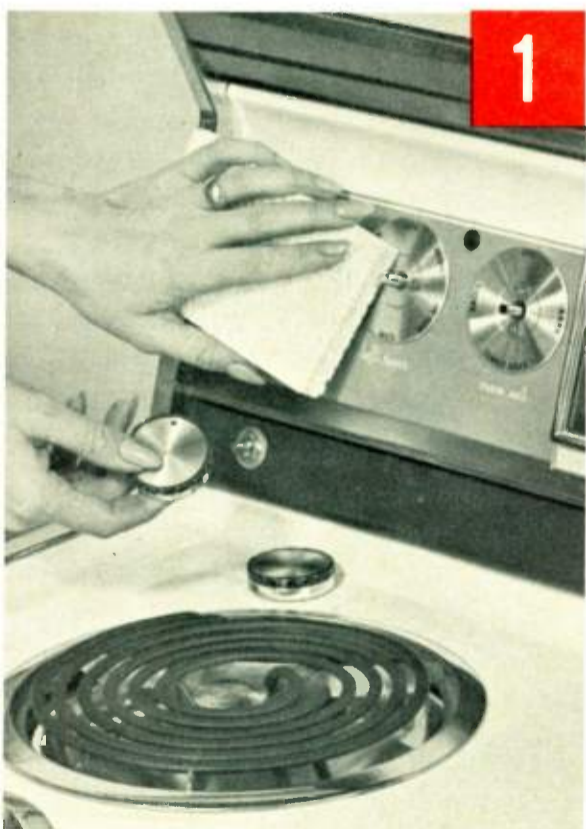
Shipments of room air conditioners are also expected to reach new highs in 1966, with an anticipated rise of 6.1% sending this product category over the three million mark.

PRODUCT	Number of Units (add 000)			Percent Change	
	1964	1965	1966 (Forecast)	65/64	66/65
Refrigerators	4,545	4,870	5,015	+ 7.2%	+ 3.0%
Food Freezers					
Chest	435	450	455	+ 3.4%	+ 1.1%
Upright	675	690	710	+ 2.2%	+ 2.9%
Total	1,110	1,140	1,165	+ 2.7%	+ 2.2%
Ranges (over 2½ kw)					
Free-standing	1,150	1,295	1,350	+12.6%	+ 4.2%
Built-in	815	780	795	- 4.3%	+ 1.9%
Total	1,965	2,075	2,145	+ 5.6%	+ 3.4%
Storage Water Heaters	1,000	1,100	1,110	+10.0%	+ 0.9%
Dishwashers					
Portable	340	470	525	+38.2%	+11.7%
Built-in	710	820	895	+15.5%	+ 9.1%
Total	1,050	1,290	1,420	+22.9%	+10.1%
Food Waste Disposers	1,300	1,355	1,410	+ 4.2%	+ 4.1%
Dehumidifiers	205	205	205	-0-	-0-
Room Air Conditioners	2,755	2,960	3,140	+ 7.4%	+ 6.1%

BECAUSE CLEANABILITY SELLS MORE RANGES TODAY...

TOTAL CLEAN

Hotpoint ranges
clean easier
6 ways for '66!



CLEAN-WIPE CONTROL PANEL has tough, baked-on porcelain finish; control knobs detach to make cleaning even easier.



RECESSED SPILL-PROOF TOP puts cooking surface below countertop; protects counter and range front from messy spills.



REMOVABLE DRIP PANS and trim rings slip from hinged, self-cleaning surface units and clean quickly in the kitchen sink.

See Hotpoint appliances
sold this week on The Tonight Show,
NBC-TV, starring Johnny Carson



HOTPOINT RANGES FOR '66 ARE ALL-NEW, ALL TOTAL-CLEAN. Hotpoint knows...YOU know...that the big pain-in-the-neck about ranges has always been cleaning them. Your customers know it, too. They want ranges that *clean easy, all over.*

So Hotpoint gives 'em what they want! We were very successful with easy cleaning in 1965, with our slide-out, sponge-off, Teflon-coated oven walls. But that's just the beginning. Now we've re-designed our entire line from top to bottom, for quick, easy TOTAL-CLEAN. Look at the features on this page. You'll see how TOTAL-CLEAN can help you sell!

What's more...besides the easy-tell, easy-sell TOTAL-CLEAN story... Hotpoint gives you the best-looking ranges ever. Packed with features. Yet still priced for the mass market.

Anybody can afford em... everybody will want 'em... Hotpoint TOTAL-CLEAN ranges for 1966!



REMOVABLE OVEN DOOR lifts up and off with one easy motion for easier cleaning.



TEFLON-COATED OVEN WALLS slide out and sponge clean. Burnt-on grease and spatter wipe off. No scouring ever!



REMOVABLE STORAGE DRAWER detaches completely. Cleaning under range is easier because there's no floor-level cross-brace.

Hotpoint first with the ranges women want most

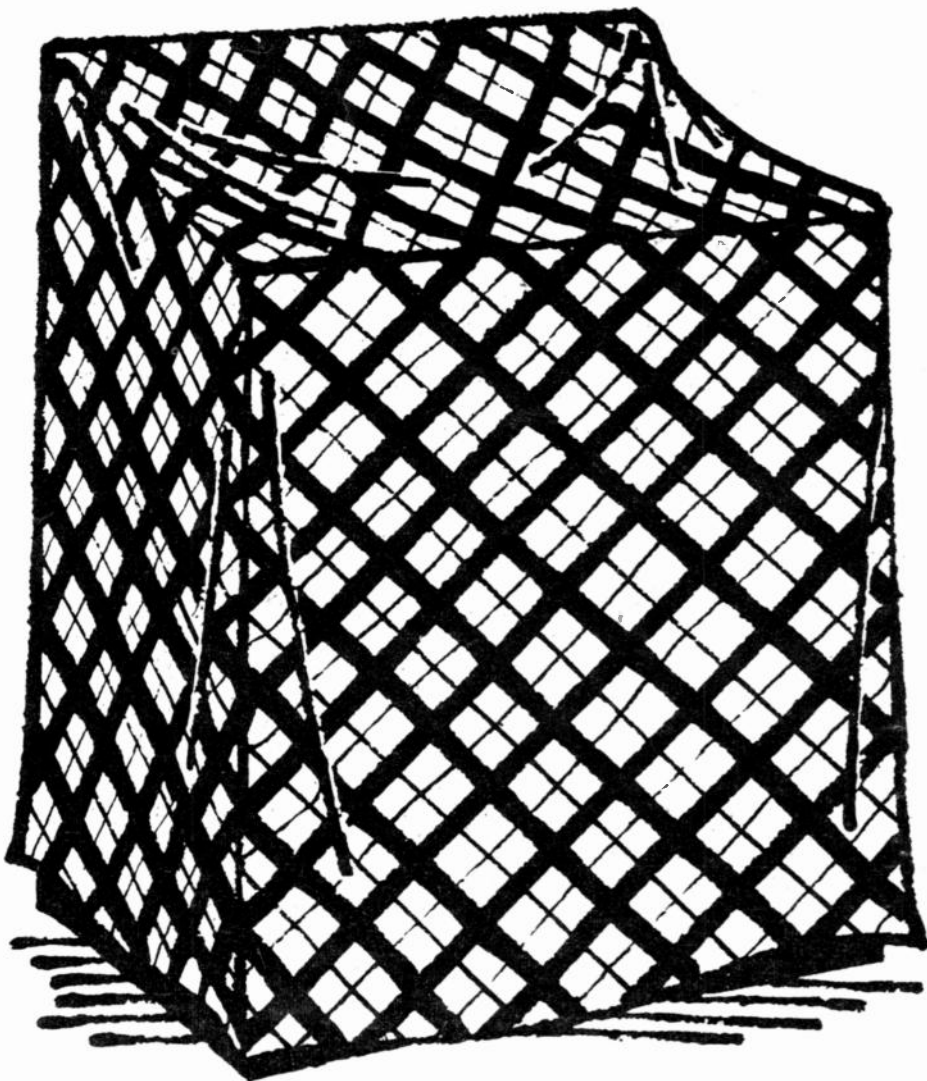
HOTPOINT • A DIVISION OF GENERAL ELECTRIC COMPANY • CHICAGO, ILLINOIS 60644

THE SCOTS ARIE COMING!

Norge is about to take the wraps off the hottest news in appliances. Why not get in on the unveiling at your Norge distributor's? You'll get the good word on an introductory promotion second to none plus a chance for volume sales and profits you haven't seen the likes of in a decade. Look for the Norge Man sporting a red plaid vest. He's Good News!

NORGE

home appliances **BORG WARNER**®



□□□□ The adjourned hearing on import labeling will be resumed on Jan. 5 by the Federal Trade Commission. The FTC continued the Dec. 6 hearing—on the labeling of radios, tv sets, phonographs, and tape recorders made up of imported components—simply because all interested parties did not have time to testify.

Key charge at the first session: board chairman Robert C. Sprague of Sprague Electric Co., of North Adams, Mass., said U.S. producers of finished items often accept components from foreign suppliers that they would reject as inferior from U.S. suppliers. He said price is the major factor.

Sprague represented the parts, tube, and semiconductor divisions of the Electronic Industries Assn. (EIA). Vice president Armin E. Allen of Philco Corp., representing EIA's consumer products division, said Sprague's statement "is not true." But the commissioners seemed intrigued by Sprague's charge; the case could hinge on its validity.

Sprague submitted a survey purporting to show that U.S. consumers prefer to buy end products made in this country. He urged the FTC to require some label—such as "manufactured in the United States using some selected imported components"—on those items that include imported parts. It would not be necessary, he added, to identify the imported components or their country of origin. Allen argued that any labeling is unnecessary, that U.S. manufacturers stand behind their products regardless of component origin.

□□□□ Volume of appliance sales for new housing expected in the coming year is uncertain—mostly because the volume of new housing starts is uncertain.

The Commerce Department expects single-family housing starts to increase slightly in 1966, with virtually no increase in multi-unit starts. But the Commerce survey was taken before the Federal Reserve Board increased its discount rate—raising from 4% to 4.5% the interest rate banks pay for borrowing money from the Federal Reserve System.

News of the Board's interest rate hike spread quickly through the entire lending community. Usually, the first result of such action is to put a damper on the housing construction industry, which operates almost entirely on borrowed money. Another result: increased cost of doing business for appliance manufacturers, distributors, and retailers who use borrowed funds.

□□□□ A clarification of franchise operations should be coming from the Supreme Court in the next few months. The Court has accepted for review four cases that will go a long way toward determining how closely a manufacturer can control a distribution system based on independent dealers.

The Court already has heard oral arguments in the government's contention that General Motors violated antitrust laws by trying to keep Chevrolets out of the hands of Los Angeles discounters. The decision in this case could apply to appliance sales to home builders with the proviso that builders keep excess stock out of normal trade channels.

The latest franchise case involves the alleged effort of Arnold Schwinn & Co. to restrict bicycle distribution sales to franchised dealers in specific territories.



Westinghouse entry in '66 side-by-side sweepstakes; retail price: \$550

Westinghouse lands with Jet Set and swings in with side-by-side

Westinghouse came up with winners at December drop-in time. In brown goods, the company expanded its Jet Set portable tv line—the sets with the black glass fronts—to include a 12-inch set and a new 19-inch leader model for 1966. In white goods, Westinghouse whipped the wraps off its long-expected side-by-side refrigerator.

The new Jet Sets extend Westinghouse's black-glass tv receiver line to six models, including a 23-inch console. The 12-inch portable features Instant-On reception and will retail for approximately \$130. The new 19-inch Jet Set is priced at about \$170, a drop of \$10 from the previous leader price.

A new standard 19-inch b&w portable with solid-state power supply and 5-inch front-mounted speaker

will retail for about \$120. A new Instant-On 23-inch color tv receiver with optional legs will sell for approximately \$480. A new stereo console with a 60-inch walnut cabinet will retail for less than \$200.

The new side-by-side unit—a no-frost refrigerator-freezer combination (shown above) made to Westinghouse specifications by Amana—has an 8-cu.-ft. freezer (283 lbs.), 14-cu.-ft. refrigerator section, and will fit into a 36-inch-wide kitchen space. The RSH22 will retail for about \$550.

Westinghouse also added an 18-cu.-ft., top-mount, refrigerator-freezer to the 1966 line. This unit (RJG-89) features an automatic ice-maker, is mounted on polystyrene casters so it can be rolled out for cleaning purposes, and will retail for \$450.

The 1966 NARDA Convention Schedule at San Francisco

THURSDAY, February 17th

9:00 a.m.—President's address: Billy S. Yates.

9:30 a.m.—Keynote speech: Upton R. Ziesler, Manitowoc, Wis.

10:00 a.m.—"Incentive Capitalism—the Free Man's Way," Robert E. Gros, vice president, Pacific Gas & Elec. Co.

