

THE AMERICAN MONARCHY

THE LAND OF THE FREE AND THE HOME OF THE BRAVE

Charles Y. Lazarus

Kit Kat Club

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Being a neophyte in Kit Kat and the second youngest member of this distinguished organization, my virginal appearance before this group is fraught with both opportunities and problems. Following a line of distinguished speakers and learned men, from John Vorys to Novice Fawcett and Noverre Musson, is, in itself, frightening to conceive. I can assure you that since Jerry Folkman asked me last spring to talk to Kit Kat in this, my first year, I have been approaching this day with nervous trepidation, wondering just what I could talk about that might have some interest and not, at the same time, make me continue to wonder why, once a month, I was enjoying myself so tremendously at these meetings while impersonating a member of so select a group.

I couldn't help but think back through all of the talks that have been given this year. There seems to have been a somewhat common theme of ethical and moral principals, going back through the Biblical days, interpreted either by men of the cloth, by distinguished educators or by professional men, always seeming to come to the conclusion, or to hint, that man is a product of the society and the environment in which he lives, whether it be religious, educational, ethical, architectural, moral, or, I would like to add tonight, commercial.

John Vory's talk on "Autumn Romance" helped me out a little in my quest for direction when he raised the question about the evaluation of college teachers, because I began to realize that all of us, in whatever walks of life we have chosen for our career, are, in reality, teachers, having to pass on to a new generation the aims,

objectives, values and the interpretations that we have placed on life.

John is in a rather fortunate position, however. He hasn't had to live with those he taught or accept the responsibility for the end results of the teaching and training of those whose classrooms he graces, so his romances may tend to be more rewarding at times than those of us who, having adopted a teaching career in the commercial classroom, have to live or die by our failures or successes as teachers.

When Dr. Yochum talked to us on "A Man's Ancient Quarrel with God" and reminded us that man gained nothing by being on good terms with God, I wondered just a little bit who I was going to approach for inspiration for tonight's subject and decided to sit back and wait a little longer for some divine guidance.

Dean Fullington brought to mind again the concept of the individual as a moral, ethical and economic unit from the early days of the Bible up through Jeremiah. And, seemingly, all through these discussions that we have had, the Biblical theme of ethics and morals as the common denominator of people has been present.

The concept of the individual as a king really evolves from the early Biblical days of the concept of the group, which was required because of the need for survival. In today's society, of course, the sum total of the individuals makes up the group. Perhaps the missing link that has been touched on is the individual's obligation to that society or group. I couldn't help but think of this when Don Weaver spoke of the "Population Explosion". Some day, perhaps, theologians

will accept the responsibility for facing up to the ethical and moral issue of the control of population through birth control and will take the kind of forthright stand that will enable laymen to place the ethical and moral principles of birth control in proper scientific perspective.

And, I am reminded again of Dean Fullington's wonderful statement that all that is virtue belongs to the individual and all that is bad is communal.

Then, Nov Fawcett's talk on "Federal Aid to Education" simply amplified the basic theme of these discussions that the individual is the basic core of society. But there comes a point when the group, or in this case, the federal government, has to evaluate its position in relationship to the individual, in Nov's case, in terms

of education, in order to get the proper compensating balances between the individual and the society in which he lives.

And, at our last get-together, Noverre Musson's fascinating discussion of Frank Lloyd Wright - a great individual with a magnificent ego, leaving his imprint of the times in which he lived for posterity through his architectural genius - surely presented as interesting and stimulating an evening as I, for one, have had in a long time.

Shortly after the topics for this year's presentation were announced on that wonderful day that we spent as guests of the Pritchett's down at Jacob's Ladder, John Bricker said to me, "With a title, 'The American Monarchy, the Land of the Free and the Home of the Brave', you could talk about almost anything that you wanted to

talk about." And, I said to John, with the normal trepidation of a neophyte to a statesman, "How right you are!" I am sure he realized then, as I must confess tonight, that I really had to have time to evaluate the first five or six discussions this year before crystallizing the main theme of my remarks for this evening.

But, at least for tonight, I think I had better stay somewhat close to the fields of activities that I am supposed to have some familiarity with, namely, the fields of business, finance and management; and since, through bitter experience, those of us in the business world have, long ago, found out that cold cash seldom sticks around hot air, we had better get on with our subject.

