THE WHOLESALER'S CREDIT SYSTEM

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TABLE OF CONTENTS

	Page
TABLE OF ILLUSTRATIONS	ii
PREFACE	iii
Introduction	1
CHAPTER I	2
CHAPTER II	10
CHAPTER III	19
Acknowledgments	36

TABLE OF ILLUSTRATIONS

	Title	Page
Fig. 1.	Sources Available to Credit Manager	3
Fig. 2.	General Use of Mercantile Credit Company	6
Fig. 3.	Sources of Information Used by Mercantile Credit Company	9
Fig. 4.	Bad Debts for the Year 1932	18
Fig. 5.	Time Required Using Present System. . .	31
Fig. 6.	A Suggested Lay-Out for the Districts of West Virginia and Virginia	27
Fig. 7.	Time Required Using Proposed System	33

PREFACE

This thesis has been prepared primarily to bring to the attention of the credit world the laxness and antiqueness of the methods now being employed. The author has attempted to set forth the results of the present system as well as the revisions which he believes will remedy the undesirable conditions.

The need for a thesis of this kind has been brought to the attention of the author, not only through actual experience in this field, but also by Professor T. W. Knote of the Department of Business Administration at the Virginia Polytechnic Institute.

THE WHOLESALER'S CREDIT SYSTEM

The mechanics of marketing has yet to wholly meet the demands placed upon it by the rapid movement of society. Society has capitalized the word "SERVICE", it has been made to stand out in huge letters. The retailer has attempted to meet society's demands and has been most successful. It has provided: delivery trucks, telephones, pleasing surroundings, attractive sales people, quality and variety of merchandise, and lastly but extremely important, the item of credit.

The retailer, however, did not wish to carry this burden himself, therefore he has shifted the greater part of it to the wholesaler and manufacturer. They have been made to supply the service that the retailer gives to the consumer, and thus, we find that the wholesaler's duties are many: he must educate the public as to the quality and benefits derived from the use of his products, he must help defer the merchant's cost of advertising, he must furnish show-window displays, he must provide a high quality of merchandise, he must provide great varieties of merchandise in order that every taste may be satisfied, he must

keep an adequate supply of goods on hand for immediate shipment, he must provide eight-hour shipping service, he must keep his customers informed as to the cheapest and quickest mode of transportation, and he must even carry the retailer's credit burden. It is this last factor, its causes, how it has been made possible, its results and approaching disaster, and the possible remedies to prevent the disaster, it is these phases of the wholesaler's credit system that are to be considered here.

We find then, mercantile agencies, credit men's associations, local bureaus, credit departments all over the country each trying to do their share to keep this economic phase in pace with society's rapid development. However, conservative credit extension has not kept pace with other developments and will not unless a radical change is made. Thus we are confronted with the following question: why hasn't it? To answer such a broad question, the following points must be investigated: the internal mechanics of the credit system, the cost of an up-to-the-minute credit file, the time allotted for the extension of credit, etc.

CHAPTER I

Internal Mechanics. The credit manager, in extending credit,

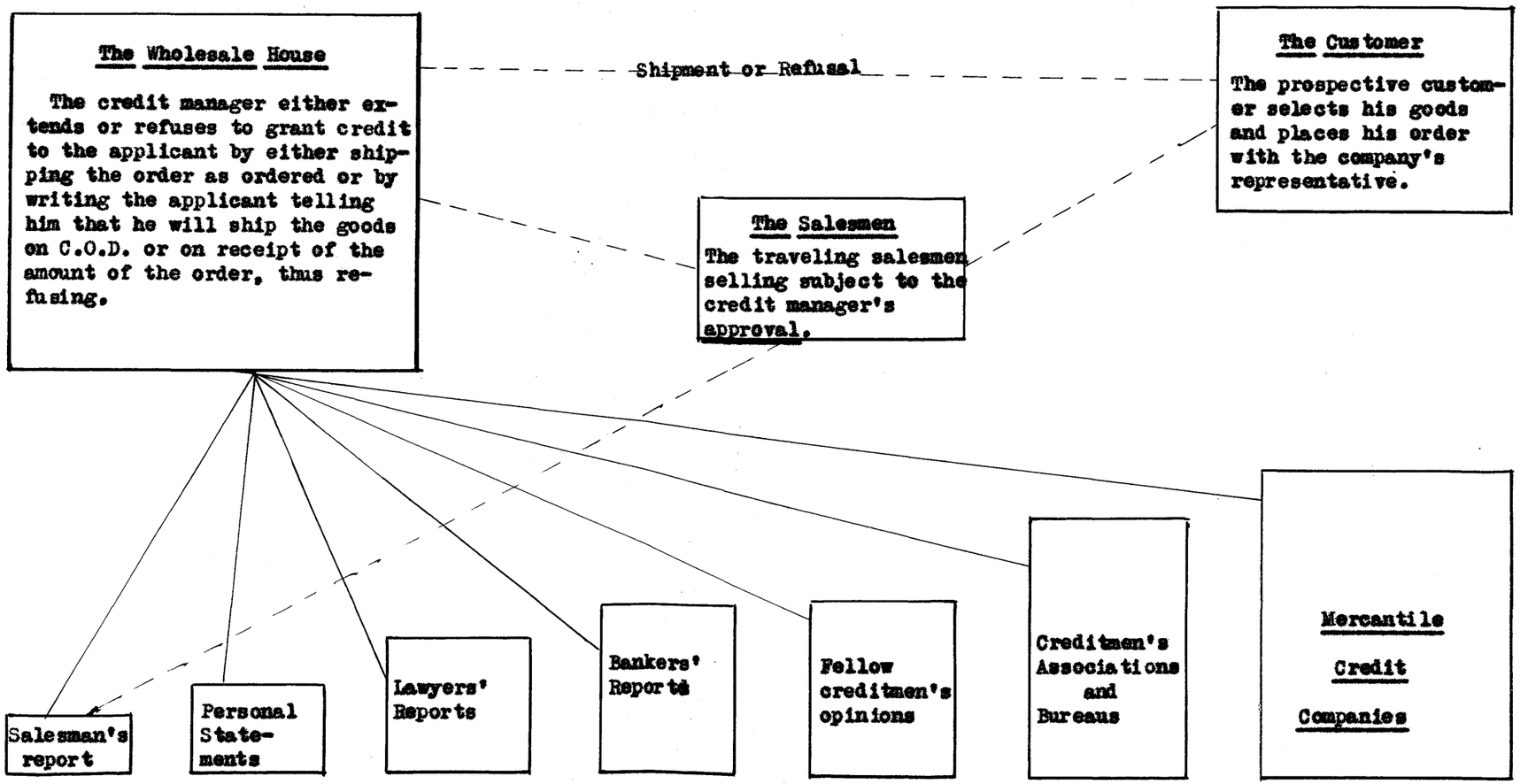


Fig. 1. Sources Available to Credit Managers

Note: Importance indicated by size.

has many channels from which he may secure his source of information, as may be seen in Fig. 1.