10:45 a.m.—"Meeting Competitive Pressures," panel chairman Earl T. Holst, Des Moines, Ia.; "The True Strength of the Independent Dealer," George Johnston, Minneapolis; "National Brands vs. Private Label Selling," R. O. Fickes, president, Philco Corp.; "Cooperative Answer to the Retailer's Dilemma," S. M. Boyd, Springfield, Mass.; "Opportunities in the Marketplace," Edmund B. Barnes, vice president and general manager, Kelvinator.

1:00 p.m.—Luncheon. "Imageneering Can Keep You Competitive," Richard Tappan, president, The Tappan Co.; "Creative Advertising Award," George Wallace, director, trade relations, "Reader's Digest."

2:30 p.m.—Manufacturer Relations Committee meets.

FRIDAY, February 18th

9:00 a.m.—Board of Directors elections.

9:30 a.m.—"Government Regulations and Your Business," Paul Rand Dixon, chairman, Federal Trade Commission.

10:15 a.m.—"Service—Our Big Asset," panel chairman Tilman F. Babb, Dallas; "The Broad View of the Service Problem," Bryce S. Durant, president, RCA Sales Corp.; "Tackling the Serviceman Shortage," John Blackwood, Bakersfield, Calif.; "A Manufacturer's View of Warranties," Harry M. Kane, vice president and general manager, Westinghouse; "My Service/Sales Partnership," Harold A. Witham, Bakersfield, Calif.

12:30 p.m.—Luncheon. "Customers Are People Too," S. B. Rymer Jr., president, Magic Chef.

2:00 p.m.—"Care, Feeding, and Cultivation of Personnel," panel chairman Jack Rice, Canton, Ohio; "Dealer Development Programs Are for You," Jack D. Sparks, vice president, Whirlpool Corp.; "Retail Management and Unionization," Dean Reed Richardson, University

of Utah; "Facing the Personnel Turnover Problem," Lester Bachman, Chicago.

3:45 p.m.—"Care, Feeding, and Cultivation of Customers," panel chairman J. C. Mauldin, Columbus, Miss.; "Watch Your Sales Manners," J. Jack Riggs, vice president, Hamilton Mfg. Co.; "There's More Profit at the Top," R. W. Jones Jr., president, Friedrich Refrigeration Co.; "Keeping Customers Happy," Stanley Michelsen, San Francisco.

SATURDAY, February 19th

9:00 a.m.—"Getting Our Share of the Consumer's Discretionary \$," panel chairman H. H. Bloxom, Hampton, Va.; "How Big Is the Pie," Bud Jones, merchandising manager, "Life" magazine; "After the Color-Tv Shortage," Walter Fisher, executive vice president, Zenith Sales Corp.; "Why I Don't Always Cooperate," Thomas Connors, Denver; "Relearning the Lost Art of Salesmanship," S. R. Herkes, president, Motorola Consumer Prod.

10:45 a.m.—"Here's What We Expect of You," panel chairman William Sharpe, Atlanta; "The Price of My Loyalty as a Dealer," Vernon T. Clark, Rochester, Minn.; "Are You Doing Enough for Yourself," George Fezell, sales manager, Magnavox Co.; "Franchise Insurance," Roy Klein, president, Caloric Sales Corp.

12:00 noon—Luncheon. "A Candid Look at Your Salesmen," James Sweeney, vice president, Campbell-Mithun, Inc.; "Creative Salesman-of-Year Award," Jack Adams, editor, "Mart" magazine.

2:00 p.m.—"Lifting the Curtain on Our Future," panel chairman C. W. Conn Jr., Beaumont, Tex.; "How Many Dealers Are Enough," John T. Morgan, president, Sylvania; "Around the White Goods Corner," Edward Stehle, manager, distribution sales operation, General Electric; "My Five-Year Store Plan," Harold Wright, Shreveport, La.; "Changing Marketing Patterns," W. C. Conley, president, Gibson Refrigeration Co.

5:00 p.m.—Cocktail party.
7:30 p.m.—NARDA banquet. "A-R-Tv Retail Ethics," Earl Lifshy, columnist. Principal speaker: Wallace F. Bennett, U.S. Senator (D-Utah), "Man-of-Year Award."

□ □ □ □ The pressure is on Packard Bell to put a transistorized, small-screen b&w tv set on the market, says Dr. Wendell B. Sell, president of the company. "I would like to be in the small-screen market today, and want to be in it by next June," he said. The sets will be made by a Japanese firm—probably to Packard Bell's own design—and will be sold in the U.S. under the Packard Bell label. Dr. Sell, who recently returned from a trip to the Far East, also said the firm is considering importing color tv sets or cathode ray tubes from Japan. He said he had arranged to have transistorized b&w sets shipped in from several Japanese manufacturers for evaluation and had also ordered two 19-inch color tv models. He declined to name any of the manufacturers. It is also possible that Packard Bell may build an assembly plant in a duty-free port now being set up in Taiwan, Sell added.

□ □ □ □ Whirlpool copped the laurels from 28 other manufacturers when it was chosen Brand Name Manufacturer of the Year by 50 department stores.

□ □ □ □ Kelvinator plans no production cutback at its Grand Rapids, Mich., plant as a result of the 13-day suspension of production at American Motors' automotive plants in Wisconsin. Although Kelvinator makes several automotive parts, no reduction in its over-all work force is anticipated. Employees affected by the Wisconsin suspension will be absorbed into the appliance manufacturing work force, which is working on an overtime basis to fill October and November backorders.

□ □ □ □ Inside GE's Porta-Color: The 11-inch tube used in the set incorporates a new electron-gun arrangement. The three electron guns are positioned in a straight line, instead of in the triangular arrangement, of conventional tubes. This "in-line" arrangement, says GE, reduces problems of convergence in the picture tube, and, in turn, simplifies the associated circuitry. A convergence yoke is eliminated by incorporating the remaining convergence control into the deflection yoke. The set uses only 13 tubes, and 10 of these are multi-function compactrons. Other features: lower voltage operation (15kv as compared to 25kv in conventional color sets), and a 70-degree picture tube with rare-earth phosphors.

□ □ □ □ Sony is now marketing its low cost VTR in Japan, reports McGraw-Hill World News from Tokyo. The \$550 video tape recorder, which Sony introduced last year (MW, 23 Nov. '64, p.7), can be used with a matching 19-inch tv receiver (\$193.89) and a matching Tele-Lookie tv camera (\$108.33) which are now on the Japanese market. Other compatible Sony accessories now on sale: a 12-inch monitor for \$177.78, and a video camera kit for \$244.44. In the next six months, Sony expects gross sales of professional and home video tape recorders to hit \$4 million.

□ □ □ □ A merger of ABC and ITT has been approved by the boards of directors of the two giant communications companies. Consummation of the arrangement is now subject to Federal Communications Commission approval.

□□□□ **1966 gas appliance sales will flare**, according to a poll conducted by the Gas Appliance Manufacturers Assn. Predictions say high-oven and set-in gas ranges will sell 24.6% and 10.7% more, respectively, over this year's totals. Gas clothes dryers will gain 4.7% in sales and gas ranges will climb 2.3%. Unit heaters are also expected to mount the 1966 sales charts. The strong forecast is due, the poll says, to strong closing gas appliance sales in 1965, plus gas industry support and expansion. By the end of this year, the poll estimates, 2,210,900 gas ranges, 680,200 clothes dryers and 38,100 household incinerators will have been marketed.

□□□□ **The lowest priced video tape recorder** to come out of Japan yet has been introduced by Shiba Electric Co., reports McGraw-Hill World News from Tokyo. Two versions of the transistorized unit will hit American and Japanese markets next spring. The SV-1000, with three fixed recording heads will sell for about \$300 in the U. S. and for \$276.39 in Japan; the SV-700, with two rotary heads, will be around \$500 in the U. S. and \$430.56 in Japan. U. S. distribution will be handled by Shibaden Corp. in New York.

Substantial initial production (1,000 units of each model) and the relative technical simplicity of using fixed heads make the low price possible. The SV-1000 uses a ¼ inch tape running at 60 ips, while the SV-700 uses 7-inch tape running at 7.5 ips. Also set for spring marketing: the HV-50, a home tv camera, at \$250 in the U. S. and \$233.33 in Japan.

□□□□ **Sylvania's first small-screen portable tv** will hit the market next month. Limited quantities of the 12-inch, solid-state b&w set are already being shipped to distributors and dealers for sale at \$139.50. Optional extras include a private listening earphone and accessory power cord for hook-up into a car cigarette lighter, boat chart-light socket, or rechargeable battery. A battery pack with built-in recharger will be available in February at \$49.50.

□□□□ **A "Federal Tax Manual for Retailers"** is available from the National Retail Merchants Assn. The three-volume guide, which NRMA says is the first prepared especially for retailers, covers such subjects as the installment method of reporting income, depreciation deductions, retail leases, inventory valuation, installment financing. Each volume is \$7; the set is \$17.50.

□□□□ **News from the cartridge arena:** Motorola's Consumer Products Div. will come out with a player for the car after-market toward the end of 1966 and is thinking seriously about a home unit. . . . Ampex may make a 4-track version of the 8-track Orrtronic player, and Orrtronic will have a car unit capable of playing both 4- and 8-track in the next few months. . . . In the duplicating field—four Motown Record Co. labels are now available on Lear cartridges, with plans to release the same labels on Fidelipac cartridges within a year. . . . And International Tape Cartridge Corp. (ITCC) has relinquished its duplicating duties and a 20% stock interest to Stereo Devices Inc., a subsidiary of Audio Devices Inc. ITCC will handle sales.

Admiral drops in four icemakers, more color, portable b&w, radio

Admiral has broadened its color tv and b&w portable lines, and added four icemaker refrigerators, and other drop-ins for 1966. The details:

The 23-inch color line now has The Nielson, which has Nielsen styling in walnut veneer, a bonded rectangular tube, a 26,000v chassis, and a \$589.95 suggested list price. Two other 23-inch color sets have the same features and the same list: The Florentine (Italian Provincial); The Whitney (Early American).

Five new 25-inch color sets all have tilt-out controls, automatic degaussing, a color fidelity control, 26,000v chassis: The Saxony (Contemporary styling, open list); The Halversen (Danish cabinetry, \$725 suggested list); The Verona (Italian Provincial, \$725); The Dantesque (Spanish Provincial, \$725); The Deauville (French Provincial, \$725).

There are four new 25-inch color tv stereo theaters: The Muir, a contemporary lowboy in walnut, \$795; The Alexander, Danish modern, solid-state amplifier, and 6 speakers, \$875; The Lancaster, Early American in maple, \$875; and The Finlandia, Danish modern, 80w solid-state amplifier, 8 speakers, \$1,000.

The portable tv line has a new 9-inch, Playmate 9 in three colors, \$79.95. A step-up in walnut grain plastic is an open list. A new 13-inch Playmate 13 comes in four colors, one list: \$89.95. The 15-inch Wilshire is \$99.95; the step-up Nau-

tical, in black or white, is \$109.95. The 15-inch Syracuse has more features, and a \$119.95 list.

Three new 17-inch models are The Windsor in beige, \$109.95; The Surf in black or white, \$119.95; and The Oxford in walnut, \$129.95.

Seven 19-inch sets lead with The Seton (front-firing speaker, \$119.95). They step to The Metro (walnut, open list), The Barry (green or ivory, \$129.95), The Spaulding (walnut, open list), The Gauding (slide-rule tuning, open list), The Drake (remote control, \$169.95) and back to The Wilson (beige or walnut, \$159.95).

Six 21-inch models start with The Cambridge (\$159.95), through The Canterbury (\$169.95), The Meredith (\$179.95), to The Lindsey and The Aberdeen (both with open list).

The new refrigerators all have automatic ice cube makers, two doors, and the no-defrosting feature. Two have the freezer on the top; one is 15.2 cu.ft. with a 126-lb. freezer; one is 17.3 cu.ft. with a 125.5-lb. freezer. Two have the freezer on the bottom; one is 15 cu.ft. with a 15-lb. freezer; one 16.9 cu.ft. with a 197-lb. freezer.

The console stereo line has seven new models ranging from \$159.95 to \$299.95 with open list stops along the way. There are also seven new transistor portable radios, including one multi-band unit, and an AM-FM clock radio. Suggested lists range from \$9.95 to \$29.95.

Philco pumps in more dollars to push color tube production

Philco will plow about \$24 million into expansion next year, announced Robert O. Fickes, president of the corporation. This sum brings to more than \$100 million the total capital expenditures announced by Philco since last October.

The major portion of the new allocation—\$20 million—will be used to build and equip a new color tv tube plant in Lansdale, Pa.

An expansion of the company's microelectronics division, also in Lansdale, will take another \$2 million.

And \$2 million will be spent to establish a development test center at Philco's Palo Alto, Calif., complex.

