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MANUFACTURERS AND RETAIL PRICES.

I.

(FROM A CORRESPONDENT.)

In a free market the price of any commodity is the lowest amount for which any accessible trader is able and willing to supply it. Retail prices regulate themselves in the same manner as any other prices. Exceptions are negligible ; they are determined by no principle. For instance, it is sometimes possible to buy the same article more cheaply in a poor neighbourhood than in Bond-street ; but this is because the people who "shop" in Bond-street do not like to come in contact with those who frequent less agreeable localities ; it has nothing to do with supply and demand. Exceptions of a more practical kind do, however, exist, and it is with an attempt to set up such an exception that the present article is concerned. Trade unions (which are combinations of workmen pledged not to sell their labour below a fixed price) and "rings" (which are combinations of traders not to sell their wares below a fixed price) may affect the market by overriding competition. Such combinations can only be effective where there is a monopoly, complete or local, in the supply of the commodity involved. Ordinarily, prices are regulated by competition alone. Regulation of prices by the law, once common, may now be practically neglected. In spite of administrative regulations (such as the condition sometimes imposed by municipalities on contractors, that the latter shall pay trade union rates of wages) the spirit of the age would never tolerate interference by the State with the prices of goods. However inconvenient it may be for traders to accept the consequences of competition they must "dree their own weird" ; they must trade at the prices which the market fixes for itself.

COMPETITION AMONG RETAILERS.

This automatic self-regulation of prices naturally involves the limitation of profits. The practical cost price of any article to a trader is the money he has to pay for it, including the cost of delivery, *plus* the cost of selling it ; and in determining his selling price, and consequently his profit, he is exposed to the competition of rivals who, through their greater knowledge in purchasing, or their larger capital (which sometimes enables them to buy in greater quantities), or their superior facilities for handling the goods, can undersell him, while still making as much profit as he. All these elements of competition are liable to be present in the trading of a retail shopkeeper, and their force unfortunately bears an inverse proportion to his power of meeting them. The smaller his business the less important are the quantities in which he can purchase. The cost of transportation is proportionately greater on small parcels than on large. A great trader—particularly one of those multiple-retailing companies which own a large number of establishments in different places—can not only command lower prices in the wholesale market than the single retailer, but also retain the services of the most expert buyers. The rent and upkeep of a large shop, expensive in the aggregate, will frequently, when divided among the entire sales, represent a smaller "loading" of cost prices than the low rent and expenses of a smaller trader. And, finally, large shopkeepers, or multiple shop-owning companies, not only can afford by reason of their superior facilities to undersell their smaller competitor, while still obtaining as large a profit per cent. as the latter, but even to crush him out of existence altogether by selling goods for less than it would cost him to buy and handle them at all. All over the country this class of competition for retail trade has increased, is increasing, and shows no tendency to diminish ; and the situation of shopkeepers in a small or moderate way of business becomes every year more precarious. In many trades they seem likely to be ultimately driven out of business altogether—at least, in considerably-sized towns.

COMPETITION AND THE CONSUMER.

In discussing a remedy for the woes of the small tradesman it ought to be borne in mind that the most conspicuous result of competition is to enable consumers to buy more cheaply. Consequently no project for the assistance of the shopkeeping class can claim consideration except as a commercial device. We cannot be told that some means ought to be discovered for protecting the retail shopkeeper, where protection means enabling him to charge more for his wares. If he cannot help himself, he must not expect the public—at its own cost—to help him ; nor must he look for sympathy if he endeavours, and is unable, to protect himself at the consumer's expense. His position is unfortunate, but so is that of the defeated combatant in any commercial struggle ; and even when it is urged that in many trades the small shopkeeper is in danger of total extinction (which is perfectly true), the reply must be that

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the interest of the public at large is more important than that of any class, and that the public benefits by the reduction of prices. If the large shopkeepers and retailing companies carried on trade at a loss, purely in order to crush out competition, there would be something to be said for any effort which might be made to protect the small tradesman as a class. But the balance-sheets of the retailing companies afford no evidence of this. Whatever is done for the small retailer must be done by himself, and if he cannot do it he will have no right to complain of his own destruction.

THE CRY FOR "PROTECTED PRICES."

This point has been insisted upon at some length, because the criticism which must be directed against the kind of effort actually being made by the class in danger might otherwise appear to be somewhat harsh. The effort referred to takes the form of an agitation, spreading from one trade to another, for what are called "protected prices." It is demanded that manufacturers shall themselves fix the retail prices of their products and use measures prescribed by retailers for maintaining these prices in the retail market.