He may, as it may be seen above, use the individual customer's balance sheet and profit and loss statement. If such has been certified, the statements are quite desirable. However, most statements of this kind which are submitted are drafted by the customer himself. If all business men were honest and dependable, and would present a true condition of their business, there would be little use for the credit manager. But we find for all practical purposes, that the individual's submitted statement is not a desirable source of information because of the fact that there is a tendency for the submitting individual, whenever it is possible, to so draft his statements that his condition appears to be quite favorable. Thus the conclusion is drawn that such a statement cannot be relied upon as a basis for extending the credit.

Personal opinions are often resorted to as a source of information. The credit manager often uses attorney's, bank cashier's, or fellow credit manager's opinion as a basis for extending credit. A manager must, in most cases, discount all information that he receives in this manner, because often times it is a biased opinion, usually in-

complete as to the true revealing facts that are necessary. And under this head, but which should be considered separately, is the salesman's report. This report, in most cases, is wholly undesirable, is usually influenced by his desire to make a good showing for himself.

The last, and in all probability, the most important, is the aid given to the credit manager by mercantile credit companies and associations in the form of credit reports. The credit associations have in some cases proven to be undesirable as a basis for extending credit. Their report to an inquiry is not complete in any sense of the word, owing to the fact that they only make available the paying experience which the other member concerns have had with the prospective customer. However, that phase of the information is quite complete inasmuch as it reveals: the years of experience, date of last credit, highest recent credit, terms of extension, how paid,--whether discounted, or paid when due, or slow, how many days, and if forceful collecting was necessary, the method employed. In most cases, the report may be relied upon and used in good faith as a basis for extension. However, in some cases, it is out of date or it may contain several biased opinions; either fact would render the report unfit as a basis for the extension of credit.

Mercantile credit company's reports are the most extensively used basis of extending credit. (Refer to Fig. 2.) This condition may be attributed to the fact

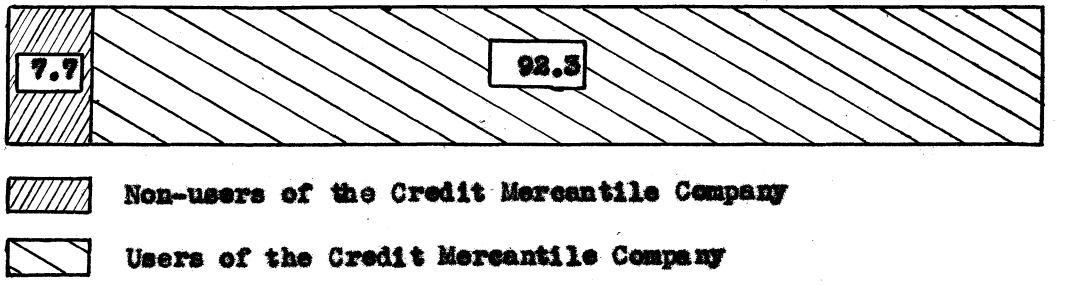


Figure 2, The Use of the Credit Mercantile Company

that an original investigation on the part of credit manager would necessitate a large force of employes, be quite expensive, and would require considerable time, as may be seen in Fig. 1. Whereas, if the investigation is done by a large mercantile credit company specializing in this field, the advantages of large scale production are employed. Naturally, these advantages accrue to the individual subscriber who secures the results of the investigation in the form of a report cheaper than he could do it himself.

Dun & Bradstreet, formerly known as R. G. Dun's and Bradstreet's, who consolidated on March 1, 1933 is the foremost mercantile agency in this field. Perhaps at this point it is desirable to investigate the nature of

the service rendered by companies of this type. The report that is submitted to the subscriber covers the following points:

1. The firm or trading name
   a. The phce or places of business.
   b. The members of the firm.
      (1). Age
      (2). Domestic relations

2. Record of business activity
   a. When and where it began.
   b. Experience of the owners.
   c. Original capital set-up.
   d. Growth.

3. Statments of the firm as presented by the firm--whether certified or not.

4. General information
   a. Shady dealings, if any.
   b. Style of living.
   c. Property records
   d. Location of business.
   e. Volume of business.

5. Subscribers' trade opinions
   a. Highest credit, terms of credit, Amount now owing
   b. General remarks as to the desirability of the account.

6. Fire record.
   a. History
   b. Type of insurance now carried

7. The agency's conclusion--expression of a general opinion.

8. Rating--as found in the quarterly credit listings manuel.

As a matter of organization, we find the home office, state, and district offices. These offices are supplied with men who have been especially trained in their field.

The work consists of: the writing of reports, the handling of subscribers' correspondence, the exchange of reports, the collection of accounts, and other miscellaneous office details. Numerous traveling credit agents supply the district office with credit information which they have secured through investigation. In these investigations they not only interview the individual about whom they are seeking credit data, but they also search courthouse records for property transfers, interview local bankers and lawyers. (Sources summarized in Fig. 3.) This procedure is necessary to produce a true and reliable report upon which the subscriber may extend the credit desired.

This information, when complete, is turned in to the district officer where it is written up in report form and filed. Thus it is held in readiness for the subscriber's inquiry. A copy is sent to the home and state offices where it is used in compiling the quarterly credit listings manuel, as has been mentioned.