The new color tube plant will be in operation early in 1967. By the end of that year, Fickes stated, it will be producing color tubes at an annual rate of 200,000 units. The plant's eventual capacity will be 500,000 tubes a year, he added.

The new 300,000-sq.-ft. plant will have the capacity to manufacture rectangular tubes in all sizes from 15 to 25 inches, Fickes said. (At present, the Lansdale tube operation is turning out about 2,000 picture tubes a week—a total of 34,000 in 1965—in 21-inch round and 19-inch rectangular sizes.)

"Initially we expect to produce 19-inch and 25-inch tubes—both 90-degree rectangular," explained Michael

W. Newell, Philco vice president and general manager at Lansdale. "We'll continue to make 21-inch round tubes indefinitely in the present factory and also plan to continue monochromes. However, provisions are being made for the manufacture of black-and-white picture tubes in the new plant, should we so desire."

The reason for the new plant was made clear in Fickes' forecast for the next four years. "We expect consumer electronics to grow 31% by 1970," he said. "Total sales in this market in 1965 were \$3.3 billion. We expect this to grow to \$3.6 billion in 1966 and to \$4.3 billion in 1970."

"In the vital consumer products area, for which we have committed the lion's share of our investment capital, we expect significant growth next year. The leader will be color television with a gain of up to 75% over 1965, depending on availability of tubes. Sales of color tv in 1966 will range up to 4.5 million sets."

Fickes commented further: "Beginning with June, we have been in the black every month, and we have every intention of keeping it that way."

However, he added, the consumer electronics division of the company is still in the red. But Fickes expects it to show a profit in 1967 and to come close in 1966.

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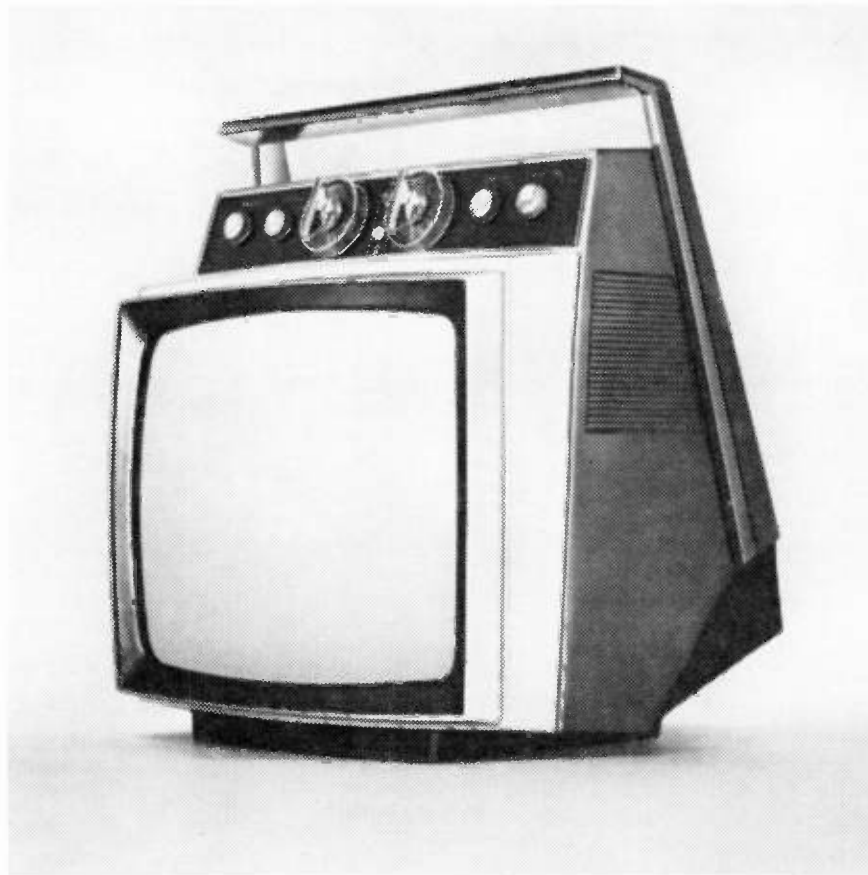
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The changing patterns of distribution

by Wallis E. Wood

Why they are changing

Between the end of the appliance or tv production line and the retail floor is a costly no-man's land. This battle-scarred ground is where a new war is being fought.

Distributing a product often costs more than the raw materials used to make the product. Manufacturers are down to the point where they can save only pennies in production procedures, sales, marketing, and advertising. They can not scrap their sales, marketing, or advertising plans, so further cost cuts must come from distribution.

Private label appliances and television from the chains and catalog houses are the threat. Sears Roebuck, with its huge share of the market, provides the focus. A Kenmore washer that leaves Whirlpool's assembly line costs Sears slightly more than a comparable washer costs Whirlpool. But by the time the two washers reach the market, the Kenmore generally sells for less.

Why? Because Sears does not have distributors and their costs. It has a few warehouses, not dozens. It does not have many merchandising costs brand-name manufacturers have. To compete with Sears and the other private labels, manufacturers will bring down the costs of distribution.

The way they will do it can take many forms. They may drop independent distributors and go to factory branches. They may sell direct to retailers. Retailers may form co-op buying groups. Manufacturers or distributors may set up their own stores.

Color television has put more money into retailers' and distributors' pockets than they have had in a long time. Color tv profits and the growing volume of appliance business may have obscured some of the industry's problems temporarily. But the problems will return, and this article, then, is a map of no-man's land for the battles ahead.

How they are changing

Direct selling

Direct selling works for Magnavox, Maytag, Sylvania, Curtis-Mathis and others. With it, these companies maintain generally higher profit margins for their retailers than companies with two-step distribution. This is an end all manufacturers would like, but will direct selling work for everyone?

Magnavox has been one of the most successful companies to use direct selling, and here is the way its program works.

The company strictly limits its franchise and takes the franchise away from a retailer who cuts price. Because the franchises are limited and the line price protected, Magnavox has been able to attract and hold high-volume accounts in metropolitan areas.

The Magnavox factory salesman deals only with a few accounts and is therefore able to give the accounts much more attention than the average distributor salesman. He is also generally better paid than the average distributor salesman. Because he has time to spend with the accounts, he can police the line, assist in dis-

plays, help with ordering, and do all of the little things most distributor salesmen know they should do but do not have the time to do.

Magnavox ships the merchandise from the factory to a branch warehouse, then ships a retailer's order from the branch warehouse in a Magnavox truck. Sales training specialists visit each market twice a year to train retail salesmen. Magnavox franchises a service company in each market to service the merchandise.

The advantages of Magnavox's system are: there is no distributor profit, warehousing is consolidated, service and sales training are performed by specialists, the salesmen have time to merchandise and promote to retailers and help retailers merchandise and promote to their customers. Because there are some real savings in the system, Magnavox is able to pay its salesmen well, keep retail prices in line, and maintain profit margins.

The disadvantages are: distribution is limited to volume accounts—those accounts that produce enough volume to make them worth the salesman's time. Accounts cannot be widely scattered or the salesman is not able to spend enough time on them. Because there are relatively few accounts, Magnavox loses some exposure; the customer may have to travel some distance to buy a Magnavox product.

Magnavox depends on its retailers to increase its market penetration—unlike some manufacturers who give this responsibility to their distributors. The retailer depends on Magnavox to give him the products he can sell and to set prices competitively.

One chance a company takes when it limits its franchise to a few large accounts is that public demand will not falter. The larger the retailer, the less patient he is with slow-moving merchandise and the more likely to drop the line. Smaller retailers who have identified themselves to the public with the brand will try to ride out a bad year—if the year isn't too bad.

Because a company that sells direct cannot easily get true national distribution (that is, every village and town in the U.S.), perhaps one answer is a combination of direct selling in metropolitan areas and branch or independent distributorships elsewhere. A company that uses this system also can compare the costs and efficiency of the two systems to see which actually is better.

Factory branches

In a branch, the three major functions of distribution are under one roof. These functions are selling, administering, and warehousing.

The selling function is clear.

The distributor administers when he processes papers from the manufacturer, processes invoices to retailers, arranges for funds, finances inventories, develops sales analyses and statistics.

The branch maintains an inventory—warehouses—to ship retailers what they want when they want it.

Even though many branch distributorships are organized the same as an independent distributorship, there is no reason why they have to be. William R. Davidson, professor of marketing at Ohio State University, argues that there are several functions—selling, administering, and warehousing, among others—involved in distributing goods. He feels a manufacturer can readily shift

continued from previous page

these functions from one place in the distribution chain to another. For example, advertising and point-of-purchase material might replace the retail salesman. Or, by building regional warehouses, the manufacturer could remove warehousing from the local distributors.

Davidson says that, where there are no unnatural restraints, the person who ends up performing a function is the one who can do it most efficiently. This means that not only will a manufacturer shift the warehousing from his distributors to himself, but will also shift, say, service away from the chain to service specialists.

Some will argue with Davidson, saying it is not as easy to shift functions as he seems to feel. For example, manufacturers of automatic washers might indeed want to merchandise through advertising and point-of-purchase displays and forget about the retail salesman, his sales training, and all the expenses that come with person-to-person selling. But manufacturers will not be able to shift this function in the near future because the product costs too much to sell impersonally. For a while at least no one will successfully be able to sell appliances and television sets like detergent and cans of peas.

A manufacturer who has factory branches can, however, shift functions more easily than a manufacturer who sells to independent distributors. He can experiment to see whether it is more efficient, say, for the headquarters computer to control inventories, or whether it is more efficient for the branches to control their own.

S. R. (Ted) Herkes, president of Motorola Consumer Products Inc., says there will be a trend to replacing factory branches with independent distributorships. He points out that a company's headquarters must supervise branches closely, and to set up a branch, a company makes a "tremendous investment, with little if any opportunity to receive an adequate return on this cash outlay."

But virtually every other manufacturer MERCHANDISING WEEK spoke with felt the trend will be to factory-branch distributorships for the same reasons. Because a man must make a tremendous investment to set up an independent distributorship and because the return is so small, few men will be willing to do so in the future.

Finally—as one former independent distributor pointed out—the manufacturer can operate his branches at the break-even point or at a slight loss. "There is no way in the world," this independent said, "for an independent who has to make a profit to compete with a branch that loses money."

Independent distributors

The independent distributor, of course, works for himself. He has a vested interest in his company, is often a well known figure in the community. He is not just serving time, is not angling for a promotion, is not afraid to work nights and weekends if this extra effort will help his business.

Unfortunately, there are independent distributors who do nothing for the community, who are just serving time, and who would not work an evening if the warehouse burned down. These men are doomed. It is only a matter of time before

competition puts them out of business.

Morris Schwab, vice president and treasurer of D&H Distributing Co., in Harrisburg, Pa., says an independent distributor is a "regional marketing organization." He sells, warehouses, administers. And, to survive, he must perform these functions better than anyone else.

Schwab says that to do business, dealers need the right merchandise at the right time, and distributors, to do business, have to help the dealer sell. The distributor is doing many things today he did not do 25 years ago. He gives floor planning, retail credit financing, advertising layout help, service training, product training, and in some cases business management and in some cases business training.

Few manufacturers or retailers, feel there is much difference between a branch and an independent. One manufacturer said: "We have good branches and we have poor branches, and we have good independents and we have poor independents." Most agree, however, that while a good independent is better than a good branch, a good branch is better than a poor independent.

One retailer said, "We deal with both branches and with independent distributors, and as far as the way they do business goes, it doesn't make much difference. What makes the difference is the people staffing them. Our business, after all, is people."

And another, after all, is people. "It is a truism that good distributors make good dealers. We have both branches and independents, and we find that where we have a good retail organization is where we have a good distributor. So we are working very hard to help our distributors, to train them, to make them good. We do not stand over the branch manager and tell him how to run the branch. We give him the authority and the tools to run the branch."

Independent distributors are in much the same boat as independent appliance retailers—the strong ones will get stronger, the weak will go under. The two major weaknesses of independent distributors are the weakness of many independent retailers: there is no one to take over the business when the principal retires or dies, and they are undercapitalized. Also, the independent distributor has felt the profit squeeze at best as strongly as retailers.

Herkes has said, "In fact, the profit trend that exists at the wholesaler and dealer level is not only halted, but reversed, the entire system of distribution of consumer products may be subject to a drastic change that no independent distributor or dealer would welcome . . . a change that would necessitate the manufacturer establishing captive regional warehousing and retailing similar to a Sears or Wards complex."

Wholesaler and dealer profits have suffered, says Herkes, because manufacturers produced more than the public could absorb, because they sacrificed profits for volume, because they attempted to do business with independent retailers while wooing mass merchandisers, and because they ignored the profits of their distributors and retailers.

They were also, and still are, reacting to the growth of Sears, Wards, and others. But whether the squeeze on profits can be reversed remains to be seen. Things to consider in the future of distribution are pressures from the consumer, data processing, transportation, and service.

