

# CHARGE ACCOUNTS MADE VIRTUALLY LOSS-PROOF

**Credit Investigating Machinery Enables Retailers Safely to Sell on Trust — Records Kept of Economic Habits of 1,250,000 Families—Public Found "Invincibly Honest"**

By ELIZABETH G. STERN.

JUNE is the month of weddings, graduations and plans for Summer vacations. It is consequently one of the starred periods in the retail merchants' calendar. Young brides and grooms furnish new homes, and parents buy trousseaus; relatives purchase wedding and commencement gifts; the steamer trunk and the Summer cottage require replenishing. Much of the selling is done by the department stores and specialty shops. Perhaps 70 per cent. of the business of these stores is done with charge customers, says an authority in retail selling methods. Many persons think that charge customers are the bane of the merchant, but the truth is that most business houses, instead of shrinking from a charge customer business, seek it and desire it, and they even build their plans, and the stability of their establishments, upon it.

Serious situations exist as the result of this manner of merchandising, but the gains are definite, and the problems themselves are being met in cities generally, as they are in New York, by organized associations of department and retail store credit-men. In New York 450 of the leading department and retail specialty shops of the city are united in a retail credit men's association which is under the charge of an experienced credit man of many years' experience.

#### Nearly All Buyers Honest.

This organization, if it were to open its records to the public, could tell the stories of one million and a quarter families, for that is the number of "charge accounts" listed with it and investigated by its staff. It could reveal stories of tragedy, of "four-flush-ing," of envy and bitterness, as well as tales of slyness and greed and theft. But the records of the majority of its thousands of purchasers prove that humankind, even in the great City of New York, possesses one quality often not credited to it—an invincible honesty. It is this attribute which makes the charge method of selling possible and profitable, too.

One of the imputations against the charge customer is that he either refuses to pay promptly or to pay at all. But retail credit departments report that an average of only one-sixty-eighth of 1 per cent. loss is sustained by stores through charge accounts; at most the loss is one-fourth of 1 per cent. And, as a leading department store man added: "When a credit man gets to losing one-fourth of 1 per cent. he's ready to lose his job."

But behind the simple request for references, for "other accounts held," and the sending of the token authorizing one to buy and charge one's purchases, lies machinery that, centering in New York, touches the lives of perhaps six million people scattered over a half dozen States. That machinery works silently. Its functioning has made the buy-and-charge system an advantage instead of a loss to the merchant and the purchaser alike.

#### Machinery of Investigation.

In New York this organized business mechanism started about five years ago. But for four years preceding twenty-five credit men representing leading stores in the city had been meeting now and then to discuss the problems of their "account" customers. Stores had been using the "charge" system, but each had been following up their problems separately; it was considered both poor business and "poor form" to discuss customers with other houses. But it was decided finally that it would be well to pool information from various stores about difficult credit cases. Merchants began by opening their records of difficulties to one another. Presently a bulletin was issued. Five years ago they organized, with one hundred stores represented.

In the first month the hundred stores considered 6,900 accounts. Today they handle 30,000 accounts monthly and the membership includes 450 stores. Every new account is examined. It is a considerable task, for some stores in New York have 30,000 to 40,000 charge accounts; some carry as many as a half million, though all may not be active at a given time.

#### When One Opens An Account.

In one of the leading department stores in New York the credit department head described his method:

"When a woman comes to open an account we ask her what her husband's work is, what other accounts she has, and if she or her husband own their own business or homes. We also ask for the name of their bank. The reference most women give, oddly enough, is their minister, and even business women do this. Employed women seldom give the names of their employers as reference, perhaps out of a desire for privacy in their personal affairs.

"We tell the candidate for credit that we are glad to have their business, and that we shall let them know in a day or so that all the 'forms' have been observed. The assumption created is that it is only a form which causes the delay and the questioning. It is in fact often only a matter of filling out new records, getting a token—coin, &c.—for the larger number of individuals who come. By far the greater number of these people are every-day folk of good character and honorable standing. We send the name, address and other information received to the offices of our retail credit men's association.

"Now, after a charge is granted, our aim is to make the business of selling as informal as possible, to make our customers feel that when they come to our store they come as

if to a friendly house where everything is made attractive, easy and simple for them. But, though we do not, of course, wish to do it even guessed or hinted, before we grant an account there is a procedure rigid, careful and very definite, carried out. Upon the result of that depends our own business with the customer. Upon its result depends how large a sum we may permit a customer to purchase at one time on a charge basis.

#### Four Categories.

"The credit association sends us a history, as it were, of the new customer in her relation with other stores, and also an estimate of her financial resources. It looks up for us the record, whether good or bad, which this woman has built up in other establishments, if she is a 'former' customer. It tells us whether she has really no other accounts elsewhere, when she says she has none. And it informs us of difficulties that may arise so that we may be warned.

"The customer's record in the central office states the four groups of purchasers as we see them: slow, do not pay, have to be sued, always return merchandise. Sometimes there is more on these records than the customer would expect. A card may hold a warning: 'Individuals who have domestic difficulties,' with separation and perhaps divorce, causing the husband to cease paying bills."

