

THE MUNICIPAL LIQUOR STORE

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MINNESOTA BEVERAGE ASSOCIATION
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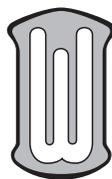


Minnesota Beer Activists Campaign for Sunday Sales

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ON THE COVER

MMBA is constantly stressing the importance of becoming politically involved. Candidates need to hear your voice because, for example, Sunday Sales proponents have geared up to make their voices heard.

The Minnesota Beer Activists have started a pro-Sunday Sales petition. They have also printed T-shirts and signs using the logo on the cover. More can be found at their website www.mnbeeractivists.com

As in the Wine in Grocery debate, in the end it is all about legislative votes! It is not about perceived public opinion.

Throughout this issue will be items previously distributed by MMBA describing the negative impact of Sunday Sales. These items can be used to educate your legislator as they are encouraged to defeat this initiative.

Make your voice heard!

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MMBA President's Message



Lara Smetana
President

The holidays are coming and like most of you, I have been attending the vendors' shows and buying those items I think will be "hot" in my store over the holidays. We have been sprucing up the store, making room, and getting rid of old product. It is time to get your sales people to get all the credits and tasting bottles taken care of. You do not want to carry those over from one year to the next.

It is also time to scrutinize your budget; "Are you going to hit those projected sales?" Or even more important "Are you going to achieve the profits?" Typically the last quarter is one of the most profitable. What can you do to maximize the bottom line?

The possibilities are endless: Have a wine club event... get involved with a community celebration... invite your business community into your store to do their holiday shopping... find a way to be the place everyone wants to shop.

If your store is like mine, our sales increase over the last two months and I may need to add some seasonal staff for the holidays. I have found that there are college students who are home from Thanksgiving to the first of the year who would like some extra income and have something to do. These students can fill a gap you may have; a perfect situation for them and the business. I also have students who work for me just in the summer months. I am unable to have the additional staff year round because of the fluctuation in my sales so this is a very cost conscious way to conduct business.

It is also time to complete your annual
MUNICIPAL LIQUOR STORE 4

employee reviews. Do you have a formal review process? Each year I complete a review for each employee. My city uses a standard form for all employees. I give them a copy and ask them to evaluate themselves and come up with a goal or two for them to achieve in the upcoming year. This is a chance for a one on one conversation with each of your employees. You may work with someone every day and until you sit down with them in this formal setting you may not know how they feel about their job or what they aspire to become within your organization. We discuss their goals and decide on two or three that will benefit the employee and the business. As the manager you need to be honest as well. No one is perfect, and it is good to talk about the things that need to be improved upon.

I know I look forward to sitting down with my supervisor at review time. I am able to express my thoughts and ideas and I can set goals that are consistent with where the city wants the store to go in the coming year. I can tell when there has been time and thought put into my review by my supervisor so I make sure I do the same for my employees. The success of the

store depends on all of us being on the same page and working towards the common goals. Fulltime and part-time employees are equally important in this process.

It is also time to review the groups you belong to. I am a board member of the Chamber of Commerce and the MMBA. To me these two associations are vital to the success of the liquor operations. The Chamber is my connection to the local business community and the network it provides. More importantly, I am involved with the MMBA. The MMBA has provided many services to me and my operations over the past years. I have become more confident in my position and the knowledge I have gained is incredible. Paul and the other members of the board are always willing to help each store be a success story. I have learned each one of us needs to be involved in the political process. Ultimately our existence depends on it.

So what I am really trying to say is that now is a time for reflection and evaluation. We are all busy doing the day to day "stuff" but make sure you take the time to do those things that will affect our business in the future.