The procurement and distribution of goods has been a concern of man throughout history. Even the regional shopping center

is no new concept. In the book of Ezekial, Chapter 27, Tyrus (and here I almost took as my title, "From Tyrus to Karlus", for Karl Road, of course) is referred to as a "merchant of the people for many isles" because it was well situated on the freeways of the sea. The merchandise included -- Cedars of Lebanon to make masts;

Oaks of Bashan for Oars;

Ivory of Chittim for benches;

Egyptian linen for sails;

Silver, Iron, Tin and Lead from Tarshish;

Emeralds, purple cloth, embroideries,
coral and agate from Syria;

Wine and white wool from Damascus and

Vessels of brass, wheat, honey, oil and balm,
as well as slaves from a dozen other places.

Through the centuries there has been little change in the basic idea of a shopping center, namely, to centralize a wide assortment of desirable goods in a handy place.

Human nature evidently hasn't changed much either. We understand our neighbors and associates better through our study of the ancients, in the Bible and other writings.

The main change is not even one of business ethics. There would be no need for a Federal Trade Commission, for a Federal Food and Drug Commission or for other business control agencies if the "Caveat Emptor" doctrine of medieval times had no followers today. "Let the buyer beware" is an ancient caution. A 17th Century restatement, by George Herbert, was "The buyer needs a hundred eyes, the seller not one."

The great change in the merchandise business has a political base, and as can be said of all things political, this change owes a great deal to a religious concept; the individual's awareness of his own supreme worth, of his responsibility and of his individual power.

Just about every historical form of society, from the tribe lead by an absolute ruler to the democracy of equal individuals, persists, in some degree, among the families of Central Ohio. All of us know tyrannical matriarchs and patriarchs - we know households dominated by spoiled children and pampered invalids - we know families caught in the spell of old superstitions and ignorance - we even know business heads who rate slightly to the right of Louis XIV. In the smaller units of our society, you could find parallels with every form of political thought from Abraham to Khrushchev.

It may be one of the attractions of a modern big store or shopping center (and they are, in many ways, synonymous) that the climate is one of absolute individual freedom of choice and expression.

The American consumer is the absolute monarch, the boss.

The last census reported that 3300 adults in Franklin County have never been to school. What age, what tradition do they live in with an education that is pre-Gutenberg? All of them are consumers, and some of them are customers of ours exercising their rights as individuals to determine what our merchandise and policies will be.

When I see a family of Amish from over by Plain City walking through the store, I feel curiosity about the tribal unity that isolates them like an agrarian age island in a modern industrial society.

I am even more fascinated when I see an elderly Amish dumpling of a woman working for wages in our Art Needlework department, teaching quilting and crocheting to our customers. A modern department store and its customers represent much that her society is against, but there she is, contributing to the success of a business that believes in consumer credit, in profit, in modern household gadgets and in the right of teenagers to buy Beatle records, if they want to.

Censorship of consumer demand is something that many people think we should exercise for the good of other consumers. It illustrates both tyranny and freedom, I suppose, that so many people scold us by letter and phone for providing other consumers with Beatle records or Burgundy wine or birth control pills or

John Birch Society publications or Bikini bathing suits.

All the problems of modern American merchandising are centered in the proposition that the individual has freedom of choice of what he'll buy and where and when and how he'll buy it - all the successes and failures are centered there too.

A department store in Moscow can do a sellout business by a strictly reverse attitude toward consumers - they dictate what and when the consumer can buy, and they needn't bother about courtesy or service.

Merchandising adapts to the time and the temper of the society in which it operates.

The individual and individualism is probably more

dominant in the consumer oriented businesses, such as ours, than in any other phase of this democratic society's life. But the American political innovation preceded the American business development by at least 100 years. And, centuries of slowly changing attitudes toward the supremacy of the individual as compared to the supremacy of the tribe or state or religious or temporal head had to precede the American political break-through of 1787.

Individualism engaged the thoughts of Greek philosophers, and their writings on this subject still have great significance, but in practice, their cult of equality was one in which men were far more equal than women, and vast numbers of slaves had no status at all.

