

HOW DOES

GOODY'S

DO IT?

Sam Goody's is the mammoth New York phonograph-record store that for the past several years has been delighting its customers and infuriating its competitors by selling practically any record you can name at a substantial discount. Over the counter and through the mail, the year around, major-label LP albums listing at \$4.98 go for approximately \$3.98, the \$2.98 ones for \$1.98, while 45 and 78 rpm discs that would normally cost perhaps 98¢ are 75¢. During special sales some prices are slashed still further. Not only does Goody's sell at a discount, it aggressively goes after all the business it can get. As a result it has become the world's biggest record store, with thousands of walk-in customers a year and a world-wide mail-order business.

How does Goody's do it? Many a rival dealer insists there simply isn't enough margin of profit in record sales to support such extreme discounts, that either Goody's is doing something illegal or unethical or else is headed for disaster. Sam Goody himself says that business is fine and that his methods are open to scrutiny by "anybody with the guts to imitate them."

Basically Goody works on the theory of small profit per unit, large volume, and rapid turnover. He saw his chance to develop a volume business in 1948, when the record industry introduced first the 45 and then the 33 $\frac{1}{3}$ rpm long-playing record. While other dealers waited to see which would be the winner, Goody saw in the 33 $\frac{1}{3}$ LP a development that would stimulate the entire recording industry. Then operating a record store on a conventional basis, he sold out his entire stock of 78 rpms, restocked with 33 $\frac{1}{3}$ rpms only, and began advertising 30 per cent discounts—though the standard operating margin, his discount as a dealer, was only 38 per cent.

His subsequent smash success, if success it was, puzzled the whole industry. How, even with a tremendous volume, could so slight a markup produce a worthwhile profit?

Goody insists there was—and is—no secret about it. He denies that in buying stock he gets better deals than his competitors from the big manufacturers and distributors. This is confirmed by the companies themselves, who insist that they have no interest in seeing small dealers all over the country forced to the wall by discounters. However, every spring and fall

the major label distributors do have promotional sales, during which they give any and all dealers an additional 10 per cent off, with no limit to the number of records a dealer can buy. Most dealers take advantage of the sales to stock for only about a month; Goody stocks up for three to four months at each sale. Thus for six to eight months of the year, his total operating margin is not 38 but 48 per cent.

Another saving is in his deals with smaller-label companies—said in the trade to be "fantastic." Unlike the big companies, some of the small outfits count on Goody for up to 50 per cent of their total sales, and give him their lowest possible prices. (But Goody insists he makes sure any deals offered to him are also offered elsewhere—to avoid being charged with violating regulations against restraint of trade. Of course such offers could be conditional on volume purchases that only Goody could make.)

Goody is always willing to buy "distress" merchandise from overloaded dealers, at a price—his. Even if he can't sell it all, he knows he can still make a profit—by returning what is left to the original distributor for full credit on his own account. (Return privileges are granted to all dealers on up to 5 per cent of their purchases. Five per cent of Goody's purchases represents a great many records, and since he never needs to return that many from his own stock, he can return large amounts of "distress" merchandise for credit instead.)

Goody cuts services to a minimum. The atmosphere of his store is that of a crowded supermarket, where customers elbow and jostle and are elbowed and jostled in return. Unless asked, salesmen do not advise a customer on the selection of records or help him to locate them. There are no listening booths; you have to have heard the record elsewhere or must buy it solely on the basis of its label information. However, Goody's guarantees that within 30 days of purchase, any record that has not been played more than once (and Goody's usually takes the customer's word for it) may be exchanged—at no charge if the record is defective, for a 50¢ service fee if it is not.

Goody believes in aggressive advertising. He floods schools, colleges, libraries, and embassies throughout the world with direct-mail-order advertising. He places huge ads in New York papers emphasizing one thing—price. Just recently he has taken a cut at the record clubs run by the big manufacturers by starting a record club of his own. And he pushes the sale of audio equipment, which he does not sell at a discount, by giving away free records equal to one third the value of the equipment bought.

His competitors have Goody's own tactics. announced that it too w Other New York dea wide price war broke pants have gone back continuing the fight, prices below Goody's, to sustain them. The b at Goody's it can get cials but on almost an tinned to buy there.

