indicates that installment credit transactions accounted for 92.7 percent of the total sales of the 18 low-income market retailers. In contrast, installment credit accounted for only 26.5 percent of total sales of general market retailers. Most of the low-income market retailers made more than 90 percent of their sales through credit; none of the general market retailers had such a high proportion of installment credit sales. Many of the general market retailers in fact had the bulk of their sales accounted for by cash transactions or by non-installment credit.

TABLE I-2.—VALUE OF INSTALLMENT CONTRACTS AS A PERCENT OF SALES, DISTRICT OF COLUMBIA RETAILERS, 1966

[Dollar amounts in thousands]

Type of retailer	Number of companies	Net sales	Installment contracts		
			Value	Percent of total	As percent of net sales
Total	65	$150,970	$45,251	100.0	30.0
Low-income market retailers	18	7,874	7,296	16.1	92.7
General market retailers	47	143,096	37,955	83.9	26.5
Appliance, radio, and television	22	25,089	8,466	18.7	33.7
Furniture and home furnishings	22	26,643	10,608	23.5	39.8
Department stores	3	91,364	18,881	41.7	20.6

Source: FTC survey.

While extent of installment credit sales is the primary factor distinguishing low-income market retailers, there are also significant differences in the general business methods employed by this group. Prices and gross margins tend to be substantially higher for low-income market retailers. Bad debt expenses are also considerably higher. Extensive use of credit together with higher prices and gross margins form a distinctive pattern for low-income market retailers. However, before discussing the findings concerning these differences, it is useful to place low-income market retailers in proper perspective with respect to the total market for appliances and home furnishings in the District of Columbia.

A Perspective on the Importance of Low-Income Market Retailers

The 18 low-income market retailers had net sales for 1966 of $7.9 million (table I-2). This amounts to only 5.2 percent of sales of all retailers surveyed. Nevertheless, it is a substantial amount when compared to total expenditures by low-income consumers on furniture and appliances. Low-income consumers within the District of Columbia accounted for only a fraction of total expenditures on furniture and appliances. The low-income market for such goods is considerably smaller than the total consumer market. No statistics are available on total expenditures for furniture and appliances by low-income consumers, but it is possible to make reasonable estimates. We estimate that District of Columbia households with an annual income under $5,000 in 1966 had total income of about $260 million.[1]

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[1] *Sales Management* magazine, June 10, 1967, "Survey of Buying Power," page D 47, published estimates of the percent distribution of disposable household income in the District of Columbia for 1966. About one-third (32.2 percent) of District of Columbia households had after-tax incomes of less than $5,000 in 1966. For purposes of analysis, this bottom third of the income distribution will be considered the low-income group. In Chapter IV of this report, the family incomes of a low-income market retailer's customers are tabulated. Three-fourths (76.1 percent) of the sample of customers had before-tax incomes of $6,000 per year or less. This would roughly correspond to after-tax incomes of $5,000 or less. It seems plausible that most of the customers of other low-income market retailers would also have family incomes of less than $5,000 after taxes. We can estimate the total income of such customers for 1966. The total number of households in the District of Columbia was estimated to be 270,500 in 1966. *Sales Management* data indicate 16.6 percent of these, or 44,900 households, had incomes of less than $3,000 per year. There were 15.6 percent, or 42,200 households, with incomes from $3,000–$5,000 per year. If we assume that the *mean* income of households in the under-$3,000 category was $2,000, and that the mean income of families in the next category was $4,000, then the total income of families with incomes below $5,000 would be $259 million.

After-tax income group	*No. of households*		*Mean income*		*Total income*
Under $3,000 income group	44,900	×	$2,000	=	$89.8 million
$3,000–$5,000 income group	42,200	×	$4,000	=	$168.8 million
All households under $5,000					$258.6 million