What the pressures are, and why they exist

The changing consumer

To understand what is happening to distribution, one must understand what is happening to the consumer. The consumer and her buying habits will determine what retailers of distribution, and which retailers, survive.

Simply: there will be more consumers in the future; they will have more money, education, leisure, and mobility than ever. What does this mean for retailers and distributors?

The total population will continue to grow, and—more significant for home goods retailers—the number of households will grow faster. Arno H. Johnson, a senior economist with J. Walter Thompson, recently said there were 56% more households formed between March 1964 and March 1965 than in the same period the year before. "In the next five years," said Johnson, "recent projections indicate an increase of about 6.6 million households—or an annual growth of more than 1.3 million." These households will need refrigerators, ranges, and television.

McGraw-Hill's Department of Economics estimates the median income in 1965 is \$7,000, will grow to \$7,850 by 1970, to \$8,000 by 1975. A couple hundred dollars a year may not sound like much, but when one considers the millions of families involved the amount becomes very significant.

As the median rises, the percentage of families earning less than \$5,000 will shrink. McGraw-Hill estimates over 35% of today's population earns less than \$5,000; by 1980, less than 20% will earn so little.

Johnson feels these increases will not be wiped out by inflation. Discretionary spending power—the money a family has after it pays for food, clothing, and shelter—has grown dramatically and will continue to grow. Johnson says that, based on a 1950 standard of living, discretionary spending power grew 202% between 1950 and 1965. He feels it could grow another 35% by 1970—or by 1975 a whopping 78% over 1965—"if we reach our minimum production opportunity of \$1,000 billion, and succeed in keeping consumer prices reasonably near the present range."

More Americans will have more education than ever. Johnson says that by 1974, 60% of the adult population, about 82 million people, will be high school graduates. And the number of college graduates, 8.1 million in 1960, will grow to nearly 12.5 million in 1974.

As educational levels rise, incomes also rise. These rises may influence the future of private labels. A study by the Opinion Research Corp. (ORC), of Princeton, N. J., says that women who buy private-label merchandise are generally 21 to 49 years old, are from upper income families, and are better educated than the women who buy brand-name products. The ORC says a woman who is self-confident, secure, and sure of her ability to shop is more receptive to a private brand than a woman who is not as sure of her ability. The ORC studied women's attitudes and found feelings

Projecting 1965's pressures against 1970

that may help private-label growth. For example, 50% said they were price shoppers; 40% said a brand's popularity is of little concern to them; 43% said they try new products they see in stores.

The work week is growing shorter and shorter; more and more men are retiring before 65. In the future, more people will have more leisure time than ever. How they fill it should be of concern to retailers.

Furthermore, people are on the move. Between March 1962 and March 1963, Johnson reports, over 36 million people moved—20% of the population. "The greatest mobility was among young adults of 20-24 years—44% of these moved place of residence within the year," he says. With the population shifting, he argues, advertised brands, quickly identified, are important.

He might also have argued that mobility helps national chains. The woman who shops Sears in Columbus, Ohio, probably knows she can shop Sears in Columbus, Georgia. At the same time, she may not be interested in buying a private label appliance for which there is no national service.

Johnson thinks people generally are going to live better. He points to "the rapid increase in the number of families; a higher percentage of the population being married; marriages at an earlier age . . . the rapid increase in home ownership and in expenditures for activities of home life; in a movement of population to the suburbs; and in the rapid growth of shopping centers and self-service distribution." These factors, Johnson feels, will result in higher living standards.

Sears Roebuck knows the consumer is changing and there is a connection between buying habits and living habits. H. K. Duffield, a Sears vice president, said last year, "Americans are slowly changing their traditional living patterns under the stress of a burgeoning population. They are living differently. They are searching for new ideas, new things. Today's retailer understands that it is his job to find out about and know these Americans . . . to respond to their wants, needs, and demands, and to do it in less time than ever before."

Today's retailer, said Duffield—and he was obviously talking about Sears—wants to be able to shorten the time it takes to fill a customer's demands: "in fact, he would like to be able to fill those demands before the customer even articulates them."

Sears has looked at its customers and has seen a rising level of good taste. Today's housewife," said Duffield, "is more mature. She has more time to study, more money to do it with. She no longer wants to copy; she wants to experiment, to create. She wants to be herself . . ."

Today's customer does not have time, for example, to assemble a power mower from its carton, "so stores are providing merchandise which is ready to be used," said Duffield, "even to a full tank of gasoline in a power mower." Presumably, customers will want even more service in the future.

Duffield said that today's customer wants, and gets, one-stop shopping. She does not want to visit a store, a bank, a plumbing shop, and a carpenter to buy and install a major appliance.

Customers, said Duffield, are everywhere. Just because a merchant could not sell in the city's center five years ago, does not mean he can

not today. "Urban renewal and the private refurbishing of old brownstones and row houses has meant a tremendous market in all kinds of appliances, building materials and home furnishings for the merchant who has recognized it."

To stay on top of the trends, retailers and, implicitly, wholesalers and manufacturers, "must know the general patterns of living to help them plan long term commitments for dollars and raw materials," said Duffield. "They are also turning to motivational research to tell them what customers really want to buy, and they are finding out, for example, that what customers say they want to buy is not what they really do buy."

Electronic data processing

Electronic data processed (EDP) is revolutionizing American life, and it is only a matter of time until most retailers benefit personally from the revolution.

B. S. (Buz) Durant of RCA talked about EDP at last summer's Institute of Management at American University in Washington, D. C. "Imagine putting punched cards into a black box on your desk every night. The black box is connected to your distributor's computer, and the cards are sales records, inventory cards, payroll records, and other information. When you come back in the morning the black box has given you a complete sales report, inventory report, profit and loss statement, and any other special reports you want."

It may be some time before retailers have black boxes on their desks, but it will not be long before most retailers are using EDP. One EDP service bureau executive compares the computer business to the early days of electric power. When electric power was first developed, only the largest establishments could afford their own power plants. Soon, however, central power plants were built and the small establishments bought their power at a rate competitive with the large users.

Only the largest retailers can afford a computer today, but central computer operations are being built. Small users will be able to buy time from a central computer at a rate low enough for them to afford it. Once smaller retailers can afford EDP, they will have regained a competitive edge now held by large retailers who use EDP.

EDP means a retailer can tell within a few days after a month has ended what brand sold best, what product, which salesman; he can tell his gross margin on each sale, on each product, on each line; he knows what is left in inventory. EDP can prepare his payroll, his profit and loss sheet, and his operating statistics. With his EDP statistics, a retailer can intelligently plan his buying . . . and his selling.

There are disadvantages to EDP. Like any tool, it has been misused. Some retailers have become bogged down with too much information—with reports that are marginally useful. Also, the reports a retailer receives from the machine are only as accurate as the information the retailer has fed the machine.

Retailers may be able to buy data processing from one of three sources soon. Independent service bureaus are springing up like wildflowers in the spring. Some distributors are installing a computer for their dealers. And the National Appliance & Radio-TV Dealers Assn. is on the

verge of offering its members data processing.

A retailer may not want to give his distributor sales figures for fear the distributor will use the figures against him. The distributor recognizes this and promises he will treat the figures confidentially. And, as one dealer said, "If you don't trust your distributor's word, you shouldn't be doing business with him anyway."

The distributor, whether he is an independent or a branch, and the manufacturer want their dealers as strong as possible. They also want to know what is selling and what is not. The quicker a manufacturer knows, the better he can schedule production. More efficient production means more profit all along the distribution chain.

Changes in transportation

American business is playing a game called "Inventory, inventory, who's got the inventory?" The idea is not to get caught with it. One way to avoid this is to ship goods directly from the production line to the retail floor where they are sold. But this requires faster, more reliable service from airlines, railroads, and truckers.

This service is on its way, according to one observer, and when it does arrive, the way appliances are distributed will be affected. For example, manufacturers want the airlines to reduce their rates and fly regularly to more cities. When—and if—rates drop, manufacturers will use the airlines more than they do now. "Ford Motor Company, among others, would review its entire parts distribution system, centralizing it, and shipping by air exactly when parts are needed," said this observer. An economical move for Ford may well be economical for appliance manufacturers. Frigidaire, for example has been consolidating its parts warehousing, and others may follow.

Manufacturers want computerized operations from the railroads. This would mean that a department store buyer could call a railroad's computer and find out exactly where his order is and when it will arrive. Railroads will also be developing more special cars; for example, the car for shipping refrigerators reported in MERCHANDISING WEEK, 29Nov.,p.10.

Manufacturers want special equipment, better reliability, and automated terminals from truckers. Such terminals will mean faster loading and unloading times and cheaper, more efficient handling of small shipments, which will lead to overnight service on shipments moving within a 350-mile radius of a terminal.

These improvements will come without higher rates; indeed, rates will probably come down. It has been pointed out that when a salesman sells \$100 worth of merchandise he puts about \$10 into the profit column. But when a purchasing agent or traffic manager cuts costs by \$100, he carries the whole \$100 into the profit column. The same is true when the manufacturer or distributor is able to do business on smaller inventories.

There are, after all, inventory costs, not only the obvious ones of unloading and reshipping, but the costs of shrinkage, warehouse damages, shipping damages, obsolescence, and the capital needed to maintain the inventory. As transportation improves, inventories will shrink, and both distributors and retailers will be able to do business on less money.

Changes in service

Manufacturers have come to realize that they are responsible for the way their product performs in the customer's home, and that if they ignore this responsibility, they risk losing future sales.

When something goes wrong, the customer first turns to the retailer for help. But when the retailer will not—or cannot—help her, she goes to the distributor and manufacturer. She may resent the store that refuses to help, but she also resents the manufacturer who does not stand behind his merchandise.

Both major appliances and consumer electronics are growing more complex. A color television, for example, is more complex than a black-and-white set. A refrigerator that has the no-frost feature and an icemaker is more complex than one without them. A range that has a rotisserie, cook-and-hold, and a self-cleaning oven is more complex than one that does not have these features.

At the same time, appliances and television sets are generally becoming more and more trouble-free. Warranties are growing longer and longer. Service companies say their business is not growing as fast as the rest of the industry (but it is not shrinking because more and more appliances are being sold).

The situation may be compared to the automobile industry: while cars generally need less service than in the past, they need a specialist's knowledge when something does go wrong. The average appliance retailer will find it harder and harder to train and maintain a service department. In the future, service specialists will be doing more and more service.

"Factory service, of course, is the great leveler," one manufacturer told MERCHANDISING WEEK. "It puts all retailers in the same boat as far as their ability to offer service. Also, if the service done on our merchandise is done by our factory representatives, it's hard for the smaller guy to justify the higher price he puts on the product."

This man said, "Our product is a complex piece of equipment—certainly more complex than it was five years ago. We don't want some guy with a wrench trying to figure out what's wrong with it when it breaks down. We want to keep our customers happy, and we think that in the bigger markets the way to do this is with factory service."

Service has been one of the distributor's functions. He stocked parts, gave service training, took over when there was a problem the servicing dealer could not handle. A manufacturer who establishes a factory service organization takes away one reason for the distributor's existence, and one source, however small, of profit. Factory service is a leveler in more ways than one.

**How
the pressures are
felt at retail** ➔

Retailers benefit—or suffer—from every change a manufacturer makes in the way he distributes his line. And the manufacturer must do two things: keep the production line moving, and maintain a strong retail organization.

But what is a strong retail organization? Should a manufacturer sell small independents or large chains, department stores or mass merchandisers, buying groups or utilities, one-line or multi-line stores? Here are the pressures and prospects at retail.

Independent dealers

"You hear many comments about the disappearance of small stores," said Morris Schwab, "that the big dealers are eventually going to take over the world; that the mass merchant is going to take over the world; that the little dealer will disappear. Well, I agree—I really do. I don't think there's going to be a place in our economy for the *amateur* little dealer, or the amateur big dealer for that matter. But I do think there is a tremendous place for the *professional* dealer in our market place—and the small dealer can be professional."

Appliance dealers are losing some ground according to MERCHANDISING WEEK's research department and the Electronic Industry Assn. For example, appliance stores had 29% of the electric range business in 1960; 25% in 1964. They had 35% of the dishwasher business in 1960, 31% in 1964; 33% of the refrigerator business in 1960, 28% in 1964; 49.9% of the tv business in 1960; 46.9% in 1964.

Small retailers should not, however, toss in the sponge. Two authorities—Professor Davidson and Professor Alton F. Doody—wrote an article for the *Harvard Business Review* titled "Growing Strength in Small Retailing." There are, the professors say, several reasons why small retailers can be optimistic.

Small retailers, through voluntaries and cooperatives, have gradually gained economic advantages once available only to the larger, fully integrated companies, say the professors. Franchises are getting better. Caloric, for example, has begun a franchise program for its dealers in which it pledges liberal margins, 90-day price protection on inventory, restricted distribution, prepaid freight, direct shipments, and published prices.