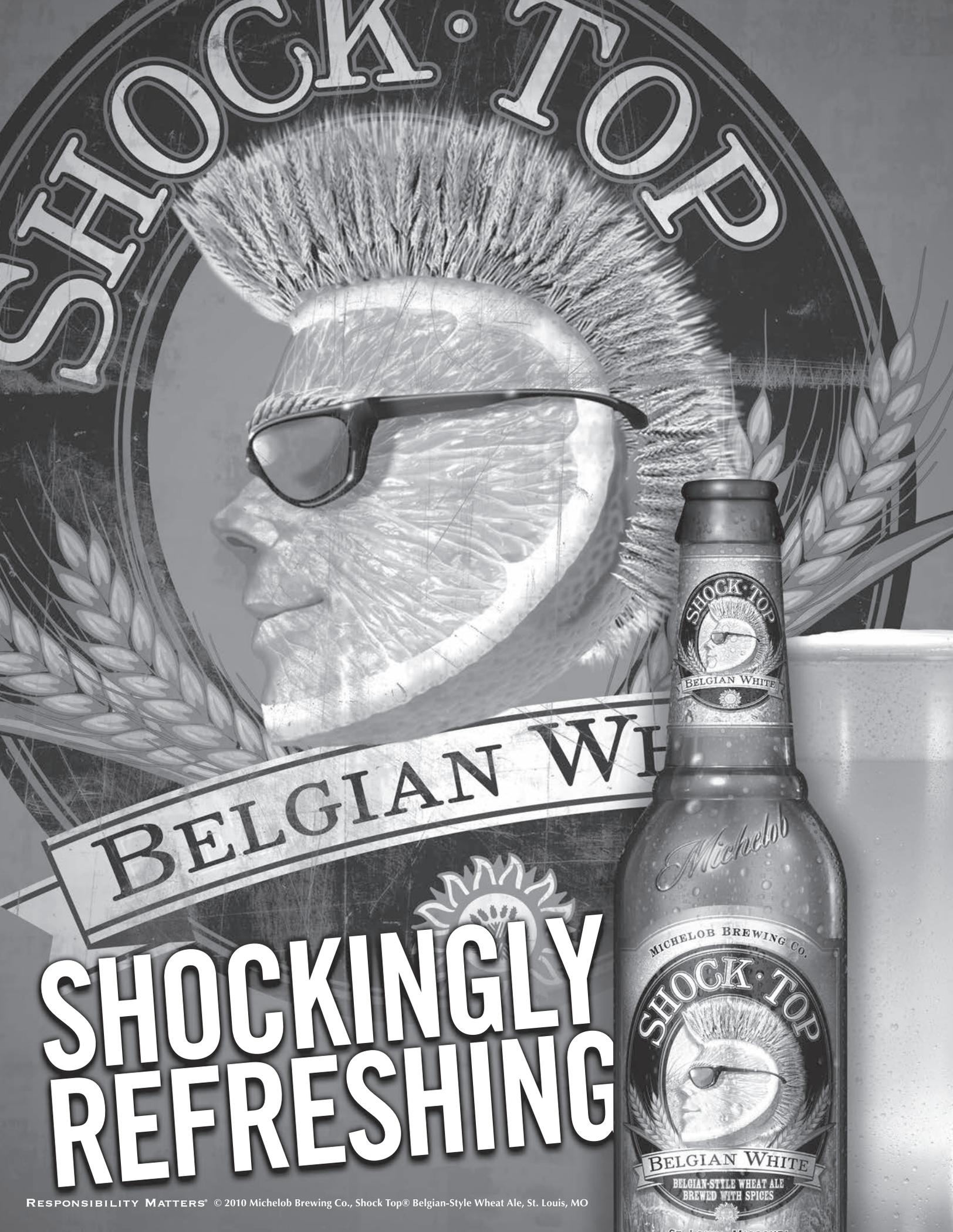
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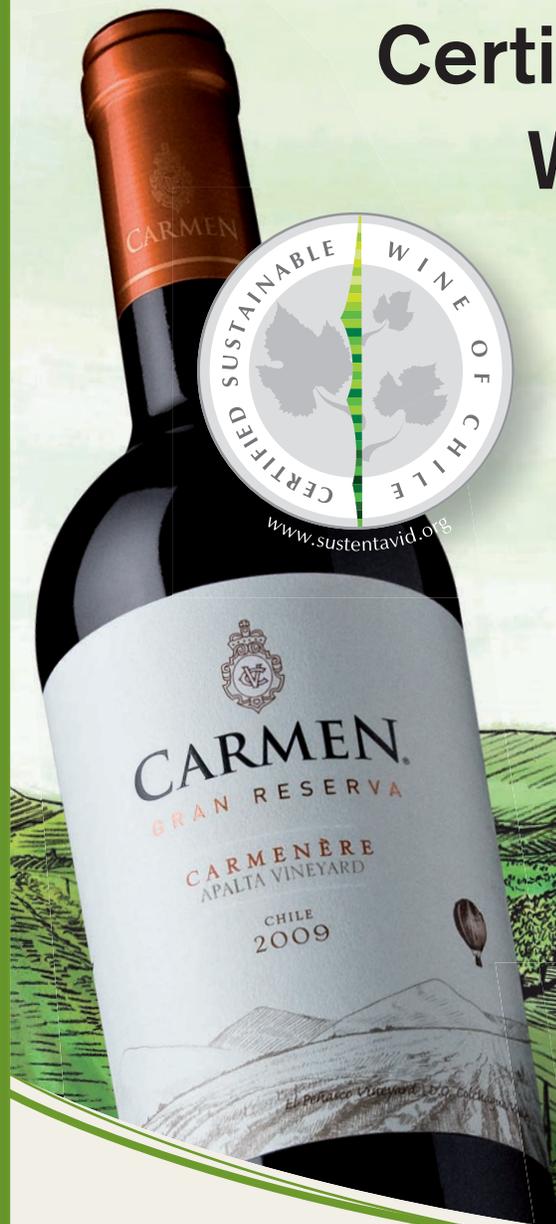
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Don't Count Sunday Liquor Tax Revenue Yet