Mercantile companies keep their traveling agents in the field throughout the year; this is done in order that the companies will be able to keep their files up to date. However, this has proven unsatisfactory in many cases because it is frequently impossible for the

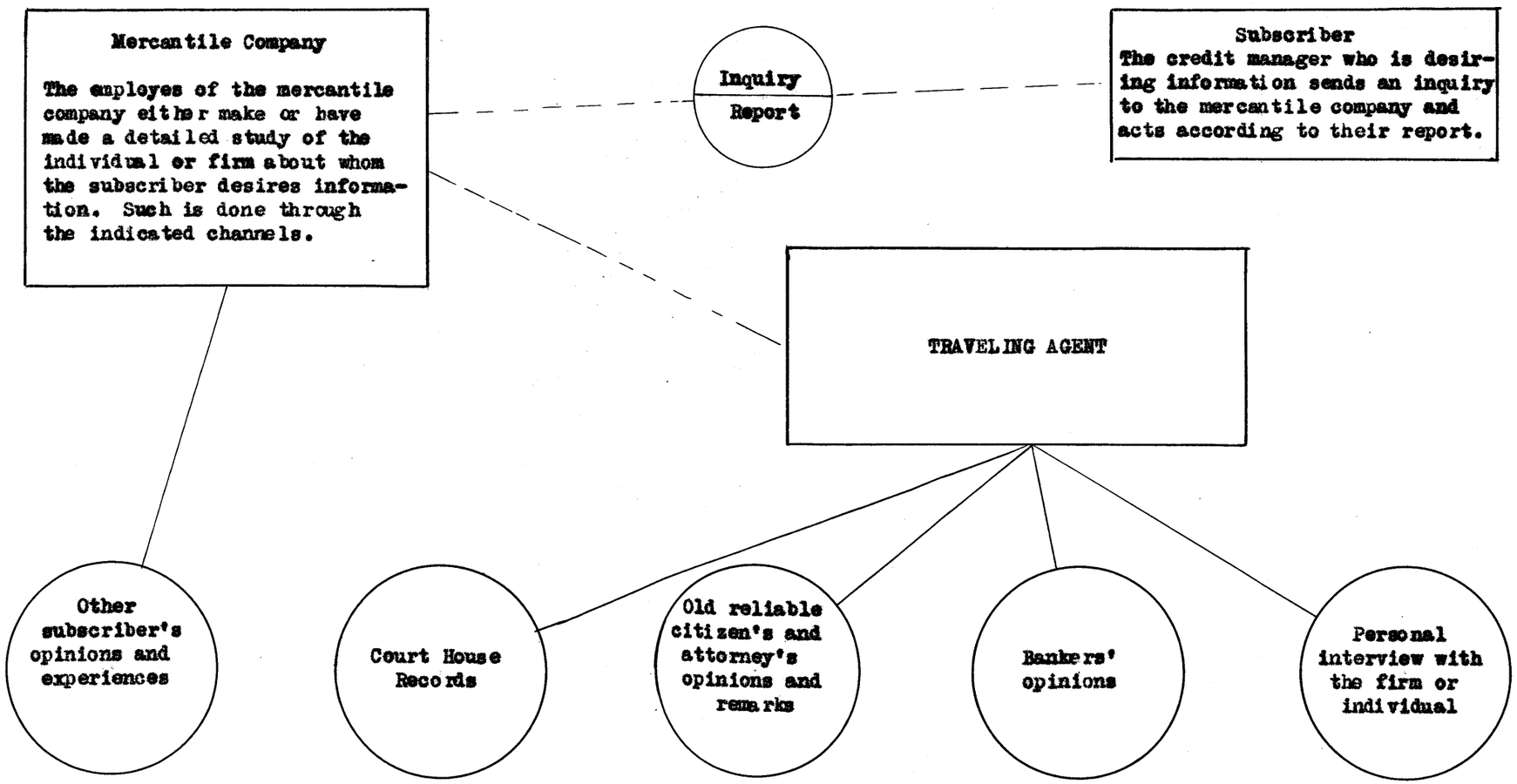


Fig. 3. Sources of Information used by Mercantile Credit Company

agent to cover the territory assigned to him. At this point it is wise to remind the reader that a credit manager, in extending credit must have up-to-date information; in other words, the credit manager cannot rely on information compiled the previous year because of the fact that in modern times a business or firm can be a bankrupt almost over night.

CHAPTER II

The results of the present system are few; however, they may prove to be quite disastrous. Profit and service, as we have seen before, are the all important elements in any modern business undertaking; with these factors in mind, we must study the results of the present system in order that we might prescribe some remedy if such is needed. It is admitted that orders for old customers, upon whom the company has an up-to-date file or upon whom the credit manager has other accurate information, may be shipped immediately or within the customary eight hour service period. But the question is raised, how is the credit manager to give the new customer the desired shipping service if he has no credit information on file? The answer will be brought out in a later chapter.

Research in this field has brought to light several interesting cases; they well illustrate the conditions under discussion.

Case 1. The Cash Bargain Store of Ironton, Ohio, ordered $700.00 worth of dry-goods and dresses through a salesman from the Charleston Dry Goods Company of Charleston, West Virginia. This bill of goods which was ordered on Monday was purchased for a special sale of $2.95 dresses which was to be held on the following Saturday. The sale was advertised. The bill was to be shipped by American Railway Express which gives seven-hour delivery out of Charleston to Ironton. The salesman wrote up his orders as usual Monday night and marked the above mentioned order for immediate delivery. His orders were mailed that night. They were received the next morning at ten o'clock. The credit manager, finding that he did not have any information on file, sent out an inquiry to the credit mercantile credit company in the twelve o'clock out-going mail. The inquiry was received by the mercantile credit company the following morning which was Wednesday, and owing to the fact that there was no information on file at the local office, the inquiry had to be forwarded to the Portsmouth, Ohio office. The inquiry was received Thursday mornig and the desired information sent out Thursday noon. It

was received in the Charleston office Friday morning and forwarded to the subscriber at noon. The credit manager received the information that evening as he was working late; and after studying the file, he approved the order, which was shipped the following morning, Saturday, about ten o'clock. The shipment was received in Ironton at six o'clock that evening, too late for the Express company to make delivery. The shipment was delivered Monday morning only to be returned by the consignee. It is cases like the above that cause a bitterness that can never be overcome by any explanation that either the company or salesman may have to offer. How can such a condition be remedied?