Christianity drew upon ideas already developed in Judaism,

and introduced the emphasis on the supreme worth of the individual and the implication of a direct relation between man and God. This radically individualistic basis for religion was not fully realized until the Reformation. Self confidence and assertiveness increased during the Renaissance, but the doctrine of individual supremacy still had a lot of distilling to go through in the minds of Martin Luther, Adam Smith, and others before it became natural to assume that a government should derive its power from the consent of the governed.

Johann Gutenberg's invention of the printing press broadened the channels of communications for the new ideas and helped pave the way for a democratic society. A democracy could scarcely exist without an educated and informed electorate, even

though the umbrella of democracy may spread to a minority of the uneducated and uninformed.

Johann Gutenberg's payoff on his invention, after a business life of debt, lawsuits and frustration, was a post as salaried aide to the Archbishop Adolf. In this capacity, he received annually a suit of livery and a fixed allowance of corn and wine. This man, who, from evidence, lived in economic bondage all his life, helped to set the Western world free.

The uses that have been made of his invention arouse controversy, particularly its use as an advertising medium.

The association of advertising agencies would have us believe that advertising created the American standard of living. The opponents of this view tend to regard advertising as a prostitution of the noble

principle, the press shall be free. As one of the operators of an establishment which ranks among the top users of advertising in the country, it is difficult to be objective, but I can say, at least, that both sides of the controversy get some endorsement from me.

Good and bad examples of mass advertising effects come to mind. Not long ago, a retailing professor at Ohio State was telling us about a visit he made to a primitive Turkish village in 1960. The people there live as their ancestors lived 3000 years ago - same housing, same clothes, same farm implements, same foods. The toughest assignment of such a visit, he said, was eating a native meal. His rule, under such circumstances, is - "Don't ask what it is, just eat it and smile." It's a lot easier to eat roast puppy dog, he told us, if you don't know what it is.

Canned dog food may be a lot more acceptable fodder for human beings than roast puppy dog. There are tenement districts in our larger cities that sell a great deal of canned dog food, though they house few pet dogs. It is nutritious and sanitary and possibly as tasty as mediocre meatloaf. It is cheap, and it is widely advertised. Even immigrants who can't read can grasp the gist of the advertising message on television.

But his story of the Turkish village, so near and yet so many thousands of years away from the metropolis of Istanbul, didn't make me think of the tenement market for dog food. I wondered how the people and their huts smelled. In fact, I wonder how the people of Dodge City smelled during the years depicted on Gunsmoke. Miss Kitty has hair shining like a Clairol ad, and Matt

Dillon's look is spruce and well scrubbed. But the whole idea of scrupulous cleanliness of person and apparel as a standard has developed in the last 50-60 years, mainly through the advertising of soap companies. The linking of physical cleanliness with godliness is peculiarly an advertising addition to the moral standards of the world.

It is far easier for me to be objective about this beneficial advertising example, because we don't do much of a business in soap, than it is for me to take a calm and philosophical point of view toward my bad example, because we do do a very substantial business in toys. Even if you take the point of view that my concern involves profit at least as much as ethics, (and I happen to think that profit and ethics are synonymous in many ways, and most certainly compatible) it still makes a good illustration of how anti-social and downright frightening advertising

can be. And, of course, the same is true of any aggressive and self-centered use of mass communications media. I have never believed that advertising can create a consumer trend, but there is plenty of evidence that advertising can spread the acceptance of an item or an idea to the proportions of a tidal wave.

The toy manufacturers discovered about four years ago that, through television, they could convince children that Utopia is a brand name toy. Within a year, the toy retailers of American became the no-profit distributors for the toy manufacturers. A huge demand was stimulated for particular toys, 50-60 toys that were aggressively promoted, and huge quantities of them were sold by every kind of retail outlet from drug stores and filling stations to department stores. Most of the outlets

weren't in the toy business. They used the toys as loss leaders to build traffic and set off history's greatest discounting wars. The TV demonstration potential of the toy was a first requirement - it had to talk or walk or shoot or do something else almost human. Quality and toughness were the last things thought of - and the talking, walking, shooting mechanisms usually broke down within hours after children got their heart's desires. Though a parent could buy the toy just about everywhere - and whoever sold it, sold it at a loss - there was one sure place in Central Ohio where he could get his money back on the unsatisfactory item. We almost took back more of some TV toys, in some cases, than we sold. The manufacturers developed a slight sense of guilt and agreed to reimburse us for the toys we took back. So,

we had a dandy little two-way toy operation devoted to selling toys at a loss, with a staff of up to 200 mail and phone order clerks, wrappers and packers to do it with a smile, and then taking them back for credit with an additional staff of adjusters and clericals to provide the service and correspond with the toy manufacturers.

