tors has grown at a rate of almost *6% per year.* This is approximately double the growth rate of our Gross National Product. This is a period in which you will all agree, I'm sure, there has been a tremendous growth in so-called "discount merchandising" of consumer goods.

The reason for this is simple. As we become more sophisticated in our analysis of true total marketing or distribution costs, item by item, large and small businesses are finding that "rapidity of flow of goods" from production line to user is the key to profits in distribution. Mass merchandisers, through the use of electronic data processing equipment are finding that they can afford to "buy direct," warehouse and sell *only those items on which they have constant, steady volume demand.* The vast bulk of the items they handle in their merchandise lines are slow moving, occassional demand items. They cannot afford to buy them direct, warehouse them and hold them for ultimate user demand. They are turning to us wholesale distributors, the experienced inventory-handling specialists, to handle and supply many items for them. The "price" may be slightly higher but the "net cost" is much less and profits are much greater.

In 1963, the Comptroller General of the United States made a study of the centralized procurement operations of several inventory control points in the Department of Defense. In a letter to the Speaker of the House and the President pro tempore of the Senate, dated November 29, 1963, he stated,

"Our review disclosed that inventory control points within the Department of Defense have not given appropriate consideration to commercial availability and the costs of central management and distribution when determining whether an item of supply will be procured directly by using activities or will be obtained through service supply channels. As a result, Department of Defense activities centrally manage hundreds of thousands of low-volume, minor items of supply that are readily available to using activities from commercial sources. We estimate that direct procurement of such items by using activities would reduce supply management costs by about $50 million a year and supply inventories by about $275 million."

The Comptroller General's study covered six of about 58 centralized military inventory control points throughout the United States, which manage in excess of 5 million items of supply. The six control points analyzed manage about 1 million of those items of supply, or about 20% of the total DOD supply inventory from the standpoint of number of items handled.

At the six inventory control points studied, the Comptroller General's staff selected about 561,000 minor items of supply for study, consisting primarily of hardware, repair parts, industrial supplies and other low-volume items. With respect to this list of items an examination into the dollar value of issues of these items during a 12-month period ended in 1961 disclosed that about 258,000 items, or 46%, had *not* been issued at all during the year, and 213,000 items, or an additional 38%, had annual issues ranging in value of from less than $10 to under $400.

Rightfully or wrongly, the Comptroller General decided that economies that could be realized through centralized procurement of items averaging $400 or over of the issue per year were justified. For purposes of making our point, we will agree with him, however, we are sure that many more items, on which issues of much more than $400 per year are made, can be much more economically purchased locally.

The amazing fact is that 471,538 items out of the 561,000, or 84%, had been issued either *not at all during the year*, or in quantity of value *less than $400.* The Comptroller General then selected 2,614 of these items, by random systematic sampling methods, for detailed examination. For the total of 2,614 supply items selected for detailed examination, they questioned, either personally or by correspondence, wholesaler-distributors, and manufacturers' outlets to determine whether the items would be readily at local levels.

They considered an item to be readily available if it was in stock locally or could be obtained from the factory or distributor in thirty days—about the same length of time normally experienced by using activities when obtaining items from central inventory control points.

The study revealed that 942 items, or 36%, of the 2,614 items covered in the review were readily available from local commercial sources. 631, or 67%, of those items were either in stock at local outlets or could be obtained in *5 days or less*, many being available for immediate shipment. The remaining 311 items could be obtained from the factory, nationwide factory outlets, or local distributors in *30 days or less.*