History of the National Retail Credit Association

Elizabeth Redford

Follow this and additional works at: https://scholar.utc.edu/honors-theses

Part of the Economics Commons, and the Sales and Merchandising Commons

Recommended Citation
Redford, Elizabeth, "History of the National Retail Credit Association" (1941). Honors Theses.

This Theses is brought to you for free and open access by the Student Research, Creative Works, and Publications at UTC Scholar. It has been accepted for inclusion in Honors Theses by an authorized administrator of UTC Scholar. For more information, please contact scholar@utc.edu.
HISTORY
OF THE
NATIONAL RETAIL CREDIT ASSOCIATION

by
Elizabeth Redford

A thesis submitted in partial fulfillment of the requirements for graduation with Honors in the Department of Economics, University of Chattanooga, Chattanooga, Tennessee, May 10, 1941

Approved:
HISTORY OF THE NATIONAL
RETAIL CREDIT ASSOCIATION

Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preface</td>
<td>1</td>
</tr>
<tr>
<td>Chapter I -- Credit</td>
<td>3</td>
</tr>
<tr>
<td>A. Introduction</td>
<td></td>
</tr>
<tr>
<td>B. Definition and classification</td>
<td></td>
</tr>
<tr>
<td>C. Development and growth</td>
<td></td>
</tr>
<tr>
<td>1. Credit instruments</td>
<td></td>
</tr>
<tr>
<td>2. Retail credit</td>
<td></td>
</tr>
<tr>
<td>Chapter II -- The Credit Situation Thirty Years Ago</td>
<td>9</td>
</tr>
<tr>
<td>A. Lack of any helpful records or literature</td>
<td></td>
</tr>
<tr>
<td>B. Obstacles to the formation of any type of national credit organization</td>
<td></td>
</tr>
<tr>
<td>1. Lack of cooperation and prejudice of the merchants</td>
<td></td>
</tr>
<tr>
<td>2. Inefficiency of the bureaus then in existence</td>
<td></td>
</tr>
<tr>
<td>Chapter III -- The Birth of an Idea</td>
<td>14</td>
</tr>
<tr>
<td>A. Disinterest of the credit granters, themselves—a third obstacle</td>
<td></td>
</tr>
<tr>
<td>B. The formation of the Retail Credit Men's National Association</td>
<td></td>
</tr>
</tbody>
</table>
C. Publication of The Credit World

Chapter IV -- Major Events in the History of the National Retail Credit Association - 27

A. Incorporation
B. Creation of the Credit Service Exchange Division
C. Change of name to National Retail Credit Association
D. Increase in importance of the Service Department
E. Creation of the Supervising Collection Department
F. The Consent Decree
   1. What it is
   2. Its provisions and significance
G. The National Consumer Credit Reporting Corporation
H. Creation of regional districts
   1. The "Old Guard" Committee
      1. Its creation
      2. Its functions and objectives

Chapter V -- The Retail Credit Bureau--Its Organization and Function -- -- 51

A. The Associated Credit Bureaus of America
   1. Requirements for membership
B. Growth and development of the bureaus along with the individual membership of the National Retail Credit Association
C. Cooperation of the Associated Credit Bureaus of America with the National Retail Credit Association

1. Benefits to be derived from such cooperation

D. The Retail Credit Men's Association of Chattanooga

1. Description of operation

2. A criticism

E. A comparison and differentiation of the functions and members of the Associated Credit Bureaus of America with those of the National Consumer Credit Reporting Company

F. Rating Books--their advantages and disadvantages

Chapter VI -- Recent Developments in the History of the National Retail Credit Association

A. Business of the 1938 convention

1. Recommendations

B. The 1939 convention

C. Credit Women's Breakfast Clubs

1. History

2. Purposes

Chapter VII -- Accomplishments of the National Retail Credit Association in Outline Form

A. Purposes and objectives of the National Retail Credit Association
1. The Code of Ethics

B. Future goals of the National Retail Credit Association
PREFACE

With the ever increasing use of credit in our present day economy, it is only fitting that our attention be directed to an organization which, although established less than thirty years ago, has come to be one of the most important institutions in our modern credit economy. This institution is the National Retail Credit Association which was established for the expressed purpose of bettering credit conditions in the field of retail trade.

As far as we are able to determine, no complete history of this organization has been published, and it is for this reason that I have endeavored in the following pages to describe the growth of the National Retail Credit Association from its earliest beginnings to the important position which it now holds. I have separated the discussion into three separate parts: first, the conditions which made the Association’s formation a necessity; second, its formation, growth, and accomplishments; and third, its functions and goals.

The material upon which this thesis is based was drawn from various issues of The Credit World magazine over a considerable period of years. Understandably, this magazine, since it is the official publication of the National Retail Credit Association,
would contain most nearly a story of the development and activities of the organization which publishes it.

In this connection, I wish to express my appreciation to Dr. Clyde W. Phelps whose files have been of invaluable aid in furnishing the material necessary for the writing of this thesis. Dr. Phelps, who is recognized as an authority on retail credit, has on many occasions aided the National Retail Credit Association in the successful accomplishment of some phase of its program.

I wish also to express my appreciation to Mr. Arthur H. Hert, research director of the National Retail Credit Association, and Mr. J. Robert Miller, head of the research division of the Associated Credit Bureaus of America, for their interest and their correspondence which proved so helpful in the preparation of this work. I am indebted to Mr. A. J. Kruse, one of the first secretaries of the National Retail Credit Association, for two very early copies of The Credit World. I am also indebted to the general office of the National Retail Credit Association for various other material used as exhibits throughout the thesis.

--Elizabeth Redford
CHAPTER I

CREDIT

Introduction

Institutions arise in response to needs; they are created by the people as a direct answer to some necessity of the society in which they find themselves. So it was with the National Retail Credit Association, an organization which was created by the needs of the credit economy or credit world in which we live.