It will readily be seen that the "protection" of prices must mean one of two things. Either (1) the existing prices must be increased to the detriment of the consumer, or else (2) the wholesale price must be diminished to the detriment of the manufacturer. Somebody must make sacrifices for the benefit of the middleman, and the middleman does not particularly care who. As he cannot, in the circumstances existing, put pressure upon the consumer, he can only do his best to put it upon the manufacturer. A mere reduction in wholesale prices cannot, alone, mend matters; competition will only further reduce retail prices correspondingly. Therefore, whether the consumer is to be compelled to pay more or the manufacturer to take less, the manufacturer must undertake to provide the machinery of coercion if "protected prices" are to be enforced. He may prefer to sacrifice some of his own profit rather than face loss of demand through increase of price, but the choice is his; in either event (it is conveyed to him) he must fix a retail price and insist upon its maintenance.

THE LARGE AND SMALL RETAILERS.

For the large traders and multiple-shopkeepers against whom this campaign is directed do not want any change. "Cut" prices are the basis of their prosperity, the foundation of their trade, and at "cut" prices they are in normal years able to pay satisfactory dividends. In order that the small shopkeeper may be helped, the large retailer must be coerced, and the method of coercion proposed to manufacturers is that they shall say to all who buy of them, "You must not retail these goods at less than the following prices, and if you do I will not supply you again." They would also be required to exercise vigilance in detecting breaches of the scheduled prices, and, in general terms, to make themselves responsible for a complicated and expensive organization, the effect of which, as shown above, must be either to injure the sale of their wares by increasing the retail price, or to diminish their profits by reducing the wholesale price. It is only by either great inducements or very potent coercion that, on the face of it, manufacturers could be induced to subscribe to such proposals. The measures of coercion sought to be applied to them will be explained in a further article.

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MANUFACTURERS AND RETAIL PRICES.

II.*

(FROM A CORRESPONDENT.)

It was explained last week that, owing to the competition of large multiple shopowners the business of small shopkeepers in many trades has of late years suffered severe reduction; and that, as a means of retrieving their misfortunes, efforts are being made by them to compel manufacturers to restrict competition artificially. The method suggested is that manufacturers when selling to shopkeepers should require all retailers to sell only at a profit fixed high enough to satisfy the small retailer, and higher than large traders are in the habit of requiring. As was pointed out last week this could only mean either increase of retail price (and consequent diminution of sales) or reduction of wholesale price, and manufacturers would require strong inducements or potent coercion in order to reconcile themselves to the choice of evils. The argument addressed to manufacturers takes two forms: which may be briefly stated thus:—(1) You ought to protect prices because the retailer is your best friend and the intermediary by which you reach the public; and (2) if you do not act as we desire we can injure your trade through our influence upon the consumer.

WHERE PROTECTION IS NOT POSSIBLE.

Where the manufactures involved are piece-goods without trade-mark (calicoes, woollens, flannels, and the like) or goods sold loose from bulk, as sugar, flour, tea (other than in packets), it has been recognized as hopeless to expect that producers will stir in the matter. Their own competition—the competition of producer with producer—would forbid it. If A, a tea-importer, will not allow his tea to be sold at less than 2s. a pound, yielding, let us say a profit of 8d. to the retailer, while B, another importer, will allow a tea of the same wholesale price (1s. 4d.) to be sold at any price which the retailer chooses to accept, the retail price in the lowest retail market for B's tea will become the standard price for tea of that particular grade, and A's tea will not be sold at all, except that where the consumer's judgment or information is his sole criterion of choice he may sometimes, to his detriment, pay the higher price, under the impression that he is getting value for his money when he is not. Thus, and thus only, can the sale of A's "protected" tea be bolstered up. This cannot be called a very creditable resource, nor one likely to afford permanent benefit to the retailer; and, accordingly, nothing is heard of any demand that such commodities as tea, sugar, calico, and bulk or piece goods generally (unless advertised to the public by name or trade-mark) shall be "protected" in price. The consumer has no opportunity of identifying the wares of any single producer. Yet it is precisely in the case of such commodities that the retailer has a sort of claim upon the producer, because it is open to him to select the manufacturer whose wares he will handle, and he is in a position to exact favours in return for his patronage. But in practice only one favour is exacted. That manufacturer whose goods, of a given quality, are sold wholesale at the lowest price gets the business; and under stress of retail competition the retail price falls to the rate determined by the lowest profit at which any accessible shopkeeper, large or small, is willing to trade.

"TRADE MARK" GOODS.

