

1098

## Complaint

Commission a report in writing setting forth in detail the manner and form in which they have complied with this order.

## IN THE MATTER OF

WICHITA SEWING CENTER, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket C-326. Complaint, Apr. 5, 1963—Decision, Apr. 5, 1963*

Consent order requiring Wichita, Kans., sellers of sewing machines and vacuum cleaners to the public to cease using bait advertising to obtain leads to prospective purchasers, such as offering a new sewing machine for \$24.50 and then discouraging an interested customer from accepting the offer in order to sell a more expensive machine; advertising excessive amounts as the usual prices for their products; and representing falsely that their merchandise certificates—actually valueless and nothing more than a “sales gimmick”—would be worth their face amount of \$85 or \$50 when applied on the purchase of their sewing machines and vacuum cleaners, respectively.

## COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Wichita Sewing Center, Inc., a corporation, and North End Sewing Center, Inc., a corporation, and Ralph R. Graham and Charles R. Crawley, individually and as officers of said corporations, and Valjean F. Webb, individually and as an officer of North End Sewing Center, Inc., hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Wichita Sewing Center, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Kansas, with its principal office and place of business located at 1050 South Hydraulic Street, in the city of Wichita, State of Kansas.

Respondent North End Sewing Center, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Kansas, with its principal office and place of business located at 1909 Broadway, in the city of Wichita, State of Kansas.

Respondents Ralph R. Graham and Charles R. Crawley are officers

## Complaint

62 F.T.C.

of the said corporate respondents. They formulate, direct and control the acts and practices of the corporate respondents, including the acts and practices hereinafter set forth. Their address is 1050 South Hydraulic Street, in the city of Wichita, State of Kansas.

Respondent Valjean F. Webb is an officer of North End Sewing Center, Inc. He participates in the formulation, direction and control of the acts and practices of North End Sewing Center, Inc., including the acts and practices hereinafter set forth. His address is 1909 Broadway, in the city of Wichita, State of Kansas.

All of the aforementioned respondents have cooperated and acted together in carrying out the acts and practices hereinafter set forth.

PAR. 2. Respondents are now, and for some time last past have been engaged in the advertising, offering for sale, sale and distribution of sewing machines and vacuum cleaners to the public.

PAR. 3. In the course and conduct of their business, respondents cause, and have caused, their said products, when sold, to be shipped from their places of business in the State of Kansas to purchasers thereof located in various other States of the United States, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said products in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business and for the purpose of securing leads to prospective purchasers of their products, respondents have conducted and now conduct simple contests and drawings through which they offer new sewing machines and vacuum cleaners as prizes. To all persons who enter such contests or drawings, respondents send through the mails advertising material and merchandise certificates.

Also in the course and conduct of their business, and for the purpose of inducing the sale of their sewing machines and vacuum cleaners, respondents have made certain statements and representations with respect thereto in newspaper advertisements, direct mail advertising and through other advertising media. Respondents employ sales agents or representatives who call upon prospective purchasers in their homes or await prospective purchasers at respondents' places of business. Said sales agents or representatives have also made certain statements and representations with respect to respondents' sewing machines and vacuum cleaners for the purpose of inducing the sale of such sewing machines and vacuum cleaners. By and through the statements and representations made in advertising and by their sales agents or representatives, respondents have represented, directly or by implication, that:

(1) Respondents were making a bona fide offer to sell a brand new sewing machine for \$24.50.

(2) Respondents' usual and regular retail selling prices for the Model 606 Sewmor sewing machine, Model 202 Sewmor sewing machine and Electro-Hygiene vacuum cleaner were \$219.50, \$199.50, and \$169.95 respectively.

(3) The merchandise certificates given to prospective purchasers, when applied on the purchase of respondents' sewing machines or vacuum cleaners would have a value or be worth the face amount of such certificates, to wit: \$85 in the case of sewing machines and \$50 in the case of vacuum cleaners, and would thus enable the purchaser to realize a saving from respondents' usual and regular retail prices for such merchandise in amounts equal to the said face amounts of such certificates.

