

pression when they buy \$10 worth of stuff you make \$1, but you only make 10 cents. It still boils down to these being very misleading figures to the average person.

Mr. ERLNBORN. I think the reference to profit as a percent of sales is valid in the context of these hearings. We are talking about pricing of food. If you price something at 99 cents and you should price at \$1.01, you are losing money on it. That 2 cents could represent the difference.

Mr. ROSENTHAL. Between break even, loss, or the 1-percent profit.

Mr. MANDELL. I am happy you brought that up, because I think this will add—we as a co-op always welcome these exchanges of ideas between the consumer and the merchants, because we feel this will lead to better understanding and might do away with some of the hostility, because, God knows, everybody is under plenty pressure.

Mr. ROSENTHAL. Mr. Mandell, if I could interrupt for just a moment—

Mr. MANDELL. I am coming to your point.

Mr. ROSENTHAL. I wanted to expand on my point a bit. If the items should be priced at 99 cents and it's sold at \$1.05, you may be making 6-percent profit instead of 1 percent; isn't that right? These pennies mean a great deal.

Mr. MANDELL. That is true, but I wish it was as simple as that. If it was just a question of the food business, but we got everything in, and if our cost of the operation is 20 percent, all we have to do is mark up everything 21 percent, and we make 1 percent. Bearing out what you say, it's simple.

Unfortunately, it's not that simple. It has been customary in our business to sell loss leaders. When we do that—and it's getting worse and worse because of the pressure of competition—we come out with items such as Maxwell House coffee where we sell it for 69 cents—I use that as an example to bring out a point—it costs us 79 cents and we lose 10 cents.

If you are going to make one sale and lose 10 cents on a 79-cent sale, which is about 14 percent, roughly—and you expect to come out with an 18-percent overall, because the national figures throughout the whole country cost us between 17 and 18 percent to operate, it's only—you have to understand that you must mark up other items by about 25 or 30 percent in order to come out with an overall of 18.

So that is why it's so hard for consumers to understand why they can come into one store and if he features Maxwell House at a loss, they go to another store and pay 89 cents—not being overcharged. There is a 20-percent spread. It's hard to understand.

Mr. ROSENTHAL. You are saying in some stores the mix varies to bring out a profit?

Mr. MANDELL. In all stores. Our staying in business depends on how we come up with this mixture which we call merchandising.

Mr. ROSENTHAL. Let me ask you a very precise question, so we get down to the issue quickly. Could you explain to the committee how it is that on November 14 in a Key Food store in Bedford-Stuyvesant the market basket was \$12.60, and in Flatbush the same day, the exact same 20 items was \$11.82? It was \$12.60 in Bedford-Stuyvesant, \$11.82 in Flatbush.

Mr. MANDELL. The same items?