Case 2. The American Shoe Company of Richmond, Virginia had in its employ a new salesman by the name of John Saltz. Saltz was new at the selling game but had been highly recommended. It was the policy of the concern to rely wholly on the credit report of their salesmen except in cases that the salesmen recommended a clearing of a credit bureau or mercantile company. Saltz, in writing up his credit reports, did not realize the importance that was placed in his ability to analyse the customer as a credit risk, even though he had had six weeks training by one of the company's best salesmen. Due to this failing on the part of Saltz the company lost approximately

$4,500.00 which amounted to twelve per cent of his gross sales. This condition may in part be attributed to the credit policy of the company; however, it could have easily been corrected through the use of other sources of information which are open to the credit manager.

Case 3. On December 1, 1932 a certain coal company of West Virginia went into voluntary bankruptcy. This action, according to all rumors, was taken to relieve the controlling interests of the heavy fixed charges that were being carried because of a large outstanding bond issue upon which the company defaulted the June interest payment; and to satisfy a few large creditors that were making persistent demands for the amount due them. The assets of the corporation, which were sold at public auction, brought about one fifth of their book value. The financial set-up was such that the bond holders received about forty per cent of their original investment, the stockholders and unsecured creditors received nothing. However, through the action, the stockholders became the absolute owners of the company and in reality lost nothing because of the fact that they now owned a company whose assets, according to the book value (which was a fair value) amounted to $1,200,000.00. The property was pur-

chased at $240,000.00, which together with their original investment of $400,000.00 made a total investment of $640,000.00. Thus, the stockholders did not lose; the only total losers were the unsecured creditors who lost $196,000.00 This is a case that cannot often be foreseen; however, the creditor could have known the financial condition of the business, but becuase the company was an old and established concern, a situation of this type was unthought of. And again we ask the question, how can the present system be changed to remedy such conditions?

Case 4. I. U. Jomas, who was selling groceries for the Virky Grocery Company of Bristol, decided that he had a plan whereby he could, in a years time, accumulate quite a bit of money for himself. Consequently he formed a "gang" composed of five members--a new store was opened in his territory--it was fairly well equipped--the store was given a rating of $500 to $2,000 which is a good rating for a country store--it paid its bills either by discounting them or by paying when they were due, thus it built up a very good reputation. The exact details of the case are not known but it seems that the salesman used the goods of that store to open another and another. Finally, the first store that was organized took voluntary

bankruptcy owing a little over eight thousand dollars and having assets of $600. The same thing happened in five other instances; the creditors lost more than $40,000. The salesman quit just before the last store closed. He organized, together with the other associates, a wholesale cash grocery. The creditors of the several enterprizes have been unable to sue because they have been unable to secure any definite facts that will insure conviction. They know that they have been made victims of fraud but have no way of proving it. Even this case could have been avoided had the proper precautions been taken in the very beginning. That is: if the original clearing had not brought the conditions to the surface, periodical supplements would, in all probability, have done so. By the term "periodical supplements" we have reference to the securing of additional credit clearings periodically and adding the same to the credit information on file; by so doing the credit manager is able to keep his files up to date and thus eliminate the evils that arise from the granting of credit based on a credit file that has been allowed to become out of date.

Periodical supplementing of the credit file offers another advantage besides that of keeping the credit file up to date for the purpose of extending credit. It may

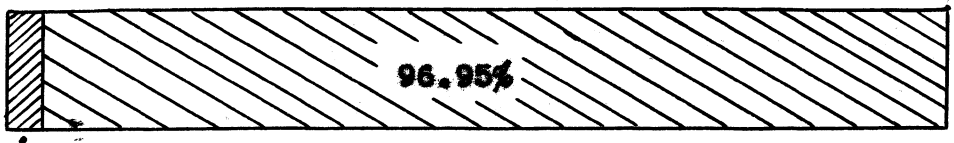
be used as an internal check on the company's salesmen if they collect as well as sell the accounts. The credit clearing has a section known as trade opinions which is nothing more than the experience that other subscribers have had with the individual concerned in the credit report. The following is an example:

Sub'rs' Number	Date of Last Credit	Terms	Highest Recent Credit	Pays
6	3/1/33	2/30/60	514	When due
22	12/7/32	n/30	94	When due to 30 days slow
17	1/4/33	2/60/90	667	Discounts
205	11/8/32	2/60/90	14	Discounts
192	12/26/32	n/30	196	When due

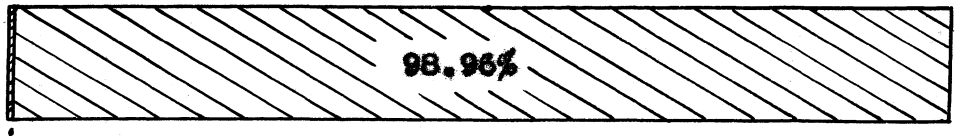
Thus, if the credit manager sees that the individual is paying other wholesale houses when the indebtedness is due and paying his concern slow, he can draw the conclusion that something is wrong with the credit policy of his firm. That is: if the salesman is doing the collecting or supposed to be collecting, he is doing a very poor job of it. Thus, the condition needs changing. It is in the credit manager's power to effect such a change. Again, it is possible for the salesmen to misuse the collected funds of a wholesale firm that extends liberal terms (net 90 days, for example) to its customers. A salesman may be paid by the customer and use the funds for his personal use with the expectation of paying the customer's

obligation when it comes due. A salesman could, in the employ of a fairly active wholesale house, misuse as much as twenty thousand dollars in four months' time and then skip the county. But if the periodical check was used by the firm, the credit manager could demand an explanation of the fact that those accounts that normally discount their obligation had not done so in the past month or so. In this way it is possible to use the periodical supplement as a check on the salesmen and do away with the cost of bonding the salesmen.