By Growth and Justice, February 5, 2011

The latest debate over Sunday liquor sales in Minnesota has featured claims that Minnesota is somehow missing out on \$10 million in tax revenues.

Puhlease.

I've debunked parts of this claim via twitter and comments sections, but thought it worth a post because this shows how interest groups can use data to mislead the public and policy makers. I wrote about this when it came up last session and won't repeat myself here.

Let's focus on this commentary by the Distilled Spirits Council published in the Strib with the subhead: "The Sunday ban on liquor sales costs state an estimated \$10 million." The author says:

Colorado, the most recent state to enact Sunday sales, even saw its 2008 alcohol excise tax revenue collection increase by 6 percent despite the toll of the recession.

Well, not quite. Colorado's 2008 alcohol tax revenue, according to the state's annual report, only increased by 1.5 percent over 2007. But since Sunday sales took effect July 1, 2008, perhaps the author meant the 2009 fiscal year ending July, 2009. A Denver news report says:

Colorado State Treasury's data shows that liquor, beer and wine tax revenues increased by \$2,056,858 in the 12 months following July 1, 2008, when the bill allowing Sunday liquor sales went into effect.

Now, there may be various reasons why Colorado saw a bump in 2009, but why should we suppose the growth in FY 2009 was due to Sunday sales? Especially when *Minnesota's alcohol tax revenues increased almost \$3 million* between

FY 2008 and 09 [PDF], without benefit of adding Sunday sales?

Another claim made in the piece:

A national analysis of states that allowed Sunday sales between 2002 and 2005 (12 states) showed that in 2006 each state saw an average 5 to 7 percent increase in tax revenues.

I have no doubt that's true, since during the same period, Sunday-deprived Colorado saw a 10.3 percent gain and Minnesota saw a 3.3 percent gain.

In other words, revenue from alcohol sales slides around from year to year, and depending on the period you select, you can make the numbers dance your dance.

But the most troubling thing to me is the takeaway the Strib opinion piece is allowed to leave. Even by the Distilled Spirit Council's own estimate, only about half of Colorado's \$2 million gain in one year could be attributed to higher liquor store sales. (Two percent of the 6 percent gain was the national average gain and about 75 percent of the alcohol taxes collected come from package liquor stores, according to the Council.)

Allowing for Minnesota's higher alcohol tax rate overall (it takes in roughly double what Colorado does), how do we get to \$10 million more in tax revenue with Sunday sales?

We don't.

And if you think the difference is coming from recaptured sales lost to Wisconsin, please comment here so I can debunk that one, too.

— Charlie Quimby

Cross-posted from Across the Great Divide

Footnotes:

Count Sales Taxes, Too?

Since beer and liquor excise taxes are based on volume, not retail price, this revenue doesn't grow with inflation or consumption of higher-priced beverages. So Minnesota also has a 2.5 percent gross receipts tax on alcohol to account for sales growth. Some counties and cities also levy a liquor tax at retail. Excise tax amounts vary by product.

Only these alcohol-related tax revenues are reported by the state in the numbers above, so let's be generous and include the other retail sales taxes applied to alcohol sales in our attempt to justify the \$10 million tax figure.

Just as an example, the excise tax on a 6-pack of strong beer is 8.4¢. The total sales tax on a \$7.99 6-pack purchased in a Hennepin County suburb this week was 78¢ for a total of 86.4¢.