We are used to hearing modern life spoken of as the machine civilization, the power age, industrial society, capitalistic culture and so on. Each of these phrases is an attempt to differentiate our present society from preceding civilizations or epochs by naming it after some outstanding characteristic which is more prominent today than in the past.

Because we are attracted by the spectacular and prone to disregard the commonplace, the average man does not realize the enormously important place credit occupies in our modern economic structure.

Defined and Classified

Credit may be defined as the power to secure economic goods or services in return for a promised equivalent payable at a future time. This broad conception of credit, however, must be clarified by

1. Phelps, Clyde W., Retail Credit Fundamentals, National Retail Credit Association, St. Louis, 1938, p. 1.
dividing credit into two main classifications—public and private. It is with only one phase of the latter type that we shall be concerned; namely, retail or consumer credit.

Consumer credit is the credit used by consumers to facilitate the process of consumption, as distinguished from producer credit which is intended to further the process of production and marketing. From the consumer’s angle consumer credit is the power which an individual uses in obtaining goods and services, or in borrowing money for consumption purposes, on the promise to repay an equivalent at a future time.3

Consumer credit or individual credit may be divided into three main types: open account, deferred payment and personal loan credit. The first two make up the field of retail credit.4

Development and Growth of Credit

1. Credit Instruments

The present stage in the development of our economic system has been termed the Credit Economy stage because of the fact that credit instruments have become many times more important than money in paying for purchases and debts.

3. Ibid., p. 79.

4. Phelps, Clyde W., Retail Credit Fundamentals, op. cit., p. 8.
According to a survey made as early as 1910 by Dr. David Kinley, the average retail and wholesale business transacted by means of various credit instruments, including checks, approximated 86 per cent of the total.\(^5\)

Most of our purchases and debts are paid today in the United States with checks and similar media rather than money. These checks and drafts are simply credit instruments of the order-to-pay type. Probably 90 per cent of our transactions are now settled this way.\(^6\)

2. Retail Credit

While retail credit has been in some form or other in existence for a number of years, it has been only in the last decade or two that consumer credit—the type with which we shall be chiefly concerned—has reached the prominence it now occupies as a feature of business activity. As the various forms of credit developed throughout the centuries, it is interesting to note that while public credit, investment credit, banking credit, and mercantile credit soon became widespread and important in economic life, the growth of consumer credit to a position of considerable significance is a comparatively recent

---


6. Phelps, Clyde W., Retail Credit Fundamentals, op. cit., p. 3.
phenomenon.  

At the turn of the present century in which consumer credit began its period of greatest growth, charge accounts were the privileged possession of the rich and the good friends of certain merchants. What a contrasting picture that is with the situation which now exists. Today charge accounts are granted and even urged upon everyone whom a lenient credit manager considers willing and able to pay. At present there are approximately one and one-half million retail establishments in the United States, and every other one of these stores offers its customers the privilege of buying on credit. 

Significant inroads and openings are now being made in the one field which had until recently been noted for the strictly cash basis upon which it operated. This field is popularly known as the five-and-ten cent store type of retailing. With the including of more expensive items in their heretofore low-priced stock of goods, some of the ten-cent stores have inaugurated a "lay-by" plan of payment. This plan, of course, cannot be regarded as on a par with other types of consumer credit since the article is only laid aside in the store and must be completely paid for before it becomes the property of the cus-

7. Ibid., p. 9.
8. Ibid., p. 9.
tomer. The "lay-by" plan, however, remains as a significant change in the operation of the five-and-ten cent stores adopting it—a change which may or may not lead to further developments and the final extension of retail credit even in this field.

**Retail Credit Sales**

It is estimated that 13 per cent of the 17 billions of dollars of retail sales in 1912 was made on credit and 20 per cent of the 37 billions of dollars of retail trade in 1920. Actual figures were first gathered in 1929 by the United States Census and showed for that year 34 per cent of the 49 billions of dollars of sales by retailers were credit sales.

According to the United States Census in 1935, 21.3 per cent of retail sales were made on open charge account credit while 10.9 per cent were installment sales. Thus, 32.2 per cent of the 33 billions of dollars retail volume in 1935 was credit business. In 1938 probably one-third of all retail sales were made on credit and a third of this credit volume was installment business. 

Obviously then, credit is a strong force in every phase of the economic life of our nation.

9. Ibid., p. 10.
The Position of the Credit Men

In the well organized retail house today the credit department is coming to be recognized as equal in importance to the most important departments in the organization. The credit man is a specialist to such an extent that some have ventured to class his duties as a profession. He is, however, very much handicapped as compared with those in other professions.

The doctor, for instance, has innumerable books which teach him to use certain remedies when certain symptoms exist. The chemist by his books is taught that certain conditions will produce certain results. The credit man, on the other hand, has to deal with that most uncertain of known qualities—human nature.

CHAPTER II
THE CREDIT SITUATION THIRTY YEARS AGO

Mr. S. L. Gilfillan, who was the first president of the National Retail Credit Association and is popularly known as the "Father of the Association," describes for us the situation one found in the credit office in 1907. "A few record keepers sitting on high stools with pencils behind their ears, posting charges with pen and ink to ledgers, huge bound books--each with 1000 pages, each weighing about forty pounds, each account so indexed as to give ledger page and numbers. The office was on the ground floor, and the charge checks were brought from all the floors by messenger boys and girls to be O. K.'d." 11

Mr. Gilfillan relates an experience which he had in the first few days of his credit experience as credit manager at one of the leading department stores in Minneapolis. He had written a debtor asking for money which was rightfully due, and, in fact, long overdue. The debtor appeared immediately after receiving the letter, almost frothing at the mouth, and informed Mr. Gilfillan that his competitors did not treat their customers in such a disgraceful manner. 12


The education of the customer regarding the value of good credit standing, and his personal advantage in possessing it, had not even entered the credit man's mind. In fact, the customer took a very strange position. He leaned backward in his evaluation of himself and seemed to assume that he was doing the merchant a great favor to allow his name to appear on his ledger. This accounts for the objection the customer made to being asked for money and taking offense at what he called a "dun," even though the account was long overdue.

