

THE READER'S DIGEST AND KIPLINGER PRESENT THE FACTS ABOUT DISCOUNT BUYING!

YOU CAN SAVE MONEY
IF YOU KNOW THE ROPES

SHOULD YOU BUY FROM A DISCOUNT HOUSE?

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The discount house is the successor to the guy who used to brag, "I can get it for you wholesale." Discount houses don't always get it for you wholesale, but they undercut standard retail prices by 20 to 40 percent. They can sell you a refrigerator 40 percent cheaper than ordinary retail stores can. They retail watches at maybe two thirds the price you'll pay elsewhere. They offer TV sets at prices only a few dollars over wholesale.

No one has totaled up all the discount houses—new ones spring up every day. They tend to cluster in cities, where customers are plentiful. Wherever they do appear, they work havoc on merchants who can't compete with them. They sell just about everything—from pots and pans to jewelry.

The very thought of a place where rock-bottom prices prevail every day of the year is enough to make any shopper suspicious; it's almost too good to be true. But with proper prudence you can buy from discount houses and not be stung or disappointed. The best ones concentrate on "brand names." It's the one big way they can obtain your confidence.

The formula a discount house follows is (1) low overhead, (2) quick turnover and (3) smart buying.

The low overhead is made possible by minimum service to customers; absence of a cost-consuming credit department, plain and simple display of goods, minimum of help, and low-rent location, away from the main shopping areas. The store may be a walk-up, or only an open-to-the-public warehouse.

You won't get the glad-hand treatment. Salesmen have little patience with people who like to try things out or compare them. Goods are displayed on open racks or in cartons which have been ripped open.

In most cases, you lay cash on the line. You get no credit and no installment contract. You'll pay extra for delivery. You won't get free installation or servicing. You get no promise of an exchange or a refund. But ordinarily you will be able to get the standard manufacturer's warranty. If there's trouble, your recourse is to the local distributor.

The big "discounters" buy when the goods are priced low. He is quick to take the seven and one half percent to ten percent reduction he can get by buying in carload lots. His eyes and ears pick up news of occasional out-of-town opportunities—instances when wholesalers are ready to deal with outsiders because local demand has fizzled.

Quick turnover—with large volume and small profit on each item—is the key.

A survey made at the University of Southern California found that 25 percent of all major appliance purchases in Los Angeles were bought at discount houses. Business Week reports that many department stores are closing out their appliance departments because they can't match discounters' prices. Disturbed by these trends, some manufacturers and retailers are seeking to combat discounters.

Big retailers are quick to holler to distributors when discount houses slash prices. That puts the distributors in a dilemma. They want to move their goods, and discount houses really move them. They also want to keep their old customers. In some cases, distributors have cut off discount houses completely. But the discounters usually find another source.

The reply of the discount houses to the conventional retailer is this: Undercutting the retailer is an old and widespread practice. Clubs, unions and associations get discounts for their members. Big business concerns get them for their employees. For years economists have said that prices are too high because distribution costs are too high. One way to reduce prices is to slice selling costs.

So, ask the discounters, why get mad at us?

Before you make a purchase at a discount house, satisfy yourself that the store and its merchandise are up to snuff.

The discount house should be well known in your community. Be leery of a seller whose office is in his hat.

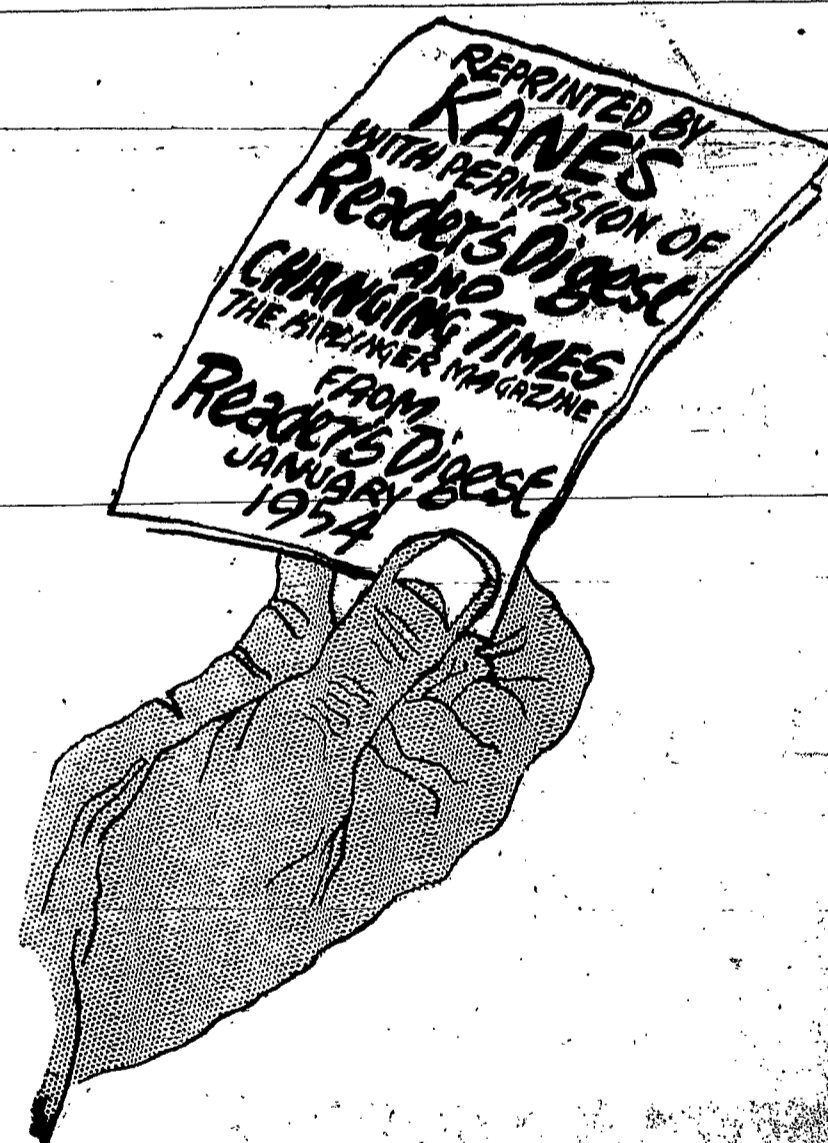
Do you see brand-name goods? Off-brand merchandise—stuff you have never heard of but which looks good—should not be confused with discount goods. It may be merely lower-quality goods sold at lower prices.

Are the goods new? The merchandise you buy should be in factory-sealed cartons. There's no point in buying a "floor model," "demonstrator" or "last year's model" at a discount house.

Is there a warranty? Get a manufacturer's warranty card with your purchase. And be sure that service is available.

If you're willing to put up with the inconvenience, and if you know what you're buying, then discount buying will help you beat the high cost of living.

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