After two years of this malarky, we began to move.

We stopped being an umbrella of endorsement for TV toys. Those that were shoddy, we just didn't carry. We didn't have to take back any if we didn't sell any. We gave up our toy catalog. We practically stopped advertising toys, and we searched the world for new and exciting toy items. Our toy buyer has been around the world twice in the last two years, and children like the new toy discoveries.

Parents developed some backbone too. They began

looking at the quality of the toys, regardless of cost, and regardless of child pressure. Even the fringe outlets lost some of their taste for TV toy loss leaders.

The fight is, by no means, over, and the toy business is, by no means, a profitable business for anybody yet, except the toy manufacturers.

Nationally, the retail toy business was almost wrecked by a distasteful and unscrupulous use of advertising appealing to the imagination of children, the ultimate consumer, the king.

There are shades of 1984 about the whole situation - the brain-washing of children to want something that does not fulfill its promise, and the enlistment of parents and retailers in a slavish dance to the tune played by mass advertising. So what the invention of printing started has become the basis of an educated and knowledge-

able society capable of extreme influences, even to the younger ones.

And, as education takes advantage of newer and newer technological developments based upon this principle, the exercise of an individual's freedom of choice is likely to increase. Communications have certainly come a long way since Gutenberg.

And the American political and economic system has come a long way since 1787 too, when a small group of practical visionaries met in Philadelphia to draw up a new form of government that would derive its power from the consent of the governed. Their first task, one of which they were constantly aware while they deliberated, was to get consent for the Constitution itself. They did this by a combination of sagacious compromises, far-sighted leadership and one of the best selling jobs in our history: The Federalist

Papers.

These three components - compromise, leadership, selling - have been major elements in our political campaigns ever since. But the methods of obtaining the consent of the governed, and thus, political power, have undergone quite a revolution.

These methods have evolved with the change from the limited to the almost universal franchise, with the expansion of education on a scale unparalleled until postwar Russia, with the rise of modern transportation and the development of instantaneous mass communication.

One of these methods, television, is relatively so new and undeniably so powerful, that we tend to concentrate our attention today on what it is doing to the political process. But there is

another method which I believe to have equal significance - and it has affected both our political processes and, more recently, our merchandising techniques.

This method is the Opinion Poll, introduced to the political scene back in the mid-thirties by George Gallup, and almost immediately followed by the Consumer Poll. Behind both of them lay a century and a half of struggle to carry the premises of the Philadelphia convention to their logical conclusion: A society in which the individual is both politically and economically sovereign. We have not actually reached this twin goal, but education, the nearly universal franchise and the unprecedented distribution of a bounteous national income, have combined to give the individual in this country such independent strength that

he must now be consulted prior to decision making by either politician or merchant.

The industrial revolution of the nineteenth century and the technological revolution of the twentieth century have rapidly combined to change us from an industrial to a consumer oriented economy.

In this election year we will witness many examples of the playback from constituent to candidate as the Opinion Polls guide the alert candidates.

The official Consumer Poll used by the advertising agencies, with its interviews and punched cards and research staffs, is too slow a process for the department store. The agencies are testing campaigns for single items - we are watching

the consumer reactions on up to 400,000 items.

A couple of examples might prove interesting. The Beatles hit America as America has very seldom been hit before. Who would ever dream that people in this country would actually buy Beatle wigs? One of our department managers got four dozen on to a table one afternoon at 3:30, prior to the arrival of the Beatles in this country. By 5 minutes of 4:00, the four dozen were gone. The consumer had voted. Within 48 hours, we had Beatle wigs in five different departments in the store.