Lack of any Helpful Records or Literature

Furthermore, the credit man of thirty or thirty-five years ago had no literature to help him bring order out of the baffling and chaotic situation in which he found himself. Nothing had been written as an authoritative source to which he could go for information. Mr. Giffillan describes the credit man of those days by saying that he was like a man in mid-ocean in a rowboat.

Obstacles to the Formation of a National Association

1. Lack of Cooperation and Prejudice of the Merchants

In those days, when cooperation, which is so necessary in credit work, was woefully lacking, credit men did not feel close enough to the credit men of competing stores to ask them about their experience with a certain debtor.
It was only a few years ago that one of the largest retail merchants in the world said, "It is hardly a safe practice for two houses in the same line of business to attempt an exchange of information concerning credit." In fact, it was contrary to the policies of most merchants to permit the exchange of information as to the paying habits of their customers. In some instances, it even meant dismissal of the credit man if he were found by the boss in the company of the credit man of a competitor.

As we have already seen, cooperation was seemingly an unknown word in the business world of those days. The merchants believed their customers' credit practices were some sort of sacred trust never to be disclosed. In this way the delinquent customer could go about deceiving first one merchant and then another without any of his creditors knowing him as an habitual slow payer. This prejudice on the part of the average merchant, who refused to let his credit manager even be seen in the company of the credit manager of a competitor, was perhaps one of the strongest obstacles to the formation of the National Retail Credit Association.

2. Inefficiency of the Bureaus

The grip of the "old method" of credit granting constituted a second strong obstacle to the formation

of a credit fraternity which would stand firmly on the principle of achievement through cooperation. The nature of the work of the credit man is such that without free interchange of information with outside sources he is apt to get narrow in his views and ideas. We have already seen how the merchants' narrow viewpoint was working to his detriment. So it was with the credit man also.

It is true that there were a few credit bureaus, but there was about as much difference between them and the modern bureaus of today as there is between the first automobiles ever made and those of today. By 1910 there were about fifty bureaus all told in the United States, but personal opinions instead of actual facts were given the credit men as a basis for analyzing credit. Under the old method, then, credit men had only these personal opinions upon which to base their credit granting.

There were no correspondents so it was necessary to depend almost wholly on references for out-of-town information. Direct inquiry was the method occasionally used but it had very little value. It was used frequently to convey such information as to transfer a slow paying, unsatisfactory customer to the books of the inquirer. On the other hand, if a good customer were asked about, the reply would be made so as to induce the competitor inquirer to turn
that account down. The practice of deliberately giving out false information so as to transfer a poor-paying customer to the books of a competitor seems to us, under the present system, a little absurd, but it is an illustrative bit of true history.
CHAPTER III
THE BIRTH OF AN IDEA

Naturally, facing these and even more puzzling situations than those just described, certain individuals interested in credit and the future of credit granting asked themselves what could be done to improve the situation. In 1912 the answer came to them with the first idea of a national organization of credit men, working together on their problems. A secretive policy, they found, was doomed to failure.

It was hoped that, with a national association as a stepping stone to a better situation, credit men would at last be able to protect each other against operations of fraudulent collection agencies and recommend reliable ones. By the means of a national organization of men working together on the same problems, the credit record of an undesirable credit risk could now follow him from city to city as he moved about. Thus, the fact that he could not escape, when made known to him, would be of great aid in the collection of old accounts.

Disinterest of Credit Granters, a Third Obstacle

Such were the fond hopes and ambitious dreams of a few interested credit men. The idea had been born but there was yet another obstacle which was found to be present upon the first attempts of these
men to realize their goal. This, a third obstacle, was the disinterest of the credit granters themselves.

The utter lack of enthusiasm may best be seen by an account of a convention which was held in 1912 in the city of Spokane. This convention was to be the meeting of representatives from approximately seventy-five credit bureaus, which comprised what was then known as the National Association of Mercantile Agencies. This Association had been organized seven years earlier, in 1905, to better the credit conditions in the retail credit reporting field. Now, it was hoped that there might be created enough enthusiasm among the granters of retail credit throughout the United States to incite them to cooperate with one another to clarify the muddled credit situation in their own particular field.

To determine the degree of this enthusiasm, a survey was made with very few responses, but the enthusiasm shown by those who did respond made the pioneers feel justified in going ahead with their plans. The pioneers, as they may truly be called, were Mr. O. R. Parker, who was to be the first National Secretary, and Mr. S. L. Giltillan, who has been previously mentioned as the Father of the Association.

But to return to the incident of the first
Spokane convention; an invitation to their convention was extended by the credit bureaus, and promptly accepted by Mr. Parker and Mr. Gilfillan. The notices of the meeting were sent to many of the leading credit granters, who were asked to meet at the beautiful city of Spokane in August, 1912.

At that time, a man by the name of Louie Martin was head of the Credit Bureau of Spokane, and through his enthusiasm he persuaded the Chamber of Commerce of Spokane that something really outstanding was to take place in the way of a convention that year. He also appealed to the Retail Credit Association of Spokane and impressed them with the great importance of this meeting at which the Retail Credit Men's Association was to be organized. About twelve or fifteen hundred dollars was soon appropriated with which to entertain the National Convention of Bureau Managers. But as time drew near the number of delegates grew by leaps and bounds—from one hundred to two hundred, then to five hundred. Finally, when it got to five hundred, a group of men, with Louie Martin at their head, talked the Chamber of Commerce out of an additional fifteen hundred dollars. Committees were appointed, groups were delegated to meet each train as it came, and an especially colorful display was organized to meet the huge special—the special which was to bring the illustrious visitors from
the East. So, with the town plastered with banners, and people strutting around with badges on, the day finally arrived when the huge special was due. The special arrived and seventeen people got off!!