Large retailers have their problems, said Davidson and Doody. Their people often lack incentive, have difficulty communicating, and work under restrictive union contracts. A large retailer having these problems—and they usually come with size—cannot operate as effectively as a small retailer who is able to motivate his employees, make them understand what he wants, and keep the unions out of the store.

Finally, the professors said, that the consumer market, "characterized today by diversity as much as by uniformity," gives an aggressive small retailer a chance to serve one segment of the market efficiently. The small retailer who is in trouble is the one who wants the whole market.

There is another reason why a small or a medium-size appliance retailer can survive: manufacturers need him. Most companies want a balanced retail organization: one or two volume accounts and a number of smaller accounts. The manufacturer who puts all his eggs into one

retailer's basket risks losing the market entirely if the retailer drops the basket.

Finally, as a distributor said—perhaps unfairly—"If the manufacturers had to depend on Silo, Corvette, White Front, and the other big chains, there would be no color television today." He feels that the volume accounts sell only the fast-moving merchandise; they seldom take chances on a new product. "You need the independents to display and sell the new products, to take a chance."

Certainly the number of small appliance stores will shrink. Manufacturers and distributors are going to weed out unprofitable accounts. Frigidaire, for example, has circulated a letter in some markets telling dealers they must sell at least 100 pieces a year to keep the Frigidaire franchise.

Department stores

"The share of the appliance-tv business done by department stores is not going to grow or shrink significantly in the next five years," said one man close to the field.

Their share has not grown or shrunk significantly in the past five years according to MW figures, which include mass merchandisers. In 1961, they had 20.1% of the tv business; by 1964 they had 21.8%. They had 18% of the refrigerator business in 1960, 21% in 1964; dishwashers, 5% in 1960, 7% in 1964; electric ranges, 9% in 1960, 10% in 1964.

"There is not enough profit in major appliances and consumer electronics. Stores make more money per square foot from soft goods and giftware than from appliances; why would they try to increase their share of the business?" said one man.

Why do they stay in business at all? "Because they want to maintain the fiction that they have everything under one roof, that they are one-stop shopping centers. They are willing to sacrifice some profit for the sake of maintaining appliance and tv departments."

Department stores will do whatever they can to improve the situation. They have been cutting back the number of lines they carry, concentrating on one or two main lines. They are working closely with suppliers to get as much co-op ad money, promotion aids, and volume allowances as they can.

Mass merchandisers

Mass merchandisers have learned at least one thing: major appliances and big-ticket consumer electronics cannot be "mass merchandised." That is, they cannot put a refrigerator on the floor the way they can put a box of detergent on a shelf and let it sell itself. A salesman must sell big-ticket merchandise.

Schwab distinguishes between specialty products—like hi-fi components, the Americana refrigerator, and color television—and commodity products—portable television, transistor radios, automatic washers, and refrigerators. The specialty product customer asks himself, "Shall I buy the product?" The commodity product customer asks himself, "Which brand shall I buy—and from whom?"

It requires more effort, time, and training to sell a specialty product, and the turnover is slow. Commodity products require less time, effort, and training to sell; profit per unit is lower than for a specialty product, but volume is higher.

These distinctions are important because products change—color tv is

now changing from a specialty product to a commodity product—and because retailers must know what they are selling to sell it effectively.

Mass merchandisers usually sell commodity products best—but still must use salesmen. And once a store hires salesmen, arranges for financing, delivery, and service, its costs approach those of the department store and the independent dealer. When its costs are the same, its prices cannot be much different.

There are at least three things the department stores and mass merchandisers may do to improve their appliance-tv business:

(1) They may go into private-label merchandise. E. J. Korvette's Leonard-Korvair line is a first halting step in this direction. The private label cannot be shopped, and many mass merchandisers are strong enough to buy a line. Private labels bring problems, however, among which are increased ad expenses, inventory costs, sales training, and service.

(2) Manufacturers may make derivative models for volume accounts. The derivative models cannot be shopped, and they are brand names. The automobile industry has taken a similar route, and the appliance industry is toying with the idea. RCA Victor's custom line introduced last May, for example, had eight 21-inch color tv sets, a 25-inch color console, a 25-inch three-way combination, five 23-inch black-and-white sets, nine 19-inch portables, two 12-inch transistorized sets, nine stereo consoles, three portable phonos, and seven table radios.

(3) They may turn the appliance-tv department over to a specialist. The mass merchandiser loses some control when he gives the department to a lessee, but he also loses the problems of buying, warehousing, sales training, promoting, and servicing. The lessee loses some independence, but he gains the mass merchandiser's traffic.

Mass merchandisers will stay in the appliance-tv business for the same reason department stores stay in; to maintain their one-stop shopping image.

Buying groups

"Rotten distributors make buying groups," said one industry figure.

"That's true as far as it goes," a group member added, "but good distributors can't stop a group from being formed."

"A co-op buying group," said an independent distributor, "is the only way the little guys in a market can protect themselves from a poor distributor. When times are good—all right—everybody gets the same price. But when times get bad, and the distributor has 300 pieces he's got to get rid of, he'll go to his big account and say, 'Listen, take this stuff and I'll toss in a \$10 bill.' The little guy never sees a deal like that because he couldn't take 300 pieces in a year."

Dealers have not formed any new groups this year, said a dealer, because business is good. "You only get groups when things get tight." Since things will probably get tight again someday, new groups will be formed.

"The best group is one in which the members are scared," said a dealer. "Then they don't ask questions about the buying committee's decisions, and they don't ask questions about the prices they're given. Unfortunately, some group members don't really participate."

A distributor said the groups have not done what they said they were going to do in the first place—act as a warehouse to release the member's capital so they could open new stores. Had they done so, the groups might have become a strong retailing force," and we would have to take another look at our policy of not selling groups."

A manufacturer said the buying groups will not grow stronger because the better members will realize the group does not do anything for them and will drop out. He cited Hampton Sales, which recently dropped out of MARTA.

"Groups won't go because they carry the seeds of their own destruction," said a former distributor. "As long as the members think they are independent, the group can't function successfully. With color television going so strong, members are likely to act opportunistically and drop out."

Some feel the groups will eventually take the form of today's food cooperatives. In such a form, the group would buy for the members, warehouse, keep the books, prepare the ads, train salesmen, deliver and service the merchandise, set up displays, organize promotions, and finance the inventory. Members would have almost the same relation to the group that, in a chain, branch stores have to management.

Utilities

Gas utilities are again going to merchandise gas appliances—this is a goal the new American Gas Assn. president has given members.

The gas utilities are in a bind. They do not get as much new load as electric utilities, and they must keep the load they have now. Few retailers have any loyalty to either gas or electric appliances, but the woman who considers replacing her gas range often thinks electric.

Utilities who do merchandise must tread a narrow path. They cannot compete too aggressively with dealers in the market. If they do, and other retailers sell away from gas appliances, the net result to the gas company is a loss.

Gas utility executives and gas appliance manufacturers are afraid gas appliances do not get enough exposure. Most appliances, after all, are electric. But even among utility people there is disagreement whether the best way to get exposure is to start merchandising or to help retailers promote.

Most retailers feel they can live with utility competition. They say the utilities do not cut price, do not aggressively advertise, and do not carry full lines.

Appliance centers

The GE Appliance Centers were started in northeast Ohio a year and a half ago. They have spread to Houston, Texas, Grand Rapids, Mich., and beyond. Will they spread elsewhere, and will other manufacturers follow GE?

Ed Stehle, manager of GE's Distribution Sales Operation, argues that there have been appliance centers for 20 years, that the new centers are only a small variation on the theme of one-line retailing.

There are, indeed, any number of one-line stores around the country. Hugh Hannah in Chattanooga sells nothing but RCA Victor and Whirlpool products. The question is not therefore, "Are the GE Appliance

What to expect by 1970

Centers going to spread?" but is, "Will one-line retailing spread?"

George Johnston, of "Johnston's in Minneapolis, says that, in single-brand selling, a retailer requires less risk capital, usually smaller overhead; store identification is easier; service is simplified; more of one manufacturer's merchandise can be displayed; most every retail problem is less complex; sales training is easier; enthusiastic, evangelical type of selling more apt to be generated; less business controversy, less conflict; and more efficiency, less waste of time."

There are reasons why a dealer should handle more than one brand, however, and Johnston outlined them. The defensive reasons are: "manufacturers change . . . and sometimes conditions change and manufacturers don't keep step. Manufacturers can quit, be struck, or change their distributors or branch people." They can come up with a "lemon," an expensive mistake for the dealer.

The positive reasons for carrying multiple brands, said Johnston, are: "Every manufacturer has a consumer following for one or more of its products . . . No one manufacturer has a monopoly on new ideas, on new intentions." The dealer who carries several lines can get the best available. "You get more help from several suppliers" by making the laws of competition work for you. The multi-line dealer is better able to satisfy his customers, and "a multiple-brand store attracts customers more easily, and closes the sale more quickly."

These are the arguments; what of the future? Single line selling will probably grow because there are pressures from above (most manufacturers admit they would like stores to carry only their line) and pressures from below. Who, after all, is going into appliance retailing today? Generally the new stores are opened by servicemen who see a chance for profit in selling, salesmen who have saved some money, and former partners who have split up. Because, as Johnston points out, a single-line store requires less risk capital and overhead, many people who enter appliance retailing will begin as single-line dealers.

Specialty chains

The healthiest appliance retailers are the appliance chains: Polk Bros., Kelly & Cohen, Price's, Forest City Materials, White Front, Wards TV, and others. They have the advantages of a buying group—they buy carload lots, have a central warehouse—without the disadvantages. A store manager goes in the direction management points him.

Not only will these chains grow within their own markets, they will expand into other markets. Pittsburgh-based Kelly & Cohen, for example, recently opened a store in Youngstown, Ohio, has stores in Rochester, N.Y. How far and how fast any one chain will grow is anyone's guess. It is certain, however, that they will grow.

. . . from Distributors

"Things are changing," said Ed Rosen, Raymond Rosen & Co., a Philadelphia distributor. "Some functions, like advertising and promoting, are tending to go from the retailer to the distributor. Others, like service, are tending to go from the distributor to the factory."

At Philco, the warehousing function is moving from the distributor to the factory. "We are establishing 10 regional warehouses," said Carl Lantz, vice president and general manager of Philco's sales and distribution division. "They will do all the product handling. This will free our distributors to work with our customers, to sell, to help with advertising and promotion, to counsel."

Most executives agree there will be fewer independent distributors by 1970. Those who leave the scene of battle will do so because there is no one to continue the business, or because they are undercapitalized, or because they are too small to operate efficiently.

But Motorola's Herkes does not go along with the majority. "It's always hard to find distributors; it takes time and effort," he admits. "But if a manufacturer has trouble getting distributors, why is it? It's because there is no profit in the line."

"There has to be a distributor at the local level," says Harry Kane, vice president and general manager of Westinghouse Appliance Sales and Service Co. "We at headquarters can't run a merchandising program in a local market. We need someone in the market who knows it."

But will independent distributors be able to weather the competition from factory branches and direct selling? A former independent said no. Unless manufacturers are willing to subsidize the independent, he is on his way out. "The factory doesn't mind running a branch at the break-even point as long as they're getting penetration," he said.

It is also true that a factory will not replace an independent with a branch as long as the independent is getting penetration.

. . . from Retailers

By 1970, the big will be bigger and there will be fewer small dealers. The retailers who remain in the appliance-tv business will be those who are important to somebody.

The national volume of appliances and television is going to grow, and this increase will be felt locally no matter what the market is like. It must move through a retailer somewhere, somehow; it must be sold.

There are many ways to retail besides the traditional ones: GE's Appliance Centers and display-delivery, the Magnavox Home Entertainment Centers, leased departments in discount stores operated by independent appliance retailers, and leased departments operated by independent distributors. Manufacturers are moving into retailing; huge retailers are moving into manufacturing.

Someone has said that, in the future, the private label will set the industry's pace. Many see the GE Appliance Centers in northeast Ohio as a way the factory branch can meet

Sears. Sears, secure in its success, can say:

"Today's retailer is not just concerned about merchandise, even though his merchandise is finer and better than ever before. He is also concerned about people . . . about what they do, what they like, and how they think. The merchant is concerned about reacting faster to their demands than he has ever reacted before, and that seems to me to be the principal trend of the decade."

. . . from Consumers

"It's the customers who are going to decide whether the big dealers and mass merchants are going to take over the world," said Morris Schwab, "or whether there is going to continue to be an important place for the small professional dealer in this business."

There are, he said, many kinds of customer, and each kind wants different things. The price customer is willing to forego some services and partially sell herself to get the best price. The customer who has a trade-in will be served best by a dealer who can handle trade-ins. Some customers want technical information, will not be satisfied with superficial sales talks. And there is the customer who wants personal recognition and attention, who is dissatisfied with the growing depersonalization of American life, and who will patronize the store that recognizes him as an individual.