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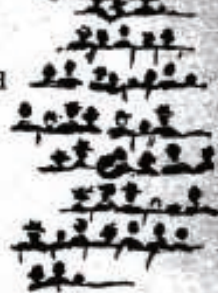
But Goody doesn't at the rumors he is go big new store, opene and to his big new rec 000 volume in 1956-1955. He intimates h in other cities.

Can Goody keep it who crowd his stores ment busy certainly h

Which are the TEN MOST POPULAR SONGS?

You will have to help decide. Listed here are, presumably, the most popular songs of the century. The list has been compiled by consulting various authoritative sources. Please number your preferences in order, from 1 to 10. Write in any song not included but which you think ought to be. Mail your list to Good Housekeeping Songs, 959 Eighth Avenue, New York, N.Y. Results will be published as soon as possible.

Alexander's Ragtime Band
Always
Begin the Beguine
Casey Jones
Dancing in the Dark
Dardanella
Davy Crockett
Down by the Old Mill Stream
Easter Parade
God Bless America
Happy Birthday to You
I Love You Truly
I Want a Girl Just Like the Girl That Married Dear
Old Dad
I Wonder What's Become of Sally
In the Good Old Summer Time
In the Shade of the Old Apple Tree
It Ain't Gonna Rain No Mo'
It's a Long Long Way to Tipperary
Jingle Bells
Let Me Call You Sweetheart
Moonlight and Roses
My Wild Irish Rose
Oh, by Jingo
Oh, What a Beautiful Mornin'
Oh, You Beautiful Doll
Over There
Peg o' My Heart
St. Louis Blues
School Days
Shine On, Harvest Moon
Silent Night
Sleepy Time Gal
Smiles
Some of These Days
Sonny Boy
Star Dust
Stars and Stripes Forever
Sweet Adeline
Take Me Out to the Ball Game
Tea for Two
The Music Goes 'Round and 'Round
The Prisoner's Song
The Tennessee Waltz
There's a Long, Long Trail
Three O'Clock in the Morning
Till We Meet Again
Waiting for the Robert E. Lee
When Irish Eyes Are Smiling
When You Were Sweet Sixteen
Whispering
White Christmas
Yes! We Have No Bananas



His competitors have tried to fight back, using Goody's own tactics. In 1952 his leading rival announced that it too was cutting prices 30 per cent. Other New York dealers followed suit, and a city-wide price war broke out. Since then, some participants have gone back to selling at list; others, though continuing the fight, and occasionally advertising prices below Goody's, do not have Goody's volume to sustain them. The bulk of the public, knowing that at Goody's it can get a big discount not just on specials but on almost any record at any time, has continued to buy there.

Goody has also been involved in a running fight with the big record manufacturers, who unsuccessfully tried to stop his discounting by accusing him of violating state and federal fair-trade laws. He has also been accused of violating regulations against restraint of trade in his deals with the smaller record companies. However, Goody claims that the Department of Justice has cleared his method of operation on this count and no Department action has ever been taken against him.

The big companies have fought back in other ways. Angel, for one, will not sell to Goody's directly. (Goody's does not advertise Angel records or sell them to walk-in customers; however, Angel records are listed in his catalogue, and customers can order them through the mail—at a 20 per cent discount. Goody's buys them from other dealers.) According to Goody, the slashing of list prices by the manufacturers themselves last year was largely due to their desire to hurt him and other discounters.

The big question now, of course, is, "Can Goody keep it up?" His enemies say no. They say he is up to his neck in debt to the distributors. They point out that the reduced manufacturer list prices of the past year, plus competitors' price cutting, have left Goody with even less margin in which to operate. And, in fact, there are some signs that Goody is beginning to feel the squeeze. For example, instead of a flat 30 per cent, his discount on major labels' 12-inch LPs is now 18 to 23 per cent. Another sign may be his present emphasis on the sale of audio equipment, using free records as bait. Still another may be his attempt to increase his volume further by means of his record club.

But Goody doesn't seem to be worrying. He scoffs at the rumors he is going bankrupt by pointing to his big new store, opened in May, for 45 and 78 rpms, and to his big new record club. He predicts a \$5,000,000 volume in 1956—a million-dollar increase over 1955. He intimates he is thinking of opening stores in other cities.

Can Goody keep it up? Thousands of music lovers who crowd his stores and keep his mail-order department busy certainly hope so.

Good Housekeeping

Private Hospital Rooms
vs. Semi-Private

September 1956 35¢



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