Where, curiously enough, the demand for protection, with all its sacrifices and all its inconveniences to the manufacturer, comes in, is where the public can and does identify the products—where the name and trade mark of a manufacturer have become known, and where a definite public demand exists. Here there is no question of one producer's competition with another for the retailer's favour. If the retailer does not supply what he is asked for, the purchaser is at once aware of the fact. It is not through the selection of the retailer, as in the case of tea, &c., as cited above, that a particular product is sold, but through the demand of the public. Yet it is precisely here that the producer is told that he ought to "protect" shopkeepers against their own mutual competition, and it is here that coercion is sought to be applied to him. The retail trade appears to have selected precisely the weakest ground, whether for argument or for battle. It cannot be said that the plea that it is the "duty" of the manufacturer to protect his friends is stronger where public choice is determined not by the retailer's efforts, but by the reputation of a recognizable product, than where it is determined by the selection of the retailer of his source of supply. And even if it were, the large shopkeeper is individually a much better "friend" of the manufacturers than the small; why should the former be inconvenienced for the benefit of the latter? Nor does it seem probable that the retailer can more readily coerce a manufacturer whose trade mark has public reputation than an unknown manufacturer who is at the mercy of competition. The ground upon which the former appears to have been selected for attack—and, as will be shown, the demand for "protected" prices is nothing less than an attack on producers—is that the owner of a trade mark has a public reputation which can be injured, while the unknown manufacturer cannot be thus menaced.

ORGANIZED COERCION.

It is evident that coercion could only be applied to manufacturers by organized bodies, and such bodies have in fact been organized in several trades. Their demand, as already stated, is that manufacturers of trade-marked goods shall use measures, to be approved by the associated retailers, for maintaining prices fixed, or only variable within prescribed limits, for the retailing of their wares. Two weapons were at hand. Either the goods of the recalcitrant manufacturer could be boycotted altogether, or else individual shopkeepers could, acting in concert,

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systematically cry down the merits of the incriminated products and recommend some substitute. The right of a shopkeeper or any other person to refuse to sell anything which he does not care to sell is, of course, generally absolute, and stands upon exactly the same basis as the right of any man who has purchased a thing to sell it again at any price which pleases him; and if a shopkeeper does not mind sending away trade when it comes to his counter no one has a right to complain. The operation of obtaining favours by the threat that if these favours are withheld disparaging statements (whether true or false) will be promulgated, is not, as a matter of taste, one to be regarded with favour, and there are fields of life in which similar menaces lead to very disagreeable consequences. The safety of such measures is a matter of degree. The law of conspiracy would doubtless take cognisance of any association of tradesmen which, in order to coerce a manufacturer, recommended its members in a given case to say to their customers, "I do not sell Smith's calico: it is of bad quality," but it is quite safe to say to a woman who asks for Smith's calico, "I sell Jones's calico—wouldn't you rather have it?"; and there is no danger in the recommendation of this by an association. So far as the consumer is concerned, the only point of interest is that the threatened use of a shopkeeper's position, and of his presumed technical knowledge, to depreciate certain wares, not because of any real defect in their quality, but as a means of offence in a commercial struggle, does not leave the associated retailers much right to public sympathy. The single question for practical consideration is whether the method outlined is likely to help shopkeepers out of their difficulties. It is difficult to believe that it can. Persistent effort to "push" substitutes for goods of established demand is not likely to escape the shrewd appraisement of "shoppers," who, after one or two experiences, will be very likely to ask themselves whether the shopkeeper's zeal in recommending "something else" is wholly disinterested; and they are also not unlikely to be irritated by his persistence and take their trade elsewhere. It is known that such irritation materially benefits the multiple shopkeeper, who is shrewd enough to sell what is asked for and generally too busy to waste time. There is therefore not much likelihood that the coercive measures threatened—and very largely practised—can, at either end of his difficulties, do much to benefit the retailer: and they are certainly not to be commended in the interests of the public. Where trade-marked goods are not sold at artificial prices engendered by monopoly, wares offered in substitution for them must, if sold cheaper, be in some way inferior, and if they are not sold cheaper purchasers are little likely to be moved from their preference for articles of known reputation. The sale of monopolies is commonly supported by advertising, the effect of which is equivalent to reputation, and as advertisers now very generally warn the buyer against what has become quite generally recognized by the technical name "substitution," the retailer who practises this does not generally benefit himself thereby. In the case of what may be called natural monopolies—such as newly-invented contrivances, fruits or other articles of limited supply, musical pieces, books, and the like—the retailer has no weapon. He must either sell what the public wants or leave it unsold. If a man wants a typewriter you cannot sell him a phonograph. To sum up, if small retail traders are to maintain their position in the face of competition, they must discover some means of protecting themselves, and cannot expect on any ground of commercial morality or public expediency to be protected by the manufacturer or any one else—least of all by the consumer.

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