Which is the best way to reach the consumer? There are many best ways. What works for one company will not necessarily work for another. But both consumers and retailers are growing more and more sophisticated. They are going to demand products quicker and quicker, and the distributor—and the manufacturer—who thrives, will be the one who gets his products to market faster and cheaper than anyone else.

The day may come, said Professor Davidson, when the appliance retailer can offer a prospect any model in a manufacturer's line. The customer can choose any color and combination of optional features. The retailer can offer delivery the next morning, even though he has no investment in inventory other than display models.

The day may not be here by 1970, but this is the direction in which appliance-tv distribution is heading.

RCA's new ground rule for the drop-in game: more for the money

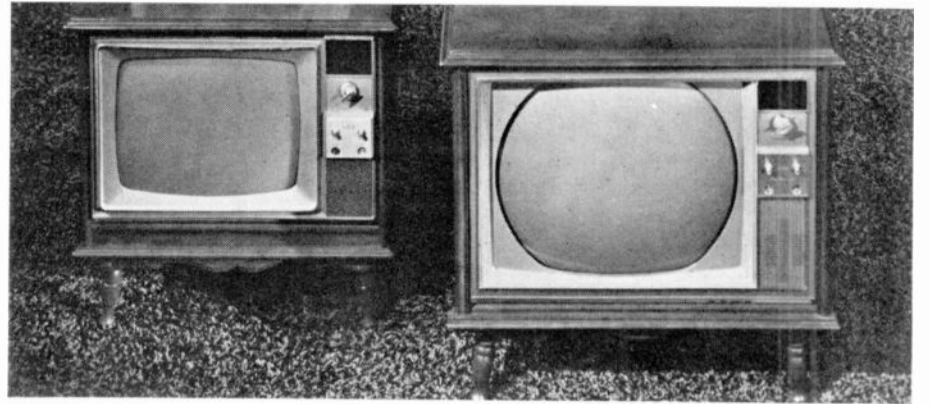
RCA sharpened the price points in its color line as it introduced new 21- and 25-inch leaders. The new 21-inch leader, in a black metal cabinet, comes in at the familiar \$349.95. This new model has a degausser and bonded tube, features that were previously included only in models starting at \$399.95.

The company cut \$50 off the starting price of 25-inch color models by introducing a pair of consolettes at \$599.95.

RCA's pitch was aimed at consolettes because of what the company calls the "compact household" market. To meet the trend, the company also added two 19-inch consolettes in wood cabinets starting at \$449.95.

The compact look also showed up in the black-and-white line where RCA dropped in three 21-inch consolettes. The lead 21-inch consolette in hardwood veneers and solids kicks off at \$179.95, \$20 less than previous RCA consolettes. The 23-inch b&w line opens with a black metal table model at \$169.95; 19-inch portables start at \$129.95.

RCA's Victrola line has gone completely solid state with the introduction of a new portable phono at \$19.95. The company also dropped

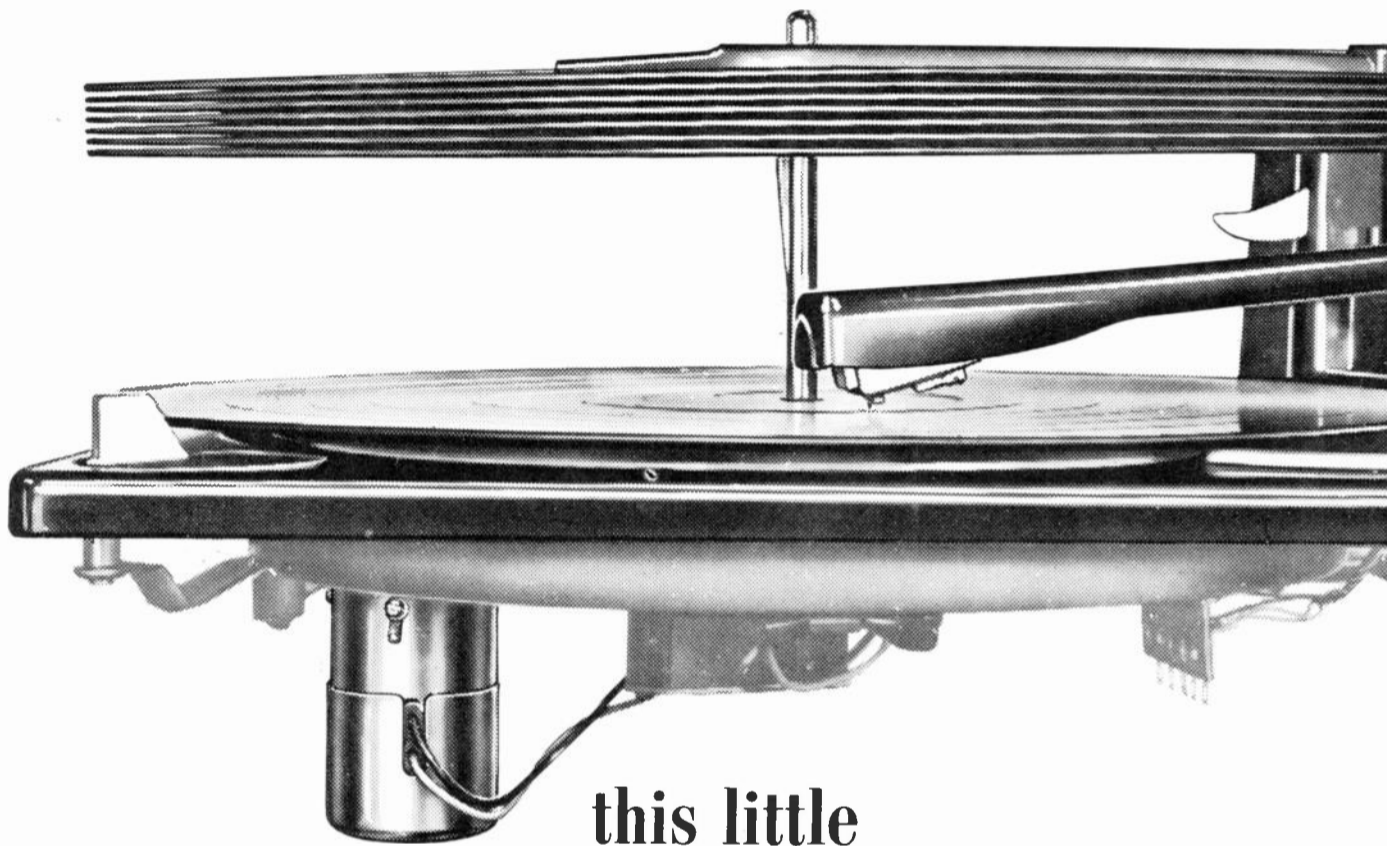


RCA's 19-inch color set: 27 lbs. lighter, 40% smaller, than its 21-incher

in its cheapest AM-FM stereo phono combo at \$218.88.

In radio, RCA added an \$11.98

AM table model, a clock model at \$18.98, and an 8-transistor portable for \$19.95.



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Delmonico dives into the color tv market with an 11-model line

Delmonico has moved into the color tv market with an 11-model line, ranging from \$299.95 for a 16-inch color portable to \$599.95 for a 21-inch color combo with built-in bar.

Nine of the new color sets will be built for Delmonico in Japan. Two 21-inch round tube color combos, to be introduced in January, will be made in the U.S. by Hoffman Products using Delmonico's own cabinets. Herbert Kabat, executive vice president of Delmonico, said that 21-inch picture tubes, which Delmonico buys from Sylvania, will be available only in the first half of 1966. Starting in the second half of the year, Kabat hopes to go with 25-inch combos.

Delmonico is not naming numbers, but, with an exclusive allocation contract with Victor Nippon in Japan, the company claims availability of sets will be relatively good. Delmonico expects its factory sales to increase \$8-\$10 million with the addition of color next year.

The 16-inch portable color set and another 19-inch portable will be included in the line beginning in the second-quarter of next year. Introduction of these sets depends upon production of a new chassis. Seven other color sets—a 16-inch consolette, three 19-inch combos, and three 19-inch consoles—will move into the market during the first quarter of 1966.

The top-of-the-line console, in a 72-inch cabinet, includes a 21-inch receiver, AM-FM stereo radio, stereo phono, and eight speakers.



Delmonico 19-inch color consolette

Christmas Countdown: This is the third of four retail sales surveys by MERCHANDISING WEEK in cooperation with McGraw-Hill World News.

Retail sales report: the pleasant problems of prosperity

With housewares volume ranging from 10% to 20% ahead of last year for most retailers, and with profits generally up from 1% to 3%, buyers need something to complain about. And that "something" is delivery delays and shortages. It is a nice problem, though.

"Our inventory is at its lowest level. The manufacturers did very badly this year on deliveries. . . We are not living on what we have," reported one Cleveland mass merchandiser.

"I ordered 15 items from a distributor the other day and only got three of them," a suburban Cleveland appliance store owner said.

"The only difficulty is shortages," said a Milwaukee buyer.

How serious is the problem of delivery delays and shortages? This is a highly debatable question in the trade. Some buyers say the problem has been overplayed. Others blame the shortages for keeping their sales records from going even higher.

Shortages are cropping up in the most unexpected places. Buyers would not be surprised if shortages were confined to slicing knives and to Teflon-coated electrics and cookware; but the shortages extend to irons, percolators, blenders, shavers, hair dryers, low-end can openers, salon-type and bonnet-type hair dryers, mixers, and "even cornpoppers and meat grinders," as one buyer put it.

"Everything is hot," said a New York City buyer. "Every item we have been advertising is a winner, from blenders to warming trays. When everything is hot, there are bound to be shortages."

Most stores have been able to switch emphasis to other items and have avoided losing many sales because they are out of stock. "Right now, I'll take any iron I can get," said a New York buyer.

"Profits are up 2% to 3%," reported a Cleveland department store buyer. "There are more lines protecting the retailer these days. GE has a minimum co-op plan that has helped." This buyer talked about improved profits, and said that price-footballing had increased, especially on low-end slicing knives.

A second reason for improved profits is the strong trade-up trend that keeps getting stronger. "People want better quality merchandise and they have the money. They are spending more money. It's all tied up with keeping up with the Joneses, and now they really do," a Chicago buyer said.

"We're doing a good job on trading up on blenders," said a Cleveland department store buyer. "We're trading up on Oster from the \$18.88 blender to the \$49.95 job." Although buyers generally singled out blenders as one of the strongest product areas for trade-ups, the trend to better goods was noted throughout the electric housewares industry.

"In all product categories, it is the higher

The top 10 electrics

1. Slicing knives: a three-way race
2. Irons: basically strong and short
3. Mixers: food preparation is gaining
4. Teflon-coated electrics
5. Percolators; and party percs, too
6. Toasters, especially 4-slice models
7. Blenders: promotions are paying off
8. Hair dryers: salon and bonnet types
9. Toothbrushes: drugs are cutting
10. Broilers: still open-style models

priced item that's really selling well," a Detroit distributor reported.

"We're selling larger warming trays," a buyer for a key New York City department store reported. He reported bigger sizes moving in both the Salton and Cornwall lines.

Trade-ups also are strong in electric knives. Consumers continue to look for models with deluxe trays and storage cases, although promotional models also are selling well. In knives, it is a three-way race among General Electric, Hamilton Beach, and Sunbeam. Opinion on which lines are selling best varies.

Hamilton Beach is reported in a better position to deliver knives than is GE, and this could put the firm on top. Right now, Sunbeam is being hampered the most by delivery delays and shortages in slicing knives. Among the promotional firms, Roto-Broil and Merit Lady Vanity are holding their own.

At a number of key retail outlets, the word has gone out to sales staffs to push other brands—particularly, Dominion, Rival, and Robeson, and, of course, the private labels.

Teflon-coated electrics are hot—from irons to waffle-baker/sandwich-grills—and are reported in short supply. Toothbrushes also



Pop art prop: Carson's, in Chicago, promotes its Carving Clinic with a giant-sized knife—"the one with the hole in the handle."

have perked up, but some housewares buyers report the first-floor drug departments are getting the bulk of the sales.

Television is playing a key role this Christmas in boosting retail volume in housewares, especially in electric housewares. Buyer after buyer mentioned how thoroughly manufacturers have saturated their area with tv spots.

"Tv is bringing them into the stores," said a New York chain buyer. One Midwest buyer reported that business is so strong he is considering cancelling some planned late advertising, because he does not know if he will have enough merchandise to back up the specific products advertised.

One New York City trade source said he believed manufacturers may have underestimated the power of television. "They all increased their use of tv, but they didn't adjust their product schedules accordingly."