This little anecdote should be an inseparable part of any history of the National Retail Credit Association. It shows the passive indifference which greeted the first efforts toward the formation of a national association. There were fifty-two who attended the opening session in which the National Retail Credit Men's Association was organized, and thirty-five of them were members of the Retail Credit Men's Association of Spokane.

While the actual number was small, they were off to a good start with an abundance of enthusiasm and great faith in future possibilities.

The Formation of the Retail Credit Men's National Association

As a result of the meeting just mentioned, the Retail Credit Men's National Association was organized on August 22, 1912, in the city of Spokane. This name was given to the group in order to distinguish it from the other organization which was then engaged in the betterment of retail credit reporting conditions. This association (of bureau managers) was

known as The National Association of Mercantile Agencies; and was the result of a meeting of a dozen or so operators of credit reporting agencies in Rochester, New York, in 1905.

Thus, this little band of men set sail on what was practically an uncharted sea. True, they faced many difficulties but meanwhile, by refusing to become discouraged, they accomplished much along the way, each accomplishment serving as a stepping stone on the way to the next.

Publication of The Credit World

Following its organization, the first real and outstanding accomplishment of the Retail Credit Men's National Association was the establishment of a magazine, the purpose of which was to make known to credit men throughout the nation just what their Association was accomplishing.

In September, 1912, the first Credit World was published. It was a quarterly magazine of thirty pages, five and one-half by nine inches in size. The success of this first attempt and the enthusiasm with which the publication was received justified something better in the way of a credit magazine.

In October, 1914, The Credit World was enlarged and became a monthly publication. Since this time, the publication of The Credit World has continued as one of the more outstanding of the many impor-
tant activities of the Association. For this reason we will devote the remainder of this chapter to a fuller consideration of the significant features of this magazine, mentioning the recent additions and improvements that have been made in the contents.

**Its Importance in the Field of Retail Credit**

"Business men in any field should read the journals of their trade for the same reason that they read their daily newspaper. The latter tells them what is going on in the world-at-large. The former tells them what is going on in their own business."\(^{15}\)

The National Retail Credit Association, through its official publication, has furnished the leadership for all those engaged in credit granting. The *Credit World* is the only publication devoted exclusively to retail credit; its purpose being to keep its members informed on not only the national activities but also the activities of the district and local associations. In other words, it shows the credit granter what is being done to protect his interests and how he may best work to protect himself. It acquaints credit granters with proposed legislation, good and bad, and outlines a way in which those who are interested may take part in the legislative procedures which concern the credit field.

Included in the magazine are articles which ex-

Exhibit 1. Of historical interest are these two covers from early issues of The Credit World. The 1916 copy was designed in the office of Mr. E. A. Howell, then National Secretary of the Association. The 1917 copy was published by Mr. A. J. Kruse, who was secretary of the Association from 1917 to 1920.
BAROMETER of Retail BUSINESS

Sales and Collection Trends
November, 1940, vs. November, 1939
Compiled by Research Division, National Retail Credit Association
Arthur H. Hert, Research Director

Credit sales increased 4.3 per cent during November; total sales 9.2 per cent; and collections 1.7 per cent, in the United States and Canada, as compared with November, 1939. These increases were attributed to higher pay rolls as a result of preparations for the defense program. Highlights of the monthly analysis are shown in the tables below:

Highlights for November
51 Cities reporting.
17,883 Retail stores represented.

COLLECTIONS
42 Cities reported increases.
1.7% Was the average increase for all cities.
8.0% Was the greatest increase (Jacksonville, Fla.).
2 Cities reported no change.
7 Cities reported decreases.

Sales and Collection Trends
October, 1940, vs. October, 1939
Compiled by Research Division, National Retail Credit Association
Arthur H. Hert, Research Director

Credit sales increased 1.7 per cent during October; total sales 2.8 per cent; and collections 1.3 per cent, in the United States and Canada, as compared with October, 1939. The improvement in general business conditions is the result of preparations for the defense program. Highlights of the monthly analysis are shown in the tables below:

Highlights for October
56 Cities reporting.
21,046 Retail stores represented.

COLLECTIONS
35 Cities reported increases.
1.3% Was the average increase for all cities.
13.0% Was the greatest increase (Pensacola, Fla.).
4 Cities reported no change.
17 Cities reported decreases.
5.0% Was the greatest decrease (Amarillo).

Exhibit 2. This recently added feature in the contents of The Credit World has proved valuable to the credit men in bringing to his attention the sales and collection trends and furnishing a comparison with the same month of the previous year.
The rate of business activity is now at the highest point ever reached, and it is expected to remain high throughout the last month of the year. Total volume of trade and industry is about 6 per cent higher than it was a year ago.

Industrial regions continue to show the largest gains, but the expansion is also spreading significantly throughout all sections of the country. Increased production is accompanied by larger retail sales and larger volume of construction in many communities.

Improvement has lagged slightly in the New England states this month, although activity in most places remains above last year as well as above the average for the entire country.

Industry along the Atlantic Coast and around the Great Lakes is operating at close to capacity. This high rate is reflected in excellent conditions for general business. New orders for industrial products of many kinds are large and indicate that operations will be sustained at high levels for some time.

Nearly all the southern states are included in the territory that is considered most favorable. Improvement in both industry and agriculture is responsible for these better conditions.

