

Now, the general survey which our Bureau of Economics launched into the economic aspects of retail practices in the District is almost complete. While it is not available for release yet, I can now tell you of some of the major highlights of the study, and I will submit the full report to you when it is completed.\*

The survey covered those District of Columbia furniture and appliance retailers having estimated sales of at least \$100,000. Data were obtained on prices, markups, and costs, as well as credit extension and collection policies. Combined sales for 96 returns totaled \$226 million, representing approximately 85 percent of sales of furniture, appliances, and department store retailers.

Sixty-five retailers with combined sales of \$151 million indicated regular use of consumer installment sales contracts. The remainder sold for cash or on a regular or revolving charge account basis only. Of the \$75 million in sales by this group, department stores accounted for \$54 million. Thus, installment contracts apparently represent the most usual form of credit instrument used for sales involving appliances and household furnishings.

Those responding to the survey indicated installment sales of more than \$45 million in 1966, an amount equal to 30 percent of their sales. If stores using revolving rather than installment credit sell on extended time credit in the same proportion, a minimum of \$68 million in sales of appliances, furniture and department stores in the District of Columbia would be affected by this legislation.

While revolving credit is not insignificant as an element in the structure of the retail credit market, to simplify data collection and analysis and to facilitate matters, the Bureau focused primarily on installment-type credit. The remaining comments, therefore, relate to appliance, furniture, and department stores which in 1966 sold all or some of their merchandise on an installment credit basis.

The survey revealed considerable variability among stores with respect to the amount of sales made on an installment credit basis. In the case of certain discount appliance stores, no sales were on credit. At the other extreme, a number of retailers sold entirely on installment credit. In an effort to understand these variations, the Bureau classified data first by type of establishment, that is, department store, appliance store, or furniture store. It reported that this classification did little to explain variability.

The Bureau then evaluated accumulated data from the standpoint of whether income characteristics of customers might be the crucial explanatory factor for credit sales variations. Although it had no direct information on the income characteristics of customers of all stores, it drew inferences from information on the stores' location and their advertising practices. On this basis it developed two categories: general market and low-income market stores. Stores located in low-income areas doing no citywide advertising were classified as low-income stores. A major part of the variability in the use of installment credit among stores was eliminated by this classification. Stores classified as low-income stores sold almost entirely on installment credit, 93 percent versus an average of 27 percent for all other retailers in the

\*Economic Report on Installment Credit and Retail Sales Practices of District of Columbia Retailers, published by the Federal Trade Commission, March 1968, may be found in the appendix on p. 251.