That such a record is necessary is because in New York approximately 40 per cent. of the business of retail stores is done with persons outside the city. This is particularly true of specialty shops, gown shops, millinery salons, fur houses and jewelry stores. One store in the city does a business of \$20,000,000 a year; of this \$13,000,000 is "charged." Yet, though half its purchasers live outside the city, this store has no loss above the small average loss of other stores. It collects two-thirds of funds owed every month, and the other third it receives from "slow pay" customers by the end of six months.

#### "Slow Pay" Difficulty.

As to whether the investigation were expensive the manager of a well-known fur house said: "Not in the end. The cost of keeping up a charge account is small compared to the amount carried by us during the year in charges. Out of a business of eighteen to twenty millions a year, about 90 per cent. is charged."

Their one difficulty is with "slow pay," and that is a handicap, as the manager quoted before explained, which they are prepared to meet among other business hazards, and which is provided for in their profits.

A millionaire purchases at one store about \$25,000 worth of merchandise yearly. It happens that often his account exceeds even this amount. He refuses to look at bills except once a year. Does the store press him for payment? The answer is obvious.

A pretty Broadway stage girl entered a shop to buy \$10,000 worth of furniture for her apartment. Her "standing" was looked up in the central office. It developed that she had

no money, no real estate, no husband. But she had talent. It was apparent that she was a coming success, if her present luck continued, as it seemed it would. Credit was given to her, and she paid, slowly but fully.

In another instance a dancer in one of the season's plays lost her job. She pleaded with the stores where she had credit that her career depended on the appearances she kept up, and upon maintaining the home which was her domestic setting. Her record as payer to stores was investigated. Some of the stores reported her to be a good risk. She justified their faith, paying those establishments which continued their credit as soon as she could. In spite of the vastness of the city and the enormous size of its main stores this story indicates the human and "folksy" quality that frequently characterizes retail merchandising.

But these cases are unusual. The average charge customer is the mother in a family of moderate means with a limited budget. Stores have developed their business upon her needs and their sales policy to meet her convenience. They have found that it is by no means good business to persuade a woman to buy when she cannot pay. She simply becomes a "bad-pay" case or a "no-pay" case and ceases to buy. The wise thing, both for store and her too, is to help her arrange her budget and apportion it so that she may be able to afford to continue buying.

#### The Bride's Extravagance.

When difficulties arise with women of this sort the store is ready, and glad, to arrange things so that the good feeling between store and customer is continued. The credit manager of a big Philadelphia store described a typical experience of this kind.

"Mrs. H. came to us shortly after her marriage to open an account. Her husband was earning \$2,000 a year; they had \$500 banked. They wanted their apartment furnished, but decided to furnish not the whole place but to buy piece by piece. That is often expensive; to furnish a room nicely costs \$500 or so, but piece by piece it's often more. Then last June our buyer picked up a really fine lot of cottage furniture, and we had a real sale, with June brides and Summer homes in mind. Mrs. H. came, she saw—and she bought. She bought \$700 worth of stuff in about four days.

"The first bill was sent, and no answer. Same with the second. No answer to our formal letter asking payment. One of our young men was sent to see what was wrong. Mrs. H. had received our mail, but had destroyed it all. She was frantic with fear. Her husband thought all the purchases amounted to \$200, and she was afraid to tell him the truth now. "But the solution was easy enough. Most big stores have deferred payment plans, particularly for house-furnishing. We arranged a budgeting of their income, with monthly payments to be made to us. The whole sum was thus paid."

In another case a woman came to

a store to ask why she had been charged with purchases she did not make. The purchases, investigation showed, were "charge and send." When she confronted the salespeople who had made the sales it was proved that she was right; she had not bought the material, they were certain. For "charge and take" buying identification is required; with charge and send identification is seldom asked. The store made its apologies and withdrew its bill. But this woman repeated the same thing at another store. The credit men compared notes.

Follow-up work disclosed that she worked with a confederate. They did not appear together. The companion did the buying and asked that her purchases be sent to "Mrs. M." Mrs. M. received it at her home. Then she protested to the store when the bill came that she had not bought it— which was true, for her friend did the shopping, using the name of "Mrs. M." With valuable parcels some

stores ask for a signed receipt on acceptance; most stores do not.

It is common for a store to receive a letter stating: "Mr. J— will no longer be responsible for the debts of his wife." But in one store a great fuss occurred when the credit department refused to "deliver" the purchases just made to a handsome young woman who asked that they be "charged, and sent to Mrs. J—." To the chagrin of the store it developed that Mr. J— had married again and this was his new wife. He had neglected to change his instructions to the store. Despite the fact that it was his fault he was so enraged that he withdrew his account because of the "insult to my wife." And the store admitted it was at fault, for it is the business of houses, they say, to make inquiries and be certain of their ground before refusing credit. As in the law, a customer is credit-worthy until she is proved unworthy.