Farm income throughout the agricultural regions in the central part of the country is higher than last year, but the increase has not been enough to raise general business activity as much as it has been boosted in the industrial regions. Conditions are somewhat more satisfactory in the northern part than in the southern and western sections of the farming districts.

Along the Pacific Coast conditions are somewhat better in the northern half than they are in the southern part. In both, however, they are slightly more favorable than they are for the country as a whole.

In Canada business activity varies in about the same way as it does in the United States. The industrial regions are forging ahead quite rapidly, while improvement in the agricultural districts is proceeding just a little more slowly. The general average of business activity is around 10 per cent above the rate last year, and it is likely to continue favorable for some time.

Exhibit 3. An attractive manner of showing current business conditions throughout the United States is this map included in each month's copy of The Credit World to help the businessman in judging current conditions.
plain the up-to-date credit policies and procedures followed by modern credit granters. Among the important additions of recent years has been a statistical table of monthly collection percentages, the purpose of which is to enable members to compare their collection figures with those in a similar line of business in other cities. The credit granter will also find helpful another of the recently added features; that is, the publication of the results of the study of current trends in retail, credit, and general business. Such articles serve the credit man in a number of ways, not only in showing him general conditions with respect to collections, but also in aiding him to see the amount of credit sales as related to total sales.

In line with the increasing desire for credit educational features The Credit World has added to its table of contents two new departments; namely, a credit clinic page, wherein readers may ask and have answered questions concerning their own credit problems, and a credit letters department, showing examples of courteous, friendly letters which the credit department may send to increase goodwill.

In the year just past there has been much accomplished in the way of improved, more modern styles of type, illustrations, and a simplified table of contents. All these changes have been made to make
MAYER ISRAEL'S

NEW ORLEANS

April 22, 1940

R. S. V. P.

It is rather unusual to begin an invitation with "R.S.V.P."..., but we are anxious to know if we haven't had the pleasure of serving you recently. We extend a hearty invitation to you to visit our store and see our comprehensive showings of fashionable spring and summer apparel for every member of your family.

Won't you kindly give us a few minutes of your time and jot down the reason for not visiting us on the back of this letter? The enclosed self-addressed, postage prepaid envelope is for your convenience. Or better still, accept our invitation to again use the conveniences of your charge account.

May we look forward to seeing you in our store soon... that will be the R.S.V.P. we hope for!

Sincerely,

MAYER ISRAEL

President

MAISON MAURICE

"FIRST IN FASHION"

NEW ORLEANS

November 6, 1940

Mrs. T. W. John
1804 Texas Street
New Orleans, Louisiana

Thank you, Maison Blanche, for adding your name to an ever-growing list of friends and customers, and may we ask you to extend a heart invitation to visit our store and see our comprehensive showing of fashionable spring and summer apparel for every member of your family.

Won't you kindly give us a few minutes of your time and jot down the reason for not visiting us on the back of this letter? The enclosed self-addressed, postage prepaid envelope is for your convenience. Or better still, accept our invitation to again use the conveniences of your charge account.

May we look forward to seeing you in our store soon... that will be the R.S.V.P. we hope for!

Sincerely,

MAISON MAURICE

President

MAISON BLANCHE COMPANY

NEW ORLEANS

September 15, 1940

Mrs. J. H. Bell
605 Canal Street
New Orleans, Louisiana

Dear Mrs. Bell:

Thank you, Maison Blanche, for adding your name to an ever-growing list of friends and customers, and may we ask you to extend a heart invitation to visit our store and see our comprehensive showing of fashionable spring and summer apparel for every member of your family.

Won't you kindly give us a few minutes of your time and jot down the reason for not visiting us on the back of this letter? The enclosed self-addressed, postage prepaid envelope is for your convenience. Or better still, accept our invitation to again use the conveniences of your charge account.

May we look forward to seeing you in our store soon... that will be the R.S.V.P. we hope for!

Sincerely,

MAISON BLANCHE COMPANY

President

The Credit World, January, 1941, p. 11

Exhibit 4. Illustrations of some of the credit department letters published in that section of The Credit World. The particular merits of each of the four letters shown are pointed out and discussed in the accompanying article.
Mr. John Doe  
809 South Washington Street  
Baltimore, Maryland  

Dear Mr. Doe:  

We should like so much to accept your reservation for November 8 and 9, but our advance requests have completely taken every available space, including the rooms that we hold until the very last for our good friends and regular guests.  

This situation develops once or twice each year, and we find ourselves thoroughly embarrassed and deeply concerned in not being able to accept your reservation.  

Won't you please understand our position and let us know earlier the next time.  

Yours very truly  

Ira M. Patton  
Assistant Manager  

PS: We have tried to secure accommodations for you at the other hotels and found they were in the same position.

Gimbels Brothers  
Milwaukee  

Date:  

Your charge account enables us to render a more individual service and to increase the pleasure of our business relations.  

To maintain this service it is essential that you observe our terms which request settlement in full each month.  

Your remittance will be appreciated.

The Credit World, December, 1940, p. 13.

Exhibit 5. Additional examples of Credit Department letters.

Number 1: an example of a polite and courteous "no."

Number 2: needed information given to a new charge customer in a tactful, helpful way.

Number 3: particularly good as an inactive account letter.

Number 4: obviously a form, this card should not be made because of insubstantial endorsements or for some other reason it is not submitted. It is returned not because of insubstantial endorsements or for some other reason it is not submitted, but it is returned.

Number 5: attractively styled letter of collection.

Take a tip --

From the wise old owl. He knows what's best! And he is certainly right about keeping your credit rating A-1 here at Hummel's.

The good man you have earned a seat at this friendly store is one of the finest assets you could possess. It seems a lot to you -- and to your home -- because it enables you to have the beautiful furniture you want, when you want it instead of waiting.