These cases and Fig. 4., infrequent as they are, may be said to be relatively unimportant. However, they do point out the following facts: First, that something should be done to give the retailer the service that he demands eventhough he is only an applicant for credit. Second, that with the periodical supplementing of the subscriber's credit file there would be less possibility for an old account to suddenly inflict a loss on the concern. Third, that there is a great deal of slackness due to the delay that is sometimes necessary to secure a credit clearing. Fourth, that there is a tendency for a salesman to over-rate his applicant in order to have the goods shipped, because he is usually judged by his gross sales. And last, that a very good method of checking upon the



3.05%, bad debts. Investigate after Soliciting.



1.04%, bad debts. Investigate before soliciting.

Explanation: From the above figure we draw the fact that the credit manager who secures his information before instructing the salesman to solicit the customer's trade seems to have considerably fewer bad debts than the one who attempts to act on any and every order that the salesman sends in. The above difference in figures may be attributed to a laxness, which regardless of the cause, should be corrected.

Fig. 4.-

Bad Debts for the Year 1932.

company's salesmen when they collect for the company is the use of periodical supplements to their files (previously explained).

CHAPTER III

To remedy the present conditions as were set forth in the preceeding chapter, the author has but three suggestions: first, the consolidation of the two major credit mercantile companies of this country; second, the securing of credit information by the credit manager before the prospective customer is solicited and the periodical supplementing of such a file with new data; third, the use of centralized credit bureaus by the credit mercantile companies which are to be made possible by the employment of some improved method of communication.

As to the <u>concolidation of the two major credit mercantile companies</u> (R. G. Dun Inc., and Bradstreet's), such has materialized and became effective on March 1, 1933. Owing to this fact, a detailed discussion is not necessary. However, in combining, several pronounced advantages accrue to the new organization. They may take advantage of the opportunity of the low cost of production which

accrues to a large scale producer. This advantage results from the fact that only one staff will be necessary to handle the business of the firm. It may, however, be necessary to increase the force, but such should not be double that of the present organization. Again, at the time of the merger, the two firms had some three hundred and thirty-eight (338) offices throughout the United States a large number of which may be cut out because of duplication in many cases. Thus, the overhead may be cut to a minimum. Second, the subscribers of the old companies will in most cases become subscribers in the new and consequently, the income of the new enterprize should be practically double that of the older forms. If such is the case, the conclusion is drawn that the additional income should in part be given to the subscriber in the form of additional services.

Little may be said in regard to the securing of credit information by the crdit manager before the prospective customer is solicited and the periodical supplementing of such a file with new data, because under the present system, the credit mercantile companies allow the subscriber a specified number of credit inquiries, which are a part of the service rendered to the subscribers. Additional inquiries are available to the subscriber at a rate of seventy-

five cents to one dollar and a half each, the cost varying, of course, with the number of additional inquiries made. An ordinarily active wholesale house will in the course of a year, use more than the number of inquiries allotted it as part of the company's service. All additional inquiries add materially to the cost of the credit department, which might, in the most extreme case, exceed the cost incurred by unwise credit extension (or bad debts).

If we consider the point of view of the credit manager, we may be able to understand his predicament. The first requisite of every credit manager is that he be most thrifty and very conservative. On the other hand, we have the sales manager whose duty it is to, at most any cost, except jeopardizing the enterprize, increase the firm's volume of turnover (sales), whether through additional sales to old customers, or through new customers. Thus, we may find the two factions working against each other, when they should, under all conditions, work together in order that any desirable end may be accomplished.

There are no available means that the credit manager may use that will not add substantially to the cost of his department. If he and the sales manager decide that the best bolicy is to investigate all likely prospects in a salesman's territory, the results would be comparatively

small, if the cost of such an extensive investigation is taken into consideration; i.e., a very small portion of the individuals investigated would be desirable customers and they would have to bear the total cost of the investigation. Thus, the undertaking would not be very profitable to the subscriber at least for the first two years. Why? Because a great number of merchants do business on borrowed wholesale credit, they accomplish this end by paying their obligation from one to six months slow--in rare cases the account must be collected by attorney. Again, some few merchants have an excess of liabilities over assets. Either condition mentioned above is quite undesirable and no credit manager will grant credit to an individual who is laboring under such conditions. Probably forty per cent of the accounts investigated would be of this type and of the remaining sixty per cent the salesman would be able to sell approximately twenty per cent or twelve out of every hundred investigated. Those that were sold would, in all probability, be merchants who were dissatisfied with the present lay-out, who are probably crabby, and who have a small volume of business and yet they are placed on the books of the firm at a cost of $75.00 to $150.00; according to an average of sixty dollars per account for the year and on a seven per cent net basis, the

new account would require two to three years, at least, to pay for the cost of the original investigation. We can see that a plan chosen at random as was the one mentioned above, would not profitably increase the volume of sales, considering the cost of the additional customers.

However, the author believes that the plan as stated above can be used in a way that would prove profitable to the wholesale house. But for it to succeed the credit manager must have the utmost cooperation that the sales department has to offer.

If it is possible for the wholesale house to employ a sales manager that has been trained in this field and truly knows his business, the work required of the credit manager would be relatively simple. That is: the sales manager would train his men to sell only the most desirable of merchants; and this may be accomplished by giving the salesmen a thorough training in this field or by using the "bad debts sharing plan". The latter plan has come into existence during recent years and has been adopted by the better managed wholesale houses throughout the country. The wholesale house has attempted, by its use, to minimize the bad debts incurred, by requiring that the salesmen bear ten per cent of such losses. In other words, the salesman that sells the account that later results

in a bad debt must bear ten per cent of the loss. This amount is deducted from the salesman's salary or commissions. This plan is very effective if the salesman be notified at the time of the deduction and not at the end of the month when his salary or commission is paid. The salesman is made to be more cautious as to whom he sells. It is quite natural that the salesmen of the company will, from time to time, call on new prospects and make new contacts, which in the future may materialize and be quite profitable to both the concern and to the individual salesman. However, if the salesman would realize, when he is making such calls or contacts that he should not try to sell the prospect but should direct his entire efforts toward the making of a sincere business acquaintance, and should, to the best of his ability, attempt to analyze the individual as a credit risk, his results would be more satisfactory. If the salesman believes him to be a desirable account, he should then ask the credit manager to get a clearing from a mercantile credit company. If the report is favorable, the account should at all events be sold. However, should the account be doubtful, the salesman should be instructed not to call on him again. It is much better to break off relations at this point rather than to have hard feelings prevent his being sold at some future time

in the event conditions change and should he become a desirable account.