Counting *all* the state and local taxes applied to the sale, it would take more than 11.5 million *additional* 6-packs sold to produce \$10 million in new tax revenue. Liquor excise taxes are much higher and would account for a portion of the increase, so obviously we wouldn't have to drink that much more beer.

But you get the idea. The a state that saw its liquor consumption drop by 8.1 percent in 2009 would have to see millions of additional sales with dollars that would otherwise be spent on non-taxable items in order to produce significant new tax revenues.

The Wisconsin Dash

Since it's unlikely Minnesotans will drink that much more if they are given one more off-sale day a week, another drink that much more if they are given theory is that these increased tax

one more off-sale day a week, another theory is that these increased tax dollars will come from Minnesota residents currently buying on Sunday in an adjoining state.

Most of these theoretical sales would have to come from Wisconsin, where the biggest tax differential between states exists — and where Minnesota has a sizeable population within a 20-minute drive to a Wisconsin border town. This is not the case in Colorado, but might be in Connecticut, where the same battle is ongoing, with the Distilled Spirits Council running ads that claim ending the ban will generate \$8 million in new revenue per year.

The Distilled Spirits Council champions Sunday sales laws nationally, not the local retail sellers, and is the primary purveyor of the increased taxes story. The industry's own fact sheet shows that liquor sales in Colorado were flat from calendar year 2008 to 2009, when the state went from half a year of Sundays to a full year.

No wonder the predicted numbers aren't showing up — the Council is looking for ways to boost its sales.

Growth & Justice is a progressive think tank committed to making Minnesota's economy simultaneously more prosperous and fair. We believe that at a time of deep partisan division, Minnesotans can unite around one goal: a strong and growing state economy that provides a decent standard of living for all.

Sunday Sales is NOT About a Day Off

When media outlets report on the Sunday Sales proposal, many of the stories focus on a "We don't want to work on Sunday / It is our only day off" message.

Sunday Sales is not about working hours. It is about spreading six days of sales over seven days of expenses. Alcohol is not a destination purchase. People don't get up and say "let's go alcohol shopping." It is an impulse purchase that in the vast majority of locations doesn't pay the day's bills. All of the Minnesota cars buying in Wisconsin on Sunday are coming from multiple locations to one store.

For Those Who Want Minnesota to be Like Wisconsin

This picture was recently on Twitter with the heading, "Wisconsin supermarkets are GREAT!"

Here are some responses:

- *That makes me miss my hometown, Sheboygan, WI.*
- *They sell the hard stuff in the grocery store in Washington State, now, too.*
- *That's one way to get 'em to nap!*



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— Pat Meier, Manager
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LOTTERY IS GOOD FOR YOUR BUSINESS

The Financial Cost of Sunday Sales

The following is from Edina city manager Scott Neal, originally posted on his blog.

There's an annual discussion going on right now at the State Legislature around the question of whether the good citizens of Minnesota should be allowed to purchase beer, liquor and wine on Sundays. The State Legislature sets the rules for such important life choices as this, so it's only natural that they study the issue carefully, hear from all sides on the matter and then make a rational decision that's good for all concerned, right? Right.

Now I'll be the first to admit that upon moving to Minnesota in 1996 that it struck me as a little odd that I could not buy beer, liquor or wine on a Sunday. I had moved here from Iowa where you could buy beer (OK, yes, it was 3.2 beer), liquor and wine in aisle 10 at any Hy-Vee grocery store on Sunday or any other day of the week.

When I first moved here I thought it was odd that cities with municipal liquor stores would partner with private liquor stores to fight efforts to allow Sunday sales. Why? Why wouldn't we want our stores to be able to sell on Sundays? Sure, employees aren't going to like it, but isn't one of our key objectives in the liquor business to make money, and wouldn't we make more money if we could be open on Sundays and sell more product?

This is the third municipal liquor city that I've managed in Minnesota. I'm not a brilliant business mind, but I know a thing or two about the liquor business, so let's take a look at the numbers in Edina to see if the Sunday sales idea makes any sense for us.

City staff project our 2011 total sales at our three municipal retail stores to be \$13,367,072. We project our total 2011 operating expenses at \$12,338,481. That means our projected operating

income for 2011 will be just over one million dollars at \$1,028,591.

