instead revolving charge account plans. Their average gross margin of 34.9 percent of sales was somewhat lower than the average gross margin of 37.7 percent shown in table II–1 for those department stores using installment contracts.[1]

TABLE II–2.—AVERAGE GROSS MARGINS OF DISTRICT OF COLUMBIA RETAILERS ON BESTSELLING ITEMS OF APPLIANCES AND FURNITURE, 1966

Merchandise items	Average percent gross margin of—			
	Low-income market retailers	General market retailers		
		Appliance stores [1]	Furniture stores [1]	Department store
Television sets	46.4	23.7	28.4	25.2
Carpets	50.0	------------	37.5	33.2
Refrigerators	50.6	24.5	24.9	34.6
Washing machines	51.0	25.0	32.3	35.3
Stereophonographs	52.7	33.0	36.5	34.7
Freezers	53.7	24.8	------------	33.7
Dryers	53.9	25.7	28.4	37.7
Furniture	56.2	------------	47.5	50.4
Vacuum cleaners	57.9	26.3	30.2	36.4
Radios	60.0	23.4	38.0	27.9
Sewing machines	66.3	49.0	------------	42.7

[1] Appliance and furniture stores have been classified on the basis of their principal merchandise lines. Furniture stores carry appliances as a substantial secondary merchandise line, and for this reason average gross margins of appliances sold by furniture stores are included in this table.

Source: FTC survey.

Gross Margins on Specific Merchandise

Retailers surveyed were asked to select two "best-selling" items in each appliance and furniture line of merchandise and report their wholesale costs and selling prices. The difference between these figures (selling price minus cost of goods) represented the gross margin, which was expressed as a percent of selling price. Table II–2 gives the average gross margins on each merchandise item for each type of retailer surveyed. In some instances the gross margins given were for items especially reduced in price for volume sales. Consequently, the averages of these gross margins are somewhat lower than the average gross margins shown for each type of retailer in table II–1.

For every merchandise item specified, low-income market retailers had the highest average gross margins reported—ranging from 66.3 percent on sewing machines, to 51.0 percent on washing machines, and down to 46.4 percent on television sets. General market appliance retailers had the lowest gross margins for 9 of the 11 merchandise items.

Certain merchandise items showed some consistency as to the market level of gross margins. Television sets were sold by all three types of general market retailers at gross margins below 29.0 percent, and this item sold at the lowest (46.4 percent) average gross margin reported by low-income market retailers. Furniture had relatively high gross margins for all types of retailers. There were some items, however, on which there was no consistency between types of retailers. For instance, radios were the second highest gross margin item (60 percent) for low-income market retailers and the lowest gross margin item (23.4 percent) for general market appliance retailers. Thus, a consumer who would have paid $250 for a radio from a low-income market retailer could have purchased a radio of comparable wholesale value at a general market appliance store for $130.

Table II–3 converts these gross margins to a comparative price basis. Since the cost of the merchandise has been arbitrarily held constant, the "retail prices" shown in table II–3 directly reflect absolute differences in average gross margins by type of store and make it possible to compare relative prices on each best-selling item when purchased from low-income market retailers or general market appliance, furniture or department store retailers. As shown in table II–3 and figure II–2, a television set that cost retailers $100 could have been bought for

[1] These margins for department stores in our survey conform very closely to the national averages compiled by the National Retail Merchants Association, which reported that in 1964 average gross profit margin for department stores with sales over $1 million per year was 35.3 percent of sales. *Operating Results of Department and Specialty Stores in 1964*, Controllers' Congress, National Retail Merchants Association, 1965, p. ii.