Your account is overdue and we're calling it to your attention now.  

"Be wise" -- come in and make a payment this week. We'll appreciate your cooperation a whole lot!  

Cordially yours,

J. W. Schimming, Jr.
of *The Credit World* a more attractive, more desirable magazine.

The Association attempts to see that in every issue the articles include ideas and opinions which will be of benefit to a large number of the members instead of to just a few. Authors are selected whose style of writing is entertaining and who express their ideas in such a way that they are easily read and understood.

The advertising columns of *The Credit World* render credit granters a service because, through the material contained there, the readers will be in a better position to recognize modern credit office equipment and services.

The Association encourages the credit man at all times to show this interest in *The Credit World* by occasionally sending to the National Office comments and suggestions for the betterment of the general contents. For it is their hope that "by reading *The Credit World* thoroughly and regularly he will contribute to his success as a credit executive." 16

---

CHAPTER IV

MAJOR EVENTS IN THE HISTORY OF THE
NATIONAL RETAIL CREDIT ASSOCIATION

Founded in August, 1912, by a small group of far-seeing credit executives at a joint meeting with members of the National Association of Mercantile Agencies, the National Retail Credit Association today has members located from coast to coast in the United States, Canada, and several foreign countries. We may truly say that the National Retail Credit Association while national in name is international in scope.

In 1912 very few cities had local retail credit associations and meetings among credit men for the interchange of ideas and experiences were rare. At the time that the National Retail Credit Association was organized there were sixty-nine credit reporting agencies, all members of the National Association of Mercantile Agencies. In the early years following its organization cooperation in the National Retail Credit Association was very difficult due to the scattered locations of its handful of members. Because of this fact it was difficult for this little band of men to reach the credit granters with their story of advantages to be derived from credit cooperation.

The next important date in any history of the Association following the all important one—1912—is the date of its incorporation. In 1916 the National was incorporated under the name of the Retail Credit Men's National Association as a corporation of the state of Colorado. While legally the Association has all the aspects and characteristics of any other corporation, it is unlike any other business organization. Its position is a unique one in that it attempts to bring together competitors in such a way that competition will be forgotten where credit is concerned.

It is unnecessary in a work such as this to give a detailed account of all the events in the very eventful history of the National Retail Credit Association. We shall attempt to mention some of those happenings which are considered as of major importance either in the development of the Association or in the effect which they have had in legislative or business fields. 18

1921

It was at the convention in 1921 at Houston, Texas, that an important step was taken which changed the organization and set-up of the Association. The

18. The events which we have chosen are those designed as being of major importance by Mr. S. L. Gilfillan in his article, "Then-Now-And Tomorrow," The Credit World, op. cit., July, 1937, pp. 6-7.
step-child had surpassed its foster parent in importance and strength. Thus it was that at the annual convention, the National Association of Mercantile Agencies was amalgamated with the Retail Credit Men's National Association. The older organization, which by this time had increased to a membership of 216 bureaus, did not, however, lose its identity since, as the bureau department, it was destined to play an important part in the future working of the Association. Its official title was then the Credit Service Exchange Division.

1927

When, in 1927, it was decided to change the name of the Retail Credit Men's National Association to the National Retail Credit Association, the Credit Service Exchange Division came to be designated simply as the Service Department of the National Retail Credit Association. These changes took place at the annual convention which was held that year in Providence, Rhode Island.

At this convention it was reported that there were in existence approximately 600 bureaus making up the newly named Service Department. Within the next three years from 1927 to 1930 this department grew by leaps and bounds to reach a total of 1100 bureaus.

Because of the important place which the bureaus were coming to occupy, it was decided at the Toronto Convention to increase the dues of these bureaus in order to provide for the expenses of an increased and more efficient field force. Four more men, to constantly visit the bureaus in the various parts of the country and to help them in their problems, were added to this force. Through their combined efforts, progress was made during the ensuing year in educational work and in building up the Service Department.

To better realize the great importance of maintaining such a department, we may digress briefly to consider the fact that forty-two per cent of the people of our country can be said to be on wheels, as national statistics reveal the fact that forty-two per cent of the nation's population move every year—approximately twenty-five per cent moving from one community to another. 20

All these people have established, somewhere, credit records—good, bad, or indifferent. One of the major activities of the National Retail Credit Association is to provide means whereby their records will follow these people like a shadow, wherever they go.

20. Weld, Lyman P., "Activities of the National Retail Credit Association," The Credit World, op. cit., April, 1932, p. 29.
The National has made it possible through its Service Division, composed of over 1200 credit bureaus throughout the United States and Canada, for any bureau to quickly secure a standard credit report from any other bureau in this vast chain of bureaus. In addition to this, the National took upon itself the task of securing a reliable correspondent in every city, town, and village throughout the nation in which there was no credit bureau, so that accurate credit information could be readily secured on every person wherever he may have lived.

Another important event of this convention was the putting into operation of the Supervising Collection Department. Unfortunately, many people included in this forty-two per cent who move each year leave behind them a balance on the wrong side of their creditor's ledger. Realizing the need of a chain of collection service units, who would give honest, reliable collection service on retail consumer accounts, this department was created by the National Retail Credit Association for the use of those bureaus—approximately one half of the total number—which maintain collection departments. A national organization of this sort was destined to be of great service to those bureaus with such departments in the collection of past due accounts for their members.
Although the Supervising Collection Department was organized in June, 1930, it was not until the fall of 1930 that applications for membership could be taken, on account of the work involved in getting out proper application blanks and other necessary forms. However, by April, 1932, over 650 collection service units had had their applications accepted and had become members of this department.\(^\text{21}\) A most rigid investigation is made on every application to this department and no applicant can obtain membership unless this investigation shows him to be fully qualified. Creditors whose claims are taken over by this department are thus assured of reliable, efficient and honest collection service on retail accounts—a thing which had not always been possible before.

