

Mrs. SULLIVAN. Now, what I am interested in knowing—you or Mr. DeShazor mentioned the moment that a purchase is made on credit, at that moment the credit charge starts. What about the people who come in and pay cash? Do you not think they ought to have a discount?

Mr. DESHAZOR. Madam Chairman, here is exactly what I think, and we discussed this again last night, because it is an interesting question.

Under the IRS rulings and for the reason I stated a moment ago, at the moment of that transaction none of us can determine with any individual customer just exactly what his intentions may be in the future. We have to classify as an account receivable at that moment in time. The customer may elect 30 days after that or whenever his cycle billing comes up to pay that bill.

Now, our own continuing studies of this kind indicate that more often than not it is not the same customer every month. If we knew that it would be one situation it would be different, but we don't know that. We know that a given percentage in our company, for example, pay every month. But of that percentage a very small fraction of them repeat every month. So in our own price policies, to come back to your question, we try very hard in this competitive environment that we have, and it is competitive, to eliminate from our cash prices anything related to credit. In fact, I think we do.

Now, in those cases where a customer in fact does not pay, that is a cost of doing business, it is a general administrative expense which we have to bear.

Now, I think that varies considerably by type of operation in a store where most of the business is on a 30-day charge business, then the general administrative expense would be higher to carry that than in a store that did a large part on time payment contracts or in some other method of credit. And it is a factor increasingly in the cash price of goods as that happens. But where we do up to 45, 50 percent of our business on credit and maybe 10 or 15 percent of that is payable monthly, then you have an entirely different set of criteria with which to work.

Mr. WILLIAMS. Madam Chairman, may I ask a question?

Mrs. SULLIVAN. Yes. Just let me finish this one thought.

I can appreciate that it might cost any firm doing a credit business 18 percent a year, as has been discussed over the years. You have to charge that and I think you should disclose it if you have to charge it. But whatever started the revolving credit in the first place? I know it is only in recent years that I discovered it—I guess in the last 4 or 5 years.

Mr. DESHAZOR. I think I will refer that question to Mr. Garcia, if I may. He has been with us a great many years, longer than I have in credit. Would you care to answer that?

Mr. GARCIA. The question, Madam Chairman—how did revolving credit start? Well, I guess it started because our customers asked for it.

Mrs. SULLIVAN. You mean they were not paying their bills on time?

Mr. GARCIA. Credit as we know it started on a big ticket item-type of transactions—people required more time to pay for refrigerators and major appliances and furniture. That was just about the only form of credit that could be paid over a period of time.