In 2011, our stores will be open 307 days. We will be closed on 58 days. 52 of those 58 days are Sundays. 6 of those 58 days are holidays. In examining the hypothetical impact of the proposed legislation, I will assume that we would be open 359 days and closed 6 days in 2011.

Our 2011 projected sales per day is \$43,540. Our 2011 projected operating costs per day are \$40,190. If you do the math, the difference between these two numbers multiplied by the number of days we will be open in 2011 (307) will equal our projected net operating income for 2011: \$1,028,591.

If the Legislature changes the law on Sunday sales, it will be difficult for us not to be open on Sundays, so I will assume in this hypothetical that our stores would be open for 52 additional days in 2011. If we further assume that our projected 2011 daily operating costs of \$40,190 would not be materially different on Sundays, we would add 52 more days of operating costs at \$40,190/day to our annual operating cost totals. This would increase our projected annual operating costs in 2011 by \$2,089,729 from \$12,338,481 to \$14,428,210; an increase of 16.9%.

On the revenue side, if we were open on Sundays and wanted to keep our projected net operating income the same (\$1,028,591), we would need total gross sales of at least \$15,456,801, which is an amount equal to the sum of our projected Sunday sales scenario operating expenses of \$14,428,210 + \$1,028,591. This gross sales goal would require an increase in our sales of \$2,089,729; and increase of 15.6%.

So, if we want to stay exactly where we are right now, fiscally, in the Sunday sales scenario we would need to hold down the increase in our projected

operating expenses to 16.9% or less and increase our projected gross sales by at least 15.6%. Is that possible? Maybe, but the challenge is steep.

In 2010 our total customer count for our three store operation was 506,410. Our total sales were \$12,862,719. Average sales per customer then were \$25.39. For the sake of this example, if we hold our average sales per customer steady at \$25.39, it would take an annual increase of 102,365 in our 2011 customer count, an increase of 20%, in order to create the \$15,456,801 we need to generate our projected \$1,028,591 net annual operating income. If we work the equation the other way, keeping the customer count steady at 506,410, we would need a 20% increase in our average sales/customer, from \$25.39/customer to \$30.52/customer) in order to gross \$15,456,801 in order to net \$1,028,591.

Getting back to my previous question: Is it possible to maintain our current level of net operating income in Sunday sales scenario? Short answer: I doubt it. The likelihood that we will experience an increase in our annual operating costs under this scenario of something in the neighborhood of 16.9% is high. The likelihood that we will experience an increase in our annual gross sales under this scenario of something in the neighborhood of 15.6% is, in my view, low. I do not doubt that we will experience an increase in gross sales, but I do not see any really evidence that would support an increase of close to 15.6%.

Those are the numbers I'm looking at. If I owned a liquor store in Stillwater, Winona or Moorhead, I am sure that I'd see this situation differently. But I don't. My interpretation of the numbers is that the Sunday sales scenario is not good for the bottom line of the City's municipal liquor operation. I could be missing something here, but in the end, here's how I boil it down: good for consumers, but bad for business. What do you think?

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Metro Municipal Liquor Stores Doing Well

By Mary Jane Smetanka, Star Tribune

When the economy hurts, a little craft beer helps.

That seems to be the attitude among patrons of municipal liquor stores in the Twin Cities, several of which are seeing sales increase at a faster-than-normal pace this year.

By the end of August, Edina's liquor stores had surpassed sales as of the same time last year, even though its busiest store was closed six weeks for remodeling. Lakeville, which has the state's biggest municipal liquor operation, has seen sales increase about 6 percent so far this year. Richfield's sales are up about 8 percent, and Brooklyn Center is seeing a rebound in sales as stores continue to recover after three flat years during the recession.

Managers said savvy marketing of monthly specials and a craze for craft beers are driving sales.

"People are realizing that they still need to socialize, but they might not be going out and being as lavish as they used to be," said Brenda Visnovec, Lakeville's liquor operations director. "They're socializing at home with family and friends ..."

Craft beers have become a hobby, much like wine has been, she said. "People are drinking less by volume, but they're buying something more expensive."

City liquor managers are cautious about forecasting a record year, saying that much depends on the coming holiday season, traditionally the busiest time for municipal liquor stores. Everything from bad weather to how many Fridays

there are in a month can skew month-to-month sales.

Trends point to a good year

But so far this year, customers who are watching for value, buying in bulk and willing to spend more for what's perceived as a quality product are pushing sales past the usual 3 percent to 4 percent annual gain.