At a convention recently following the organization of this collection department, an outstanding retailer said, speaking of the Supervising Collection Department, "This is certainly a move in the right direction which will be of great benefit to the retail business men of the country."\(^\text{22}\)

The Consent Decree

It was very difficult to allocate the Consent

\(^{21}\) Weld, Lyman P., "Activities of the National Retail Credit Association," The Credit World, op. cit., April, 1932, p. 29.

\(^{22}\) Ibid., p. 29.
Decree to any one specific time, because of its various ramifications and later developments, explanations, and answers. However, in a strictly historical sense, it would date from the actual date on which it was filed during the year 1933. Since this is the case, we shall attempt to explain the reasons for the Consent Decree, its provisions and effects, at this point in the history of the National Retail Credit Association.

It should however be understood that in another consideration the Consent Decree is a current matter and could be dealt with as such, for the reason that its provisions are of vital and extraordinary interest to every bureau manager, both now and in the future to be affiliated with the National Consumer Credit Reporting Company of the National Retail Credit Association. Bureau managers today must pledge to abide by the provisions of the Consent Decree, before they can be admitted for membership in the National Consumer Credit Reporting Company.

To define the Consent Decree, we may say that it was simply an injunction by the United States government against the National Retail Credit Association because of the attempts by various member bureaus at restraint of competition through refusing to allow the concerns which they serviced to give out information to independent bureaus or credit
reporting agencies.

The specific charge against the National Retail Credit Association, its officers, directors, and approximately 22,000 members, as stated in the petitions filed June, 1933, in the United States District Court for the Eastern District of Missouri was: "The defendants have combined and conspired to restrain and monopolize the aforesaid interstate trade and commerce in credit reports and information in violation of the Act of Congress approved July 2, 1890, entitled, 'An Act to protect trade and commerce against unlawful restraints and monopolies.'" 23

This act to which the charge refers is commonly known as the Sherman Anti-Trust Act.

It was charged that the Association had in the files of its members practically all of the credit information as to the buying public of the United States. To quote from the Bill of Complaint, "The Credit Agency members of the Association have on hand credit reports and information pertaining to upward of sixty million retail consumers in the United States." 24 In other words, the Government maintained that the Association had a monopoly on the retail credit information of the nation.

According to Honorable Lawrence McDaniel's


24. Ibid., p. 7.
explanation of the Consent Decree, it was felt by the Department of Justice that this monopoly was good for all concerned; the merchant, the retail buyer, and business generally. It was claimed that the great volume of retail business could not be carried on with the small percentage of loss incident to credit granting if this information were not quickly available; and that if the Government had felt that the monopoly was harmful to the public generally, they would have asked for the dissolution of the Association and the indictment on criminal charges of those responsible for the monopoly. Nevertheless, the National Retail Credit Association was convicted under the Sherman Act for its efforts in restraining competition, and on the 6th day of October, 1933, a Consent Decree was entered in the case whereby the defendants were "permanently and perpetually enjoined" or restrained from certain specifically stated acts, all having to do with the manner, place, or methods by which the bureaus could gather or sell credit information.

After the Consent Decree the Association in every way sought to have its members become familiar with the terms of the decree, so as to adhere strictly to the rules as they were set down. With so large a membership, and with the membership changing from time to time it was very difficult to see that knowledge of

the consent decree reached every one. This fact, coupled with the complexities of the decree itself and the layman's natural reluctance to spend the time necessary for a careful study of its provisions, made it almost inevitable that some violations would unintentionally occur.

So it was that on or about the first of April, 1935, the United States charged the Association, the Corporation, and the various stores, individuals and credit agencies with violating the Consent Decree, and cited the various acts of violation and contempt which were committed by the defendants—members of the National Retail Credit Association. The charges, made against approximately thirty-five individual stores, included statements in bulletins; statements made at meetings of bureaus and associations; and conduct regarding direct inquiries.

On the 6th day of May, 1936, various defendants pleaded guilty and were fined, the case against the stores charged in citation for contempt being dismissed by the Government. The stipulation which was filed by the Association, although not deviating from the original provisions of the Decree did clarify them to some extent. There are two provisions contained in this stipulation which the Association promises to impose on its members as a condition for mem-
bersonship and to warn the membership that failure to observe such conditions may result in severe penalties for contempt of the Consent Decree.

Summarized and put into popular language, these two provisions to which the National Retail Credit Association must strictly adhere in all its operations are:26

1. All individual members, that is, merchants, stores, and the like must refrain from any agreement or tacit understanding that they will refuse to answer direct inquiries for credit reports and information and will abandon any agreement or understanding and concerted practice of referring all such direct inquiries to credit bureaus of the association of which they are members.

This simply means that the merchant or bureau may do anything they please with a direct inquiry, from answering it to tearing it up and throwing it in their wastebasket. But if the latter course is taken and they refuse to answer the inquiry, it must be for reasons of their own personal making. In other words, there must not be any understanding or practice indulged in by the merchants or bureaus of the community in the nature of a monopoly.

Every store should handle the direct inquiries on the merit of each inquiry, but they must bear in mind that concerted practice of tacit understanding may have the same effect in law as an agreement.

If, for instance, in Chattanooga all the merchants made a practice of referring their direct inquiries to the Retail Credit Men's Association rather than occasionally to their competitor, the Retail Credit Company, that might be a violation of the Anti-Trust laws by reason of the practice and not by reason of any agreement.

2. That the Credit Bureaus or agency members of either the Association or the Corporation must give credit reports to members and non-members alike without price discrimination, except where the bureau is owned or supported or controlled by the stores and there is a different price to the public in which case prices to the public and not to the member stores will govern in connection with non-member inquiries, local, foreign, and interbureaus.