Distributors are enjoying a record season, too. Most report record sales and slightly improved profits. However, as one Midwest distributor pointed out: "Retailers are accenting profit margins much harder this year and so are putting the pinch on the distributor. They are driving a harder bargain and are putting the screws to the distributors. We are forced to sacrifice profit on some items just to keep the basic line in the stores. If you have enough good specials in enough supply, you can make a profit."

In basic housewares categories, Teflon-coated cookware remains hot, but with some slackoff reported, especially on sets. Bar goods are strong sellers among "gift housewares," and woodenware and metal serving accessories also are doing well. Stainless-steel serving pieces have come on big, rivaling copper in some stores.

Heater volume has perked up considerably for some retailers, especially in the Northwest and the Midwest. A few buyers reported they sold out on heaters.

Business is so good it has become difficult to single out the best-sellers, since, as one buyer put it, "Everything is hot."

"We're breaking all types of records," a New York buyer commented.

"Business keeps getting better every day," reported a Chicago retailer.

"The Christmas season started early and hasn't let up," another buyer enthused.

"Next week will be the one to watch," the Chicago buyer added. But judging from reports so far, Christmas 1966 is in the bag already—wrapped up in record sales and record profits.

(This sales survey is based on interviews with key retailers and distributors in New York City, Cleveland, Chicago, Seattle, Los Angeles, San Francisco, Detroit, Dallas, Washington, D.C., and Atlanta.)

New UL polisher standards: no answer to stagnant sales

"A floor polisher isn't even as dangerous as a radio," sighed one manufacturer. "Now, because of Underwriter Laboratory's edict on wiring changes [MW, 11 Oct., p.3], people are going to be scared of electric floor polishers."

Another producer complained that the new requirement creates an unwarranted fear of floor polishers, even though they had no record of causing serious injury under the old requirements. "It is a ridiculous ruling, but we'll just have to live with it."

Postponement has been ruled out. "January 1 is the definite deadline," said Richard Bogue, UL senior project engineer.

The new UL requirement of equipping all polishers and wet scrubbers with a grounding or double-insulation system forces manufacturers to either absorb the increased cost or raise prices at a time when sales are off.

The UL change in approval requirements is viewed as just one more unhappy note in an already dismal year. Floor polisher unit sales for

the first 10 months of this year are 1.45% lower than for the same period in 1964, while vac sales for the first 10 months are up nearly 11%, according to statistics from the Vacuum Cleaner Manufacturers Assn.

Producers are hard-pressed to hold the price line, even though they are loathe to raise prices. Eureka-Williams, Regina, and Shetland concede they could be forced into raising prices; Hoover and General Electric report they have no plans to change present prices, and Westinghouse is remaining close-mouthed.

"Pricing on polishers has been so low, I don't know how increases can be avoided," said R. C. Connell, vice president of sales for Eureka-Williams.

"We hope any increase in prices is minimal," said Regina's marketing vice president, Earl Seitz.

"We're fighting to hold down prices," remarked a spokesman for Shetland, indicating that price hikes are likely.

But GE and Hoover appear undaunted. "Hoover will convert easily," a company official said.



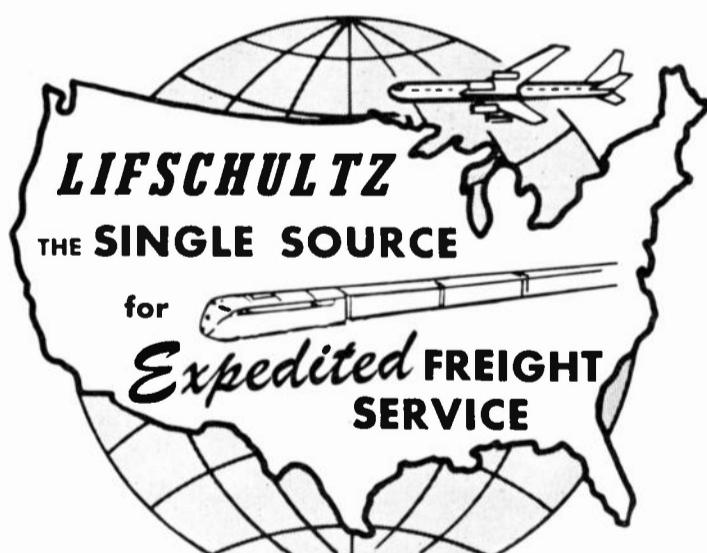
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HOUSEWARES NEWS

□ □ □ □ **GE's campaign promise:** "Homemaking Made Easier . . . Because General Electric Cares." GE's housewares division will use this adaption of the corporate "GE Cares" slogan, for its first-quarter consumer advertising campaign. Ten products will be featured in the ad campaign that includes 15 magazine and tv commercials on three NBC shows and one CBS special.

□ □ □ □ **Westinghouse is offering a free home trial** on its two high-end Converto-Vac vacuum cleaners: models VU-10 and VU-30. Westinghouse will promote the no-risk offer in its first-quarter consumer advertising. Westinghouse claims a 43% sales increase in vacs since revamping its line last January.

□ □ □ □ **GE's new sunlamp and heatlamp kits** include deluxe models of each packaged in polyethylene traveling cases. The deluxe kits will retail at \$16.95 for the sunlamp and \$9.95 for the heatlamp. Without case, the sunlamp kit retails at \$12.95, and the heatlamp kit retails at \$5.95. Sunlamps with holders retail at \$9.95 and heatlamps with holders retail at \$2.95.

□ □ □ □ **Ronson named William O'Brien** as marketing vice president, to succeed William Gassaway. O'Brien was formerly vice president in charge of its Flame Products Division. His appointment is effective immediately. Gassaway resigned earlier this month.

□ □ □ □ **Two new jobs for Mirro's Ziemer:** Charles W. Ziemer has been named vice president for marketing at Mirro following the announced retirement of G. C. Kubitz as senior vice president for marketing, effective Dec. 31. Ziemer, who has been vice president for sales, now gets added marketing responsibilities. Kubitz, a former president of the National Housewares Manufacturers Assn., is retiring after 40 years with Mirro. In another Mirro shift, Frank C. Prescott moves up to general sales manager.

Ziemer's second new job comes with his election as vice chairman of the electric housewares section of the National Electrical Manufacturers Assn. R. B. Hall, of Westinghouse, is the new chairman, succeeding R. O. Lockman of West Bend. Art J. Gilissen, of Cory, is the new chairman of the section's general engineering committee, and Forrest W. Stone, of Knapp-Monarch, heads the sales promotion committee.

□ □ □ □ **Hudson's Arthur Malone will be honored** on his retirement as merchandise manager of housewares by the Housewares Club of Michigan. Malone has been with the Detroit department store for 46 years. A Housewares Club dinner in his honor is scheduled for Dec. 28 at Detroit's Harmonie Club.

□ □ □ □ **Aqua Tec Corp. has named Roy E. Douglas** as general sales manager. Douglas, former sales manager for Toastmaster, will direct an expanded sales staff for Aqua Tec's Water Pik home oral hygiene appliance.

□ □ □ □ **Harry Roehm resigns from Cory.** Roehm, vice-president of Cory's consumer products division, said the parting was on a friendly basis. Roehm said he has not yet finalized his plans for the future.

MERCHANDISING WEEK

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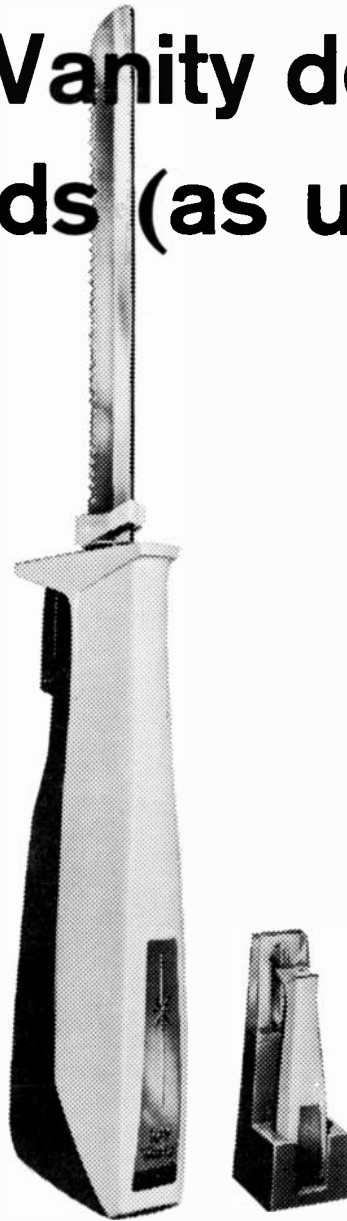
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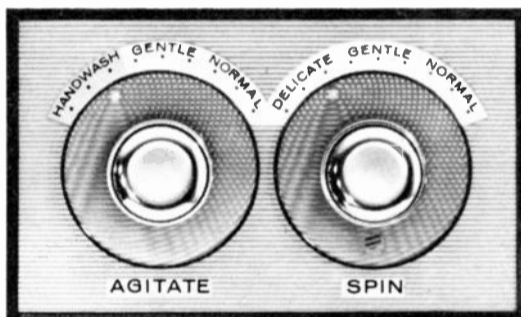
The American "laundry basket" has changed. And is continuing to change radically and rapidly.

Today, over half the fabrics in the average home are made with man-made fibers. And most of these fabrics require *hand-washing!*

New man-made fibers and fabric treatments are constantly being developed and introduced. These are adding a steady stream of new items to the housewife's hand-wash load.

This challenge must be met. And conventional multi-speed automatic washers are simply not geared for it.

That's why Hotpoint developed LW795. LW795 utilizes *transistorized* circuitry and solid-state controls!



Tunes Like a Radio

LW795 machine-washes and rinses any garment or fabric that can be washed satisfactorily by hand—and does it better.

Controlled by two easy-to-use dials, it *tunes like a radio*, providing "infinite" motion control in the washing, rinsing, and spin-dry cycles. Not just two, three, four, or even six speeds—but an "infinite" number! Its newly developed motor can be controlled to simulate the slow, gentle movement of human hands. It's the automatic washer with the "human touch."

Practically Infinite—Infinitely Practical

LW795 is perfect for synthetic blends, glass fiber, washable woolens, durable-press, exotic fabrics, fine lingerie, even expensive cashmere!

Tests at Hotpoint's Home Economics Institute show that, in every case, a "hand-washable" garment done in the LW795 retains a store-fresh appearance...shrinkage is so slight as to be unnoticeable...



and the item feels as good as (if not better than) the same item washed by hand.

And LW795 is tailor-made for bulky articles like draperies and bedspreads; because it delivers constant agitation (no slow-downs, as with conventional machines) they come out smoother and more wrinkle-free.

LW795 also does 16 lbs. of regular family wash. Its big 17 gallon tub, 1/2 horsepower motor and rugged commercial-type transmission are specially engineered to handle big loads. Other customer-pleasing features include: "Infinite" Water Level Control with "water saver button" fills tub to desired level every time. Water Temperature Control with five settings assures proper wash and rinse temperature for all fabrics. Fountain Filter Washing Action with wide arc spiral agitation gets all clothes really clean. Porcelain Finish...Inside and Out resists rust, scratches and stains. Dual Lint Filter traps and removes all types of lint.

LW795 will retail at about \$360—with better-than-average, top-of-the-line profits. It will be introduced to your customers with one of the biggest campaigns in Hotpoint history—full-color ads in Life, McCall's, Better Homes & Gardens and Sunset Magazines, TV commercials on The Tonight Show, plus a complete point-of-purchase and display program.