The credit manager, by using a plan similar to the one mentioned above could more than cut the original cost of investigating in half, in view of the fact that those merchants upon whom a clearing was made can, in approximately ninety per cent of the cases, be sold by the salesman. Such being the case, sixty out of every hundred investigated would become new accounts at a total cost to the concern of approximately $1.92. This cost would be defrayed by the new customers purchases in less than four months. Periodical supplementing, previously explained, should be used in connection with this plan in order to prevent the evils of an antiquated credit file. The third plan, the use of centralized credit bureaus by the mercantile credit companies to be made possible through the employment of an improved method of communication, is at the present time a mere dream. But a dream that will be forced into materialization because of the rapidly increasing demands of this modern world.

This plan, fantastic as it may seem, could be accomplished most simply. It would mean, as has been

indicated, the centralization of all the credit files within a certain district. The point of centralization should be that city which can be said to be the center of the wholesale district. The states of West Virginia and Virginia have been used for the sake of illustration (see Figure 6. A Suggested Lay-out for the Districts of West Virginia and Virginia). For these districts, the cities of Charleston and Lynchburg respectively, have been selected because they are the approximate centers of the industrial as well as the marketing business of their districts.

The second factor that is necessary to be considered is the systematic functioning of the present investigating organization of the mercantile credit company. There is little or no reason why the traveling agents could not work out of the present offices in the future, because it will still be necessary for the company to maintain small one-room branch offices throughout the district for the purpose of receiving and dispatching inquiries to and from the local subscribers. The traveling agents will receive the inquiry from the branch office (i.e., inquiries in regard to individuals or firms upon whom the district office does not have information) which are to be investigated. Having completed

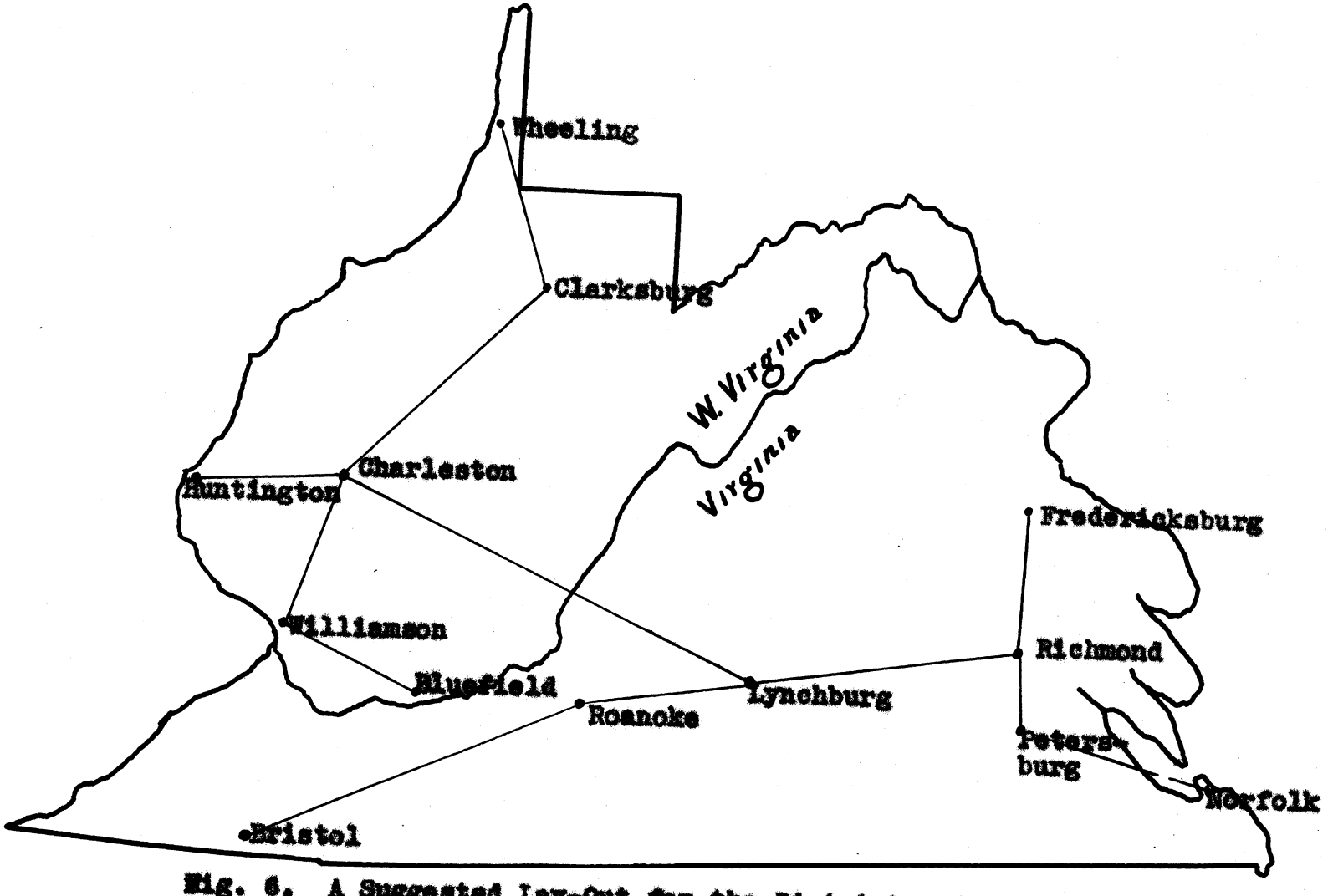


Fig. 6. A Suggested Lay-Out for the Districts of West Virginia and Virginia

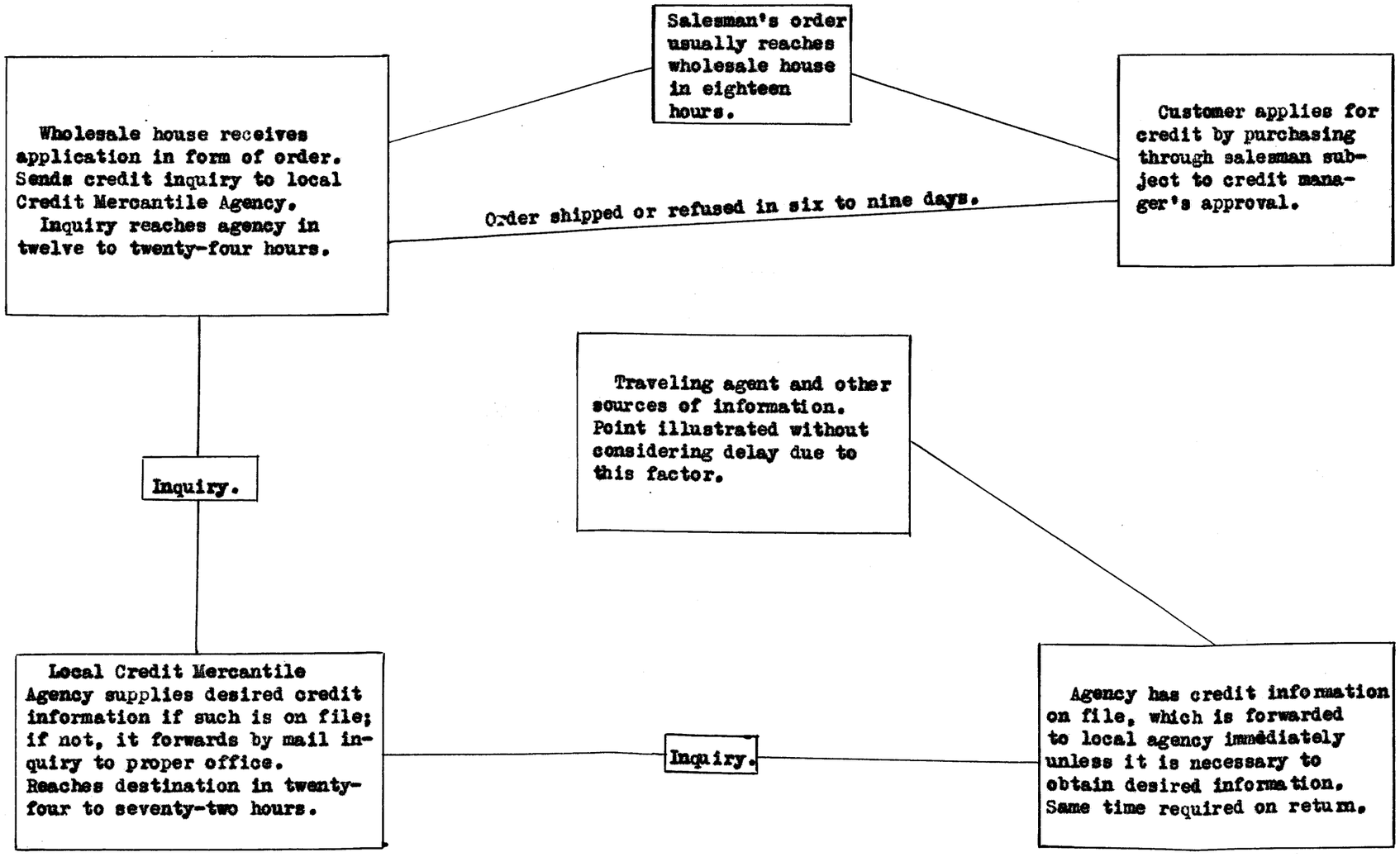
this investigation, the information will be dispatched to the district office where it will be sent to its proper destination. It will not be necessary for these branch offices to be large in any sense of the word. The size will depend on the type of communication that is adopted to be housed in the local office. Only one or two individuals, at the most, will be necessary to operate the local offices excluding, of course, the investigating staff, the size of which will depend on the service policies of the new company. For example, if the new company decides that the territory should be investigated semi-annually and thus supplement the subscriber's file with the new clearing, the staff would necessarily be larger than if the territory was covered only once in each year. This supplement could be furnished each subscriber that has submitted an inquiry previously in the current year; that is; the subscriber would receive two credit clearings for the price of one.

Third, an improved method of communication must be considered; namely, the radio, television, and the teletype. Of the available types, the teletype is believed to be the best due to the economy of installation and operation. A teletype could be installed completely for approximately $1,200.00; a teletype-simplex for

approximately $2,400.00; a teletype-duplex for approximately $3,600.00. Each machine would be installed with reference to the expected traffic. The teletype is capable of sending or receiving but one message at a time, the teletype-simplex can send and receive a message at the same time, while a teletype-duplex is capable of sending and receiving two messages at the same time. The advantage of these machines lies in the fact that only one wire is necessary for the machine regardless of the kind employed. Again, these machines may be operated by any one that can typewrite, thus the company could employ a dependable typist to handle the local office. In this manner, the present overhead could be cut sufficiently to offset the cost of operating the machine. These machines would require a net-work of telegraph wires all over the country, however, it would not be necessary for the credit mercantile company to build this net-work, as it may be leased from the American Telephone & Telegraph Company, which rents private wires all over the United States to private individuals and concerns. These are quite expensive, but with the large net-work that would be necessitated it is believed that considerable deductions would be made to credit mercantile companies.

The radio and television, because of the tremendrous cost of equipment, licences which are paid to the Government for the privilege of operating, and operating expenses (code operater and radio experts being necessary to send and receive messages), these two types of communication are out of the question, practically speaking.