The second provision, in other words, has to do with the selling of the retail credit information by the Association. By it the Government says that, since the National Retail Credit Association through its bureaus has a monopoly of the retail credit information of the nation, and since they offer it for sale, that they must serve everyone who seeks to buy at the regular price.

The Association did not fight the Government in this case for many different reasons, anyone of them being sufficient cause for their entering into a Consent Decree. In the first place, the Association was not financially able to fight since it was estimated
that costs of the defense, if properly prepared and presented, would have run as high as $60,000. Even this amount was a conservative estimate, judging from the past experiences of firms who have attempted to defend themselves against the Government.

In the second place, by a provision stated in the Anti-Trust law, if the National Retail Credit Association had defended and lost the suit, anyone who felt that they had been damaged by establishment and maintenance of the monopoly could have filed an action for damages. Then, by merely introducing a copy of the Decree of the court and proving damages, they could have recovered three times their actual damages.

Before leaving this discussion of the Consent Decree, we should mention the effect which it has had on the operation of the member bureaus. Mr. George Lundy is head of the Chattanooga Retail Credit Men's Association, which is a credit reporting bureau, and, as a unit of the National Retail Credit Association, under the jurisdiction of the Consent Decree. In his opinion, the Decree serves as a very important factor in maintaining higher standards of efficiency than would be found were there no competition in the operation of the individual bureaus.

The only disadvantage lies in the effect on the member bureaus which naturally are deprived of some of the business which they would otherwise get under the previous monopolistic conditions. But, according to Mr. Lundy, as long as the bureau will maintain a high degree of efficiency in its service it need not fear competition; and if it does not maintain this degree of service, it deserves to be weeded out. Maximum service for minimum cost will enable any bureau to compete successfully and to stand on its own feet without the help of monopolistic rules and practices.

1934

Following the Toronto Convention in 1932 there was increasing pressure from the bureaus all over the country to organize into a more closely knit unit. Progress toward this desired end was made at the national convention in 1934 when the Service Department, made up of well over 1200 bureaus, came under the jurisdiction of a newly organized and separate organization known as the National Consumer Credit Reporting Corporation. This latter organization had been previously authorized at the 1932 national convention held in Washington, D. C.

Conditions forced the authorization of the National Consumer Credit Reporting Corporation and they make its continuation a necessity. When business was
localized, as it was previous to 1920, community credit bureaus, serving a limited membership and interchanging reports, were sufficient to meet all strictly consumer reporting requirements. Increase in the distribution of all types of commodities by credit since then has changed the picture. The manufacturer now sells commodities direct to the consumer, without the interposition of the middleman. These commodities cover the field from human necessities to luxuries.

Bureau managers realize that local ledger clearances tell only a part of the story of consumer indebtedness. Customers buying from local retailers are at the same time obligating themselves to other types of distribution. Beginning in 1930 and becoming increasingly keen during this four year period, competition in the consumer reporting field was the problem which had to be met. The bureau managers who were already members of the National Retail Credit Association became increasingly insistent with their question, "Why doesn't the National Association get this business for us?" In order to answer this question and at the same time to solve this problem the National Consumer Credit Reporting Corporation was organized.

The Corporation was chartered under the laws of
Missouri in August following its authorization in 1932. The San Francisco, Dallas, and Chicago offices were opened respectively in September and December, 1932, and November, 1933. The New York City and Atlanta offices had been previously established in March and May of 1932. Production on a national scale was really started in October, 1933, and it is felt that satisfactory progress has been made in the securing of service agreements and development of reporting business.\(^{28}\)

The transfer of the functions of the Supervising Collection Department and the Forms Department to the new organization was also felt to be essential for the future growth and development of the National Retail Credit Association and its subsidiary, the National Consumer Credit Reporting Corporation. The Forms Department is a department which renders valuable service in connection with organization of new bureaus and collection departments.

In 1934 when the bureaus came under the jurisdiction of the National Consumer Credit Reporting Corporation the membership had increased to well over 1200 as a result of an educational program of the Association and the splendid cooperation of credit executives and credit bureau managers. This

\(^{28}\) Annual Reports of Officers and Committees to the Twenty-first Annual Convention of The National Retail Credit Association, Memphis, June 19-22, 1934, p. 17.
change in organization, although it did provide for a separate bureau department, did not lessen in any way the cooperation between the two groups. The bureaus have continued to be closely affiliated with the National Association in aims and purposes, holding joint conventions each year.

With only this brief mention of the bureaus because of the important role which they played in the business carried on at the Memphis convention, we may nevertheless see that for the first time closer cooperation with the bureaus was realized to be a strict necessity. We have reserved a fuller discussion of the bureaus—their organizational set-up, accomplishments, and national cooperation—for a later chapter.

Another accomplishment of the Memphis convention was the proposal of a new organizational set-up calling for regional districts throughout the United States. Following this proposal, eleven districts, composed of a convenient number of adjacent states, were arbitrarily designated. These regions include on a much smaller scale the organizations represented in the National Convention, in that they are made up of a Credit Managers' Group, a Credit Bureau Managers' Group and a Supervising Collection Department Managers' Group. States comprising the regional districts are:

#1 Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Que-
bec, Canada.

#2 Delaware, Washington, D. C., Maryland, New Jersey, New York, Pennsylvania, Virginia, Ontario, Canada.

#3 Florida, Georgia, North Carolina, South Carolina.

#4 Alabama, Louisiana, Mississippi, Tennessee.

#5 Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin.

#6 Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Manitoba, Canada.

#7 Arkansas, Kansas, Missouri, Oklahoma.

#8 Texas.

#9 Arizona, Colorