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## About Discount Houses

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*Consider the advantage and disadvantages of discount houses before spending your money. They can be of real value to you if you know the facts behind them.*

by Carol Shellenbarger  
*Home Economics Sophomore*

# About Di\$count Hou\$e\$

**Y**OU WALK into a store and ask the dealer "How much are your portable radios?" He shows you some models, and then quotes you the "list price." Then when you hesitate, he says, "but I can give it to you at wholesale for five dollars less." You know he has to make a profit, so it isn't really wholesale. But what about this business of discounts? How do "discount houses" operate?

A discount house is a store which makes a practice of selling products below the going retail price, according to Professor Gordon Bivens of the Home Management Department.

There are several types of "discount houses":

1. The distributor, who sells to consumers out the "back door," because his main business is supplying retailers.
2. The industrial supply house, which supplies businesses, such as service stations and garages, and sells to consumers as a side line.
3. Brokers, "hip-pocket operators," who don't stock goods, but sell at about 10% profit.
4. Buying clubs, groups of employees or club groups, who make arrangements for cheaper costs for their members through concentration of purchases.
5. Straight discount houses, which cut services and "overhead" costs to provide lower prices for many of their goods.

How can the discount house sell at lower prices and still make a profit? Besides cutting services such as free delivery and charge accounts, the discount house eliminates other overhead costs. The stores are often located in low rent areas; they have less elaborate displays and keep advertising and organizational structure simple.

The stores also strive for a fast turnover and buy in large quantity, so that small profits multiply.

According to Professor Bivens, there are both advantages and disadvantages in discount houses for the consumer.

Advantages include:

1. Possible dollar and cent savings.
2. Must have cash available, usually.
3. Not forced to buy a "package of services," such as free delivery and installation with the merchandise.
4. Retailers forced to examine their pricing policies, preventing unfair profits somewhat.

Disadvantages include:

1. Location, possibly inconvenient.
2. Must have cash available, usually.
3. Lack of services.
4. No trade-ins usually.

You should carefully compare prices before buying. If you are not sure whether or not to buy at a discount house, ask yourself: Is the store reliable and well established? Does the discount house carry well-known merchandise? Are the goods current models? What are warranty conditions? What is the *total* cost, including delivery and installment? Will service be available? Can you return defective goods? Are you getting what you asked for?



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