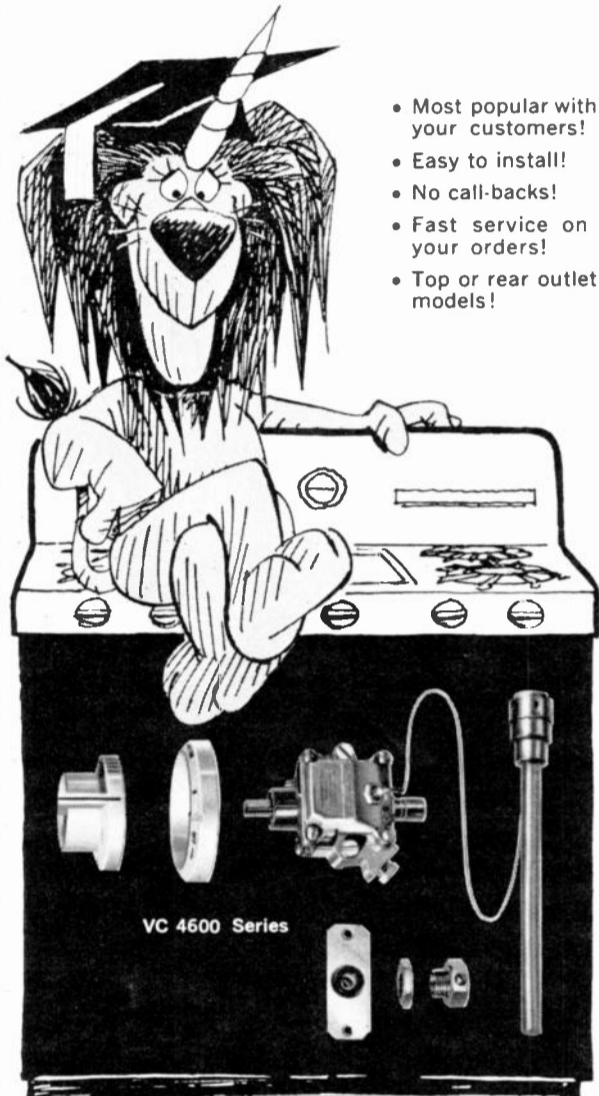
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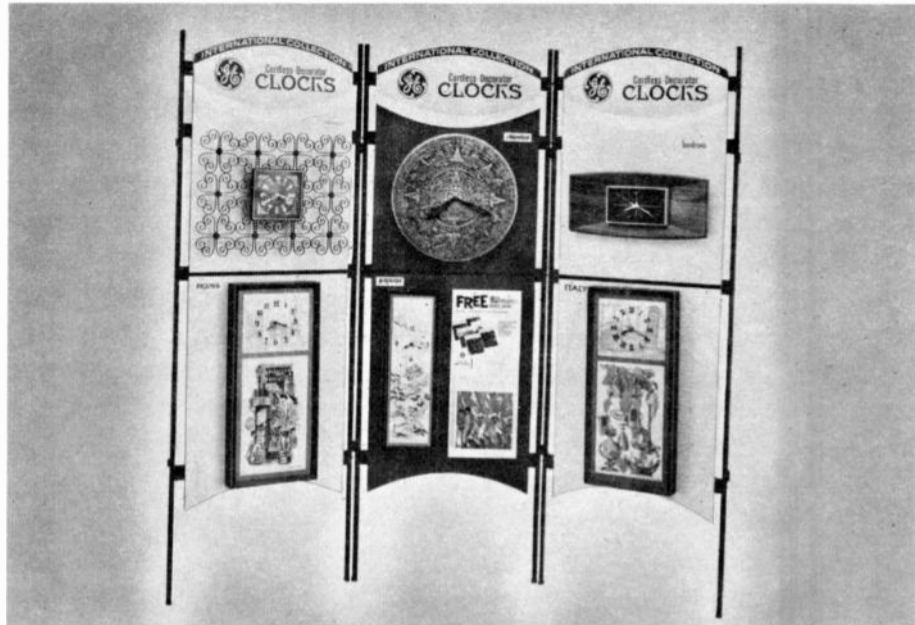
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growth

Merchandising Week serves America's number one growth industry. In the next fifteen years appliance sales will be well over 70% of automobile passenger car sales compared with a 1960 figure of 50%.

source: "Resources for the Future"—in cooperation with the Ford Foundation.

HOUSEWARES



GE goes International: high-end decorator clocks with a foreign flavor

GE is 'up' on toothbrushes, apprehensive on clothes brushes

General Electric Co. is brushing up (and down, too) on its toothbrush action by introducing two new cordless models that feature up-and-down brushing action. GE, which formerly sided with the back-and-forth school of dental hygiene, now becomes the first toothbrush manufacturer to offer consumers a choice of brushing actions.

GE's biggest news is no news, at least to the trade. GE officially will introduce its rechargeable, cordless electric clothes brush at the Housewares Show in Chicago next month. Earlier this year, GE test-marketed the brush, using a mail-order technique. GE is known to be a little apprehensive about the suggested retail price—\$14.98, with a \$12.80 minimum on co-op ad eligibility—it has been forced to put on the product.

GE's new action on toothbrushes—production of up-and-down models—follows six years of research on that brushing technique, GE claims. Unlike GE's back-and-forth models, the new toothbrushes will not carry the recognition of the American Dental Assn.'s Council on Dental Therapeutics. GE is now compiling data with the view of obtaining the ADA's endorsement of the new toothbrushes.

GE's major competitors in toothbrushes, particularly Sunbeam Corp., have been playing heavily on the up-and-down brushing action of their units. Squibb's Broxodont toothbrush also features up-and-down action. Sunbeam this month earned ADA's Class B endorsement (compared to GE's and Squibb's Class A endorsement), along with Westinghouse and Johnson & Johnson's Tek Automatic. Westinghouse, whose unit features multi-action brushing, makes the Tek model.

GE's two new up-and-down toothbrushes are: model 5108, with a suggested retail price of \$18.98, minimum co-op price of \$13.80; and promotional model 5109, with a suggested retail price of \$15.98, no minimum co-op. The units are priced \$1 less than comparable GE back-and-forth toothbrushes.

GE's other new products for January include:

A line of high-end cordless wall clocks, which has been dubbed the International Collection of Cordless

Decorator Clocks. Each of the six models carries a \$35 suggested retail price. Minimum co-op pricing on GE's new clock line is the same as list pricing. The new collection represents styling of six countries: Mexico, Spain, France, Italy, Japan, and Scandinavia.

The Permatel (easy-clean) coffee-maker formerly marketed by Landers, Frary & Clark moves into the GE line—the only Universal product to make it into GE's regular line. It carries a \$39.95 suggested retail price and a \$33.80 minimum co-op price.

GE has added two new toasters with up-front controls. The 4-slice model, T-126, carries a \$26.98 suggested retail price and a \$22.88 minimum co-op price. Two-slice model T-142, is priced at \$21.25 suggested retail, with the co-op minimum pegged at \$17.80.

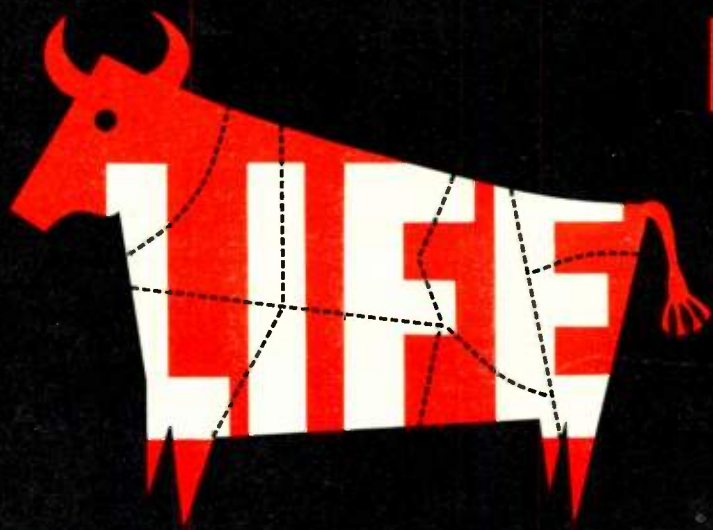
GE is adding a new iron: a white-handled version of the F-70. The F-70W carries a \$14.50 suggested retail and a \$12.80 minimum co-op price.

A new Universal-by-GE product is a Teflon-coated griddle-waffle-baker, which moves into the fair-traded line at \$21.80.

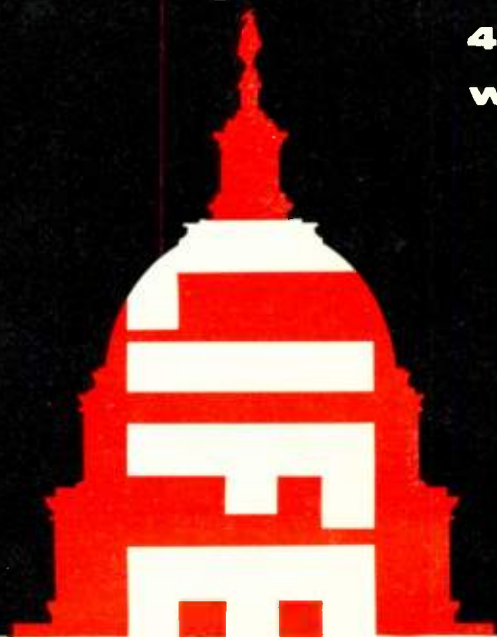
GE has lowered pricing on three irons and a vacuum cleaner. The F-54 and F-64 irons are now priced at \$9.98 retail, and the F-54W at \$10.98. The price cuts amounted to less than \$1 at list. The C-11 canister vac has been reduced from a \$69.95 to a \$59.95 list.

GE's marketing program for the first quarter includes three specials, two consumer premium offers, one consumer refund offer, one limited-time offer, a dealer promotion contest, three new displays, and a retail salesperson ownership plan on toothbrushes. Specials include: C-188 swivel-top vac at \$34.98 list; FP-105 floorpolisher at \$22.98, and M-17 hand mixer at \$10.50. Premiums include a free book with any of the new International clocks and a free Baby Set with any GE Heat 'N Serve Baby Dish. A \$2 consumer refund will be made on any GE slicing knife purchased between Feb. 1 and Mar. 31. For retailers, GE is offering: a 7-for-6 deal on heating pads; a contest for displaying and promoting the International clocks, with dealer prizes totaling \$28,500.

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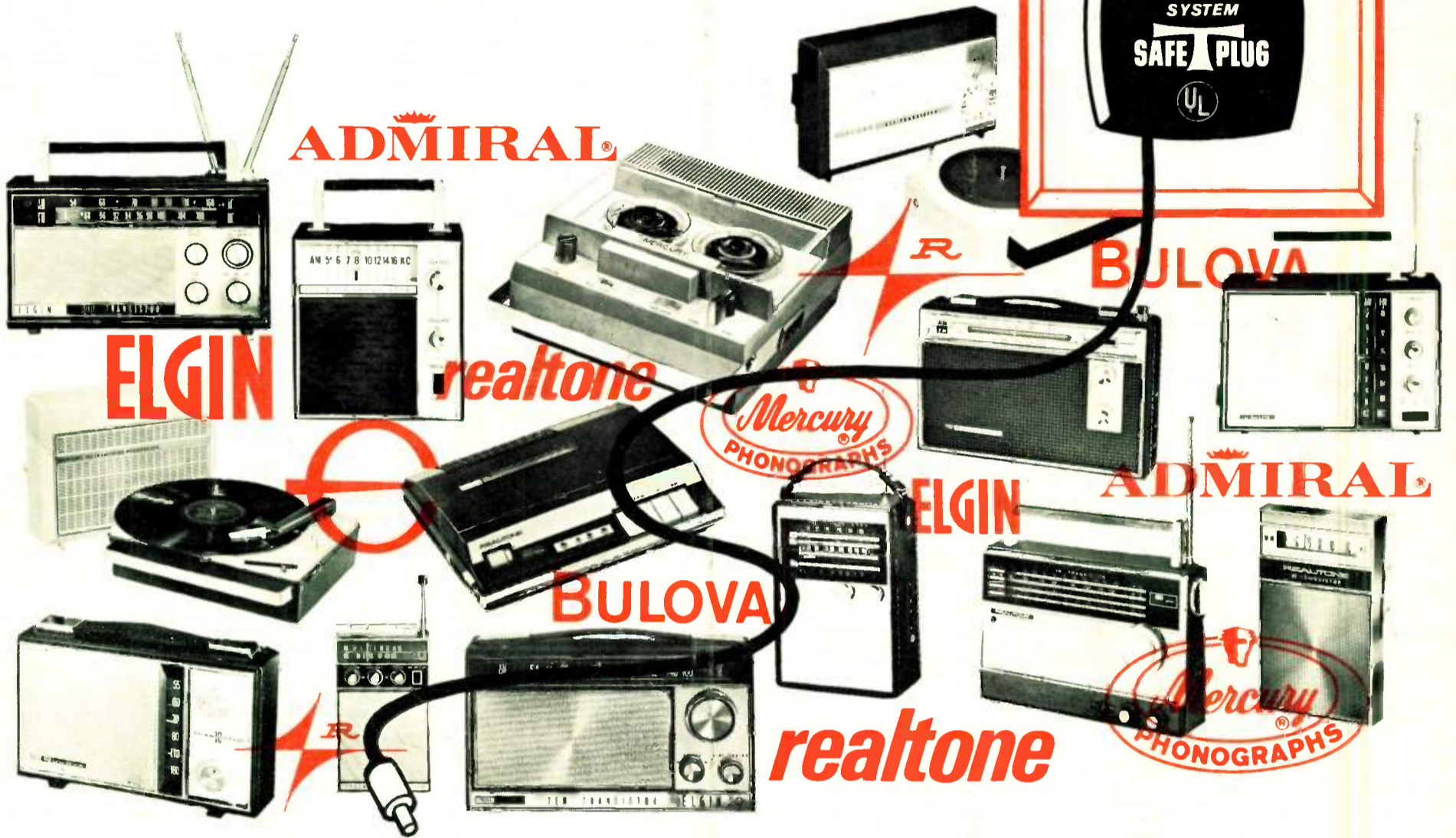


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