"The trend in August was very, very good ... [but] I don't want to be too giddy," said Steve Grausam, Edina's liquor operations director.

Edina's busiest liquor store, near Southdale, last year became the first municipal liquor store in Minnesota to do more than \$6 million in business, Grausam said. The store was closed for six weeks while the layout was changed to increase visibility and improve traffic flow, and a tasting area and display case were added.

By the end of August, the city's liquor operation had recouped what it had lost during the store's closure and still outstripped last year's gross sales by \$11,000.

"Edina is a little bit different," Grausam said. "Younger communities may have residents who are more cash-strapped. We're lucky that we maybe haven't had as many financial difficulties."

Will travel for good beer

In Lakeville, craft beer sales is the trend that grabs Visnovec's attention. The store has a Brew Club whose members receive advance notice of specials. They are passionate about craft beer, she said.

"It's incredible," she said. "We put out a blog saying we received Voodoo

maple bacon-flavored beer, and we sold ten cases within an hour. ... The bottles retailed at around \$15 each, and people were buying the limit."

Brew Club customers come from as far away as Plymouth, Visnovec said.

"People are not real brand-loyal; they want the latest and greatest," she said. "They like to feel like they're special, and they're willing to travel for that."

In Richfield, too, craft beers "are huge," said Bill Fillmore, municipal liquor operations manager. But people are buying nice wines, too.

Richfield's most successful store is at 66th and Cedar Avenue, right along Hwy. 77 near the Mall of America. Richfield municipal liquor advertises in the hotels near the mall, and it's paid off, Fillmore said.

"It's been a particularly good year," he said. "We've had a lot of people from out of town, a lot of out-of-state travelers."

People have been price-sensitive for years, Fillmore said, but a warm spring spurred sales of "white goods" like gin, vodka and rum, and those are still going strong. Customers are willing to pay a higher price for something like craft beers.

"People perceive that the economy has gotten a bit better, or they finally got jobs," he said.

Tight margins

Brooklyn Center residents are still looking for good deals, said Tom Agnes, the liquor operations manager. He's hoping for a 3 percent increase by the end of the year.

Continued on Next Page

“It’s not like the good old days, when it was a steady 5 percent a year,” he said. “You’ve got to work harder for what you get.”

While 45 percent of the product sold in Edina is wine, in Brooklyn Center beer makes up almost half of sales. That market is split between premium and cheap beers. But flavored vodka also is popular and people are crazy for a monthly Minnesota craft beer special,

said Agnes.

“I think when it comes to liquor, it’s like groceries, they’re going to buy it,” he said. “But we used to go through a case of Dom Perignon [\$169 a bottle] in a year. Now we go through half a case a year.”

In the end, what matters to cities is not so much sales volume as the profit they can spend on parks, fire engines and

other city needs. Liquor store managers said they’re braced for price increases on wine, beer and spirits, all linked to poor grape and grain crops. They are hoping those price increases don’t hit before the holiday season.

“That’s still our goal,” said Grausam. “Each and every year we want to make more money.”

Sunday Sales Could Lead to the Elimination of 3.2 Beer and Ultimately Wine in Grocery

Surrounded by a cadre of gas station managers and owners, primarily representing 7-Elevens and Loaf ‘N Jugs, Parker stood in front of 66,000 dramatically stacked signed petitions during a press conference in the Old Supreme Court Chambers hearing room at the state Capitol on Tuesday. The petitions, collected at 7-Eleven and Loaf ‘N Jug stores statewide, ask the Legislature to allow gas stations and grocery stores to sell full-strength beer.

Until last year (2008), Colorado law prohibited liquor stores, which sell full-strength beer, from remaining open on Sundays. That had given an opening to convenience store owners, who are able to sell only lower strength 3.2 beer, permitting them a monopoly on liquor sales one day each week.

However, as soon as the Legislature passed a partial repeal of the state’s Blue Laws in 2008 allowing liquor stores to stay open and sell full-strength beer on Sundays, Parker says convenience stores such as his lost 75 to 80 percent of their Sunday beer sales. The storeowners say beer sales make up 6 percent of their total revenue.

Parker said now that 3.2 beer is obsolete, “The loss of sales has hurt us, and today we are only asking for the ability to compete.”