Some years ago you may remember the West Coast fad of the Hoola Hoops. The same thing happened, except that within an hour of the time that we got them in, we knew we had a fad on our hands - couldn't get them from the West Coast and had

them manufactured locally.

Our method of sensitizing our whole organization to play back to the consumers what they indicate they want is expressed by an organization chart that looks upside down to most people. At the top of the chart is the selling floor unit, the salespeople, the buyer - because that's where all the decisions on what we will offer for sale have to be made. They are the ones in direct contact with the consumer. At the bottom of the chart, after divisional, is general management, whose main merchandising function has become one of recruiting and training people capable of making the decisions and sharing the guilt for and bearing the full brunt of mistakes caused by an inadequately trained or directed organization, of operating a consumer-sensitive mer-

chandise department.

Sixty percent of the people in a retail organization is behind the scenes. These people are known as the sales supporting staff, providing the service needed to complete sales. What they do is dictated by what the selling floor unit of buyer and salespeople need. The selling floor is our consumer research laboratory. We make our pre-judgments about future stock according to the way customers respond to what we have and what they ask for that we don't have. To cope with the freedom of the modern consumer, to pick and choose, we have had to give equivalent freedom to each of our individual department managers and to give him almost as much authority and incentive as a one-man store owner.

But the one man store owner also took financial risks which could make or break him. Today's society truly requires brave management who will accept the responsibility for teaching young people how to make decisions as they, themselves, would make them and then delegating sufficient accountability and responsibility to let them invest either management's or stockholders' money to the extent that we do daily. America truly has become the Home of the Brave.

What if the merchant senses a trend that is totally contrary to all he believes in, in terms of the quality of goods he should sell? The kind of shoes some of you might be wearing tonight are the result, probably, of just such a trend evidenced by teenagers around 1950. It was about then that young customers

started asking for Capezio shoes. Capezio made his reputation in dance shoes - toe dance slippers and ballet shoes. Then, he designed a limited line of regular slippers of the same thin leathers, and without the inner-construction that had come to be accepted as essential to foot protection.

Our shoe buyer was a very knowledgeable man about shoe construction, leather quality and fit. He regarded the Capezio shoe as quote, "A piece of junk", unquote. He said, "they aren't shoes, they're foot mittens. We'd have to throw in crutches with every pair."

He was a merchant, however, and knew that it isn't the province of the merchant to decide what the customer ought to have, but to provide what they want. He started with a limited

selection of Capezios and sold them to the delighted girls with admonitions - warning them that they shouldn't jeopardize the proper growth of their foot bones by wearing them all the time. The girls wore them everywhere, except to bed, and created such a trend for soft construction shoes that all shoe manufacturers, including men's shoe makers, had to learn how to do the lighter, softer, thinner-soled construction. You may be lighter footed tonight because the teenagers demanded and got Capezios fourteen years ago.

You have probably noted that tribal law, so far as clothes are concerned, prevails among the teenagers. There is one style of Capezio, the Capezio T-strap slipper, that is practically required in teen-girl society. It's an \$8.99 shoe,

and one of our buyers decided that this was about \$3.00 more than it was really worth, so he found an exact copy of it at \$5.99, he thought. Well, the Capezio continued to sell at \$8.99, and the \$5.99 just sat there. Even at today's wages for the babysitter, you'd think a girl would be interested in a \$3.00 saving. We asked a member of our High School Board what was wrong with the copy. She said, "When I see someone wearing a T-strap, I look to see whether the strap is sandwiched in between the outside leather and the lining leather - if it isn't, the shoe isn't a Capezio, and it might as well be dead." Our \$5.99 T-straps weren't sandwiched, because that is an expensive construction detail - wrongly dismissed as unimportant, because it didn't affect the total look or wearability of the shoe. It was dead all right.

The supply line to the consumer leads through the retail

store. We are the ones who get the direct communications from the consumer in this land of freedom of choice, and this consumer information has to go all the way back through the factory that makes the goods, and even to the chemical lab that develops the fiber, the mill that develops the cloth or the Texas ranch that raises cattle for hides.