To illustrate the plan, let us assume that the Hardwood Furniture Company, a subscriber located in Bristol, Virginia, wants a report on the Gold Furniture Company of Greenwood, West Virginia. The report, at the present time would be sent to the local agency in Bristol by mail, where it would be forwarded to Wheeling, West Virginia, which is the closest agency in Greenwood's vicinity; this request also goes by mail. The return or answered inquiry would be returned in the same manner, thus the time required, varying according to the distance involved, would, in interstate communications, require from five to nine days; intra-state, from two to five days. The loss and delay of time is indicated in detail in Figure 5. However, if the proposed plan is used (assuming that Lynchburg and Charleston are chosen as district file offices--see Fig. 6), the inquiry will be telephoned to the local office in Bristol where it will be forwarded by wireless teletype to Lynchburg and there relayed to



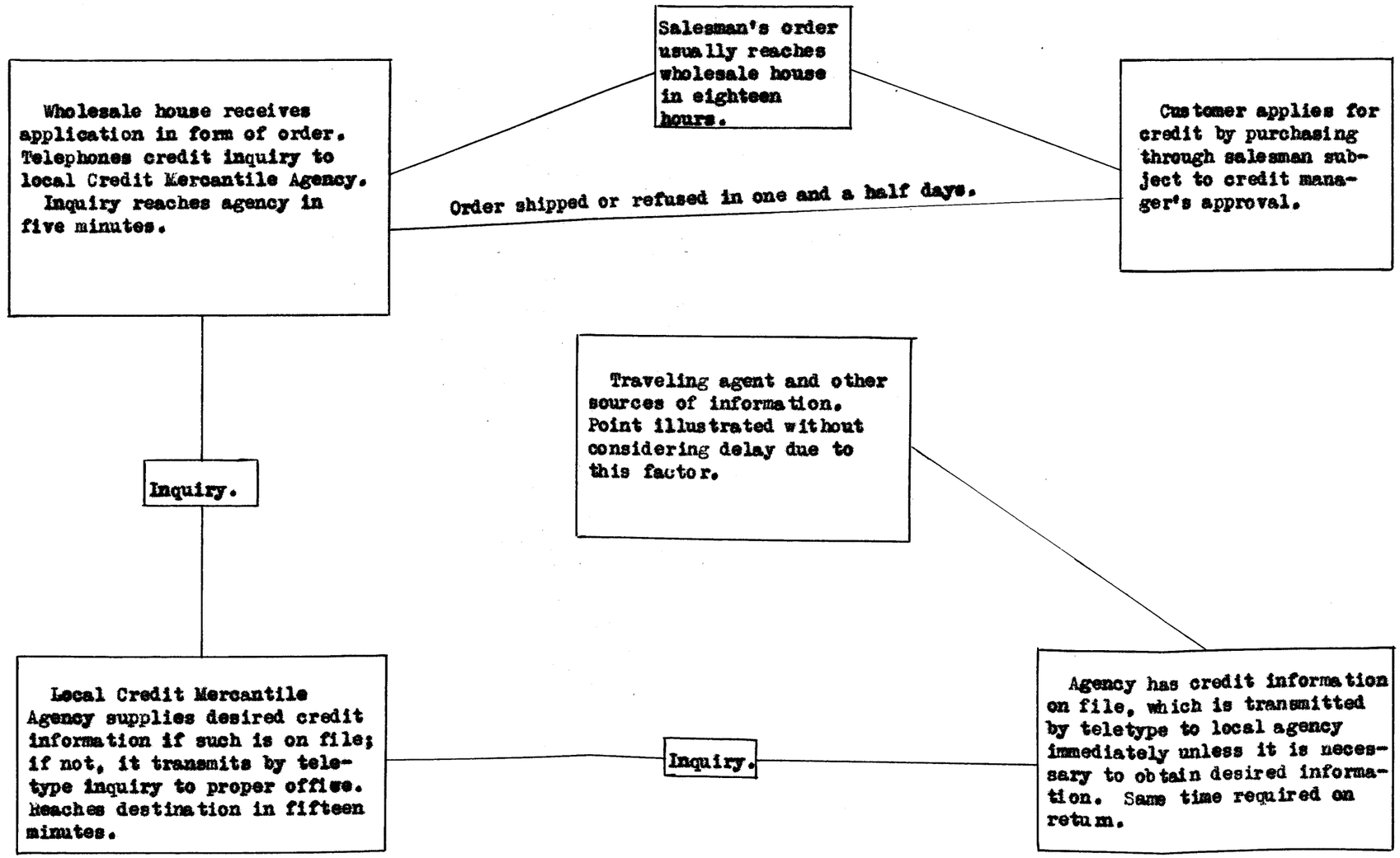
Time required for report:
Five to eight days.

Fig. 5. Time required Using Present System.

Charleston, West Virginia, where all the reports for the West Virginia District are filed. Thus, Charleston office, having the desired report on file, will dispatch it back over the same routing and the entire communication can easily be completed in twenty minutes. The subscriber will have his clearing in an hour and will have either extended or rejected the application as he believes the case to justify.

In conclusion, it is most desirable that the benefits or results of this plan be explained to the reader. Such may be classified under the two heads of benefits to the subscriber (financial and non-financial), and benefits to the Mercantile Company (financial and non-financial).

Beginning by considering the benefits that accrue to the subscriber; i.e. the wholesaler; we find that he is able to supply the service to the retail merchant that is demanded of him. Regardless of the character of the prospective purchaser, whether old or new customer, credit can be rejected or extended to him in one hour, thereby making it possible for the wholesale merchant to render the ordinarily desired eight hour service. Secondly, with the suggested semi-annual clearing supplement,



Time required for report:
Fifty minutes.

Fig. 7. Time Required Using Proposed System

it will be possible for the credit manager of the wholesale house to have an active check on those accounts that are listed as his "Accounts Receivable", and the credit manager should be able to reduce his bad credit extensions to a minimum. Lastly, the collections manager, whose duties are usually combined with that of the credit manager under one head, would have a general, and in most cases, a positive check on the activities of the firm's salesmen as collectors. (See page 16 for explanation). As is proven in the following paragraph, these benefits are all possible without additional cost to either the subscriber or the credit mercantile company.

Our attention is now directed to the benefits that accrue to the credit mercantile company. First, through the installation of this plan, the credit company will be able to render a greater service to the subscriber without additional cost to the company or to the subscriber--this results from the fact that it will no longer be necessary for the credit company to maintain large local offices in which it employs a large office force. The additional service possible will attract new subscribers, which will mean added income. Second and finally, the credit company will supply society with an up-to-date, adequate credit system that is long overdue, and for which there is a pressing demand.

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