Parker could be in luck. If state Sen. Jennifer Viega, D-Denver, and Rep. Buffie McFadyen, D-Pueblo West, are successful, a bill they are moving through the Legislature this year would allow the sale of full-strength beer at convenience stores.

“I certainly recognize that, with the passage of Sunday sales (last year), there has been a detrimental impact on you, on your sales and to the grocery stores who are now selling an obsolete product,” Viega said to the room of storeowners. “Consumers want easy access (to products), and this allows for that.”

Not everyone is behind the change. Owners of liquor stores and craft breweries said allowing convenience and grocery stores to sell full-strength beer is paramount to putting another nail in their industry’s coffin. Although liquor store and brewery owners say the simple convenience of not having to make a special trip to a liquor store to buy full-strength beer seven days a week is of concern, they also expressed the fear that grocery stores will undercut the price of their liquor products as part of a rewards program for frequent shoppers.

Currently, King Soopers and Safeway discount gasoline to reward customers who reach a spending threshold.

“This legislation is not about conve-

nience and fair competition, it’s about jobs, jobs, jobs,” said Jeanne McEvoy, executive director for the Colorado Licensed Beverage Association.

McEvoy said similar legislation in other states has had a devastating effect on liquor store owners, and she said South Dakota offers an example of how such a policy can destroy businesses and reduce employment opportunities statewide.

In South Dakota, 48 liquor stores were in business before similar legislation was passed. Within 10 years of the legislation’s passage, only three remained. She estimates that 700 liquor stores in Colorado would close within three years should the proposed law pass.

“If the state of Colorado has a problem with Sunday sales, then fix Sunday sales,” McEvoy said. “But robbing Peter to pay Paul is never good policy.”

However, the bill, which was introduced this week, may not have such a dire consequences for owners of Colorado’s liquor stores, supporters said.

Five states, including Colorado, still sell 3.2 percent beer while 36 states allow beer and wine sales in grocery stores, McFayden said, adding that those 36 states have found ways to make it work.



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Two Studies Show How Sunday Sales Negatively Impacted Public Safety in New Mexico

Two studies show how Sunday Sales negatively impacted public safety in New Mexico.

The original study concludes...

Our results strongly suggest that increasing alcohol availability on Sunday was associated with increases in alcohol-related motor vehicle crashes and fatalities. Legalizing Sunday packaged alcohol sales may increase state tax revenues, but at the same time it exacts a significant price that is paid by crash victims and their loved ones, health care providers, insurers, and law enforcement and judicial systems. State legislators should consider these

consequences when deciding policy that is intended to serve the public well-being.

Legalized Sunday Packaged Alcohol Sales and Alcohol-Related Traffic Crashes and Crash Fatalities in New Mexico, Garnett P. McMillan, PhD and Sandra Lapham, MD, MPH, American Journal of Public Health, November 2006, Vol. 96, No. 11

The follow-up study concludes...

Our previous work has shown a significant impact of increased ARC risks when the ban on Sunday packaged alcohol sales is repealed. The current

study shows that this impact varies considerably across counties in New Mexico. Furthermore, the negative impact of legalized Sunday packaged alcohol sales appear to have been mitigated in counties with large communities that quickly held an election to re-institute a ban on Sunday packaged alcohol sales.

Geographic Variability in Alcohol-Related Crashes in Reponse to Legalized Sunday Packaged Alcohol Sales in New Mexico, Garnett P. McMillan, Timothy E. Hanson, Sacndra C. Lapham, Accident Analysis & Prevention, Vol 39, 2007, PP 252-257

No Beef Sticks in Off-Sale

The MMBA has learned a snack vendor is going around the state to off-sales saying it is OK to sell beef sticks as long as they are 5 or 6 in a package, bulk etc.

According to Alcohol and Gambling Enforcement....

In answer to your inquiry, I am not aware of any change to Minnesota Alcoholic Beverage Statute to allow food items into exclusive off-sale liquor stores under the provisions of Minnesota Statute 340A.412 subdivision 14.

Our agency has had no formal contact with any industry members or members of the food industry related to allowing meat sticks into exclusive off-sale liquor stores.

If the topic had been reviewed, we certainly would not make any distinction related to the size of the product packaging. I hope this answers your question.

*Signed,
Michael T. McManus
Alcohol Enforcement Administrator
Minnesota Department of Public Safety
Alcohol & Gambling Enforcement Division*

Remember, we sell alcohol and grocers sell food!