When I was a kid, I liked to wear tennis sneakers, and so did my friends. But we were allowed to wear them only for summer sports. Adults had a lot of reasons for the prohibition, such as, they draw the feet, they have no support, you'll wind up with fallen arches, and, mainly, people will think we can't afford to buy decent shoes for you to wear to school. Some remnant of these ancient parental admonitions

come back to me as I see kids trudging off to school, even to kindergarten, and even in chilly weather, in white canvas sneakers.

As the rubber sole factories turn out sneakers by the million and hire more help, and as the leather loafer and saddle shoe factories reduce their payrolls, the social and economic significances of such drastic switches in consumer demand are obvious. The leather workers are probably damning Mr. Goodrich, but the censure is ill placed. The consumer decides, the consumer is the monarch, and what the consumer wants in Columbus and Dayton and Minneapolis affects the factory payroll in New England and the leather hide market in Texas.

In this land of the free for the consumer, it behooves the merchant to be brave. In recent history, entirely new approaches to retailing have developed, such as discounters and self-service stores and specialty shops. Each new kind of store is just another method of distributing the large productive capacity of this country. As production rises and people have more and more discretionary income, we will need more and better techniques of retail distribution. It is our job to interpret the extent of consumer desire for these new retailing techniques. We cannot be married to our traditional methods, but must learn to adapt the new retail inventions that attract consumers at all economic levels.

Nor, can we be married to our traditional organization

methods. Most retail businesses of stature started as family businesses, and the succeeding generations of management were trained from cradle-to-manhood by their merchant fathers. As recently as forty years ago, it was possible for a few very good merchants to make all the merchandise decisions in a department store like ours. But the consumer wasn't as free forty years ago as she is today and didn't have the discretionary income she has today. It became obvious, as the consumer began exercising the freedom that a wealth of merchandise choice provided, that merchant families couldn't produce enough sons and daughters to handle the decisions of modern big stores, so they had to learn to produce another type of management to carry on and help share the load. There

has been a necessary transition from family management to professional management.

The successful store of yesterday was often built around the retail genius of two or three men who were rated as "born merchants". Great decisions were often made on what seemed to be an intuitive basis. Their minds went through the same processes by instinct that our modern computers do electronically.

There was probably considerable waste of potential retail talent then, because in the family managed business the outsider had little chance to learn anything. The instruction was reserved for the heirs-apparent - not deliberately, but because there was little recognition of the need for training.

It was believed that the born retailer, like the born writer or artist, would come to the top like cream on a bottle of milk, so there was no formal effort to train; the instruction was as informal as a family dinner.

Professional management presupposes training for retail management at every level. As in the traditional professions, such as medicine, law, education, there must be some flair for the business; otherwise, it is drudgery; but given some flair for retailing and careful training, many hundreds of excellent retailers can be and have been developed.

It has been, by no means, the easiest challenge of the last forty years to formulate a training program that stimulates consumer sensitivity and decisions based on that

sensitivity. But it is the most rewarding and satisfying function of management to teach and to see the business grow through professional managers who have been home grown. To keep the training from obsoleting as fast as the consumer obsoletes last month's best sellers, we have learned to stress goals and objectives rather than methods. Methods change, but goals and objectives are more permanent. You have to be brave to operate in this land of the free-wheeling consumer, and you certainly have to be flexible and; above all, people-mindedness must replace outmoded people blindedness of past business ages.

Our whole system of society is based on gambling and investment techniques that require courage, insight and

common sense. The home of the brave has come a long way from the days of the American Indian, with his bows and arrows, to the professional managers, with their computers and other technological advances, tempered by a sensitivity to people, their needs, their uses and their wants that has never existed in history.

Two thousand years from now when the archeologists really want to find out about life in 1964, they can easily learn how we Americans lived today, what our homes were like, what our children were like, what we did with our spare time -- all they need to do is find the remains of a successful shopping center.

From Biblical days to now, the successful shopping center has needed to have a good assortment of desirable goods in a location handy to traffic (be it Tyrus or Karlus). That hasn't changed, but the consumer has. Probably nothing illustrates the shift in power so much as the fact that we so naturally refer to the consumer as "she". The almost universal franchise in this free land of ours has given not only political power to the millions who would have had no voice in the governments of history, it has given the American consumer economic power of a scope wielded by no historic monarch.