PAR. 5. In truth and in fact:

(1) Respondents were not making a bona fide offer to sell a brand new sewing machine for \$24.50. On the contrary, respondents' representations were made for the purpose of obtaining leads to persons interested in purchasing a sewing machine. After obtaining such leads, respondents or their sales agents or representatives called upon such persons at their homes or waited upon them at respondents' places of business. At such times and places, respondents or their sales agents or representatives would make no effort to sell the low-priced product but would discourage prospective purchasers from accepting the offer by various means, including disparagement of the product itself, in order to sell different and more expensive machines. In instances where the purchaser insisted on the advertised model, delivery was delayed as long as 6 weeks, whereas the higher-priced models were available for immediate delivery.

(2) The amounts set forth in subparagraph (2) of Paragraph 4 hereof were in excess of the prices at which such sewing machines and vacuum cleaners were usually and regularly sold by respondents in the recent, regular course of their business.

(3) The aforesaid merchandise certificates, when applied on the purchase of respondent's sewing machines and vacuum cleaners do not have a value of and are not worth the face amount of said certificates. Purchasers do not realize a saving from respondents' usual and regular retail selling price for such merchandise in the amounts equal to the said face amounts of such certificates. In fact, respondents sell substantially all of their sewing machines and vacuum cleaners through the use of such certificates. Such certificates are, therefore, valueless and constitute nothing more than a "sales gimmick" as respondents' usual and regular retail prices for their merchandise are not their stated usual and regular retail selling prices but are such prices less the face amounts of their merchandise certificates.

## Decision and Order

62 F.T.C.

Therefore, the representations referred to in Paragraph 4 were and are false, misleading and deceptive.

PAR. 6. In the conduct of their business, at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms and individuals in the sale of products of the same general kind and nature as those sold by respondents.

PAR. 7. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were and are true and into the purchase of substantial quantities of respondents' products by reason of said erroneous and mistaken belief.

PAR. 8. The aforesaid acts and practices of respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair methods of competition in commerce and unfair and deceptive acts and practices in commerce, in violation of Section 5 of the Federal Trade Commission Act.

## DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondents named in the caption hereof with violation of the Federal Trade Commission Act, and the respondents having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondents of all the jurisdictional facts set forth in the complaint to issue herein, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as set forth in such complaint, and waivers and provisions as required by the Commission's rules; and

The Commission, having considered the agreement, hereby accepts same, issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Wichita Sewing Center, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Kansas, with its office and principal place of business

located at 1050 South Hydraulic Street, in the city of Wichita, State of Kansas.

Respondent North End Sewing Center, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Kansas, with its office and principal place of business located at 1909 Broadway in the city of Wichita, State of Kansas.

Respondents Ralph R. Graham and Charles R. Crawley are officers of said corporations, and their address is 1050 South Hydraulic Street, Wichita, Kansas.

Respondent Valjean F. Webb is an officer of North End Sewing Center, Inc., and his address is the same as that of said corporation.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

#### ORDER

*It is ordered,* That respondents Wichita Sewing Center, Inc., a corporation, and North End Sewing Center, Inc., a corporation, and their officers, and Ralph R. Graham and Charles R. Crawley, individually and as officers of said corporations and Valjean F. Webb, individually and as an officer of North End Sewing Center, Inc., and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution of sewing machines, vacuum cleaners or other products, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, directly or by implication, that:

(1) Any merchandise is offered for sale when such offer is not a bona fide offer to sell the merchandise so offered.

(2) Any amount is respondents' usual and regular retail selling price for any merchandise when such amount is in excess of the price at which such merchandise has been usually and regularly sold by the respondents at retail in the recent, regular course of their business; or otherwise misrepresenting respondents' usual and regular retail selling price for any merchandise.

(3) Merchandise certificates possess a certain value or worth when applied on the purchase of respondents' merchandise unless purchasers of respondents' merchandise will realize such stated value or worth when said certificates are applied on the purchase of respondents' merchandise.

(4) By purchasing respondents' merchandise, customers are afforded a saving amounting to the difference between respondents' selling price and any other price used for comparison with that selling price, unless the comparative price used represents

## Order

62 F.T.C.

the price at which the merchandise is usually and customarily sold at retail in the trade area involved, or is the price at which such merchandise has been usually and regularly sold by respondents at retail in the recent, regular course of their business; or misrepresenting in any other manner the savings available to purchasers of respondents' merchandise.

*It is further ordered,* That the respondents herein shall, within sixty (60) days after service upon them of this order, file with the