Invest in Your Staff

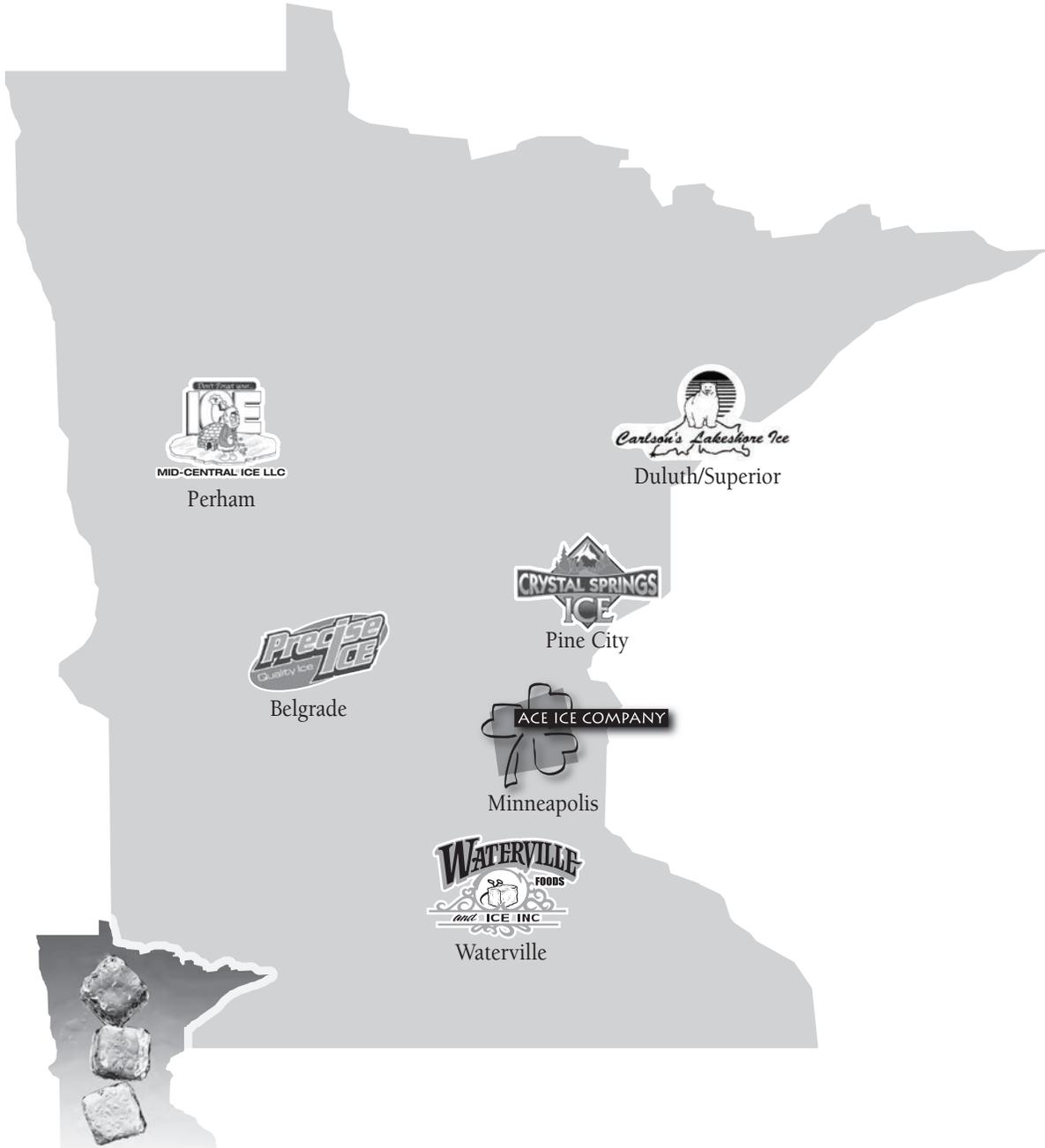
According to MMBA Conference Presenter Tom Shay, as an average, for every \$65 that a retail business will spend to advertise to customers, they spend only \$1 to train their employees.

The problem is that we have done nothing to distinguish ourselves from our competition; not in the eyes of our customers and not in the eyes of our employees. Any merchant that will spend one hour every other week with his employees will do more to increase his sales and profits, than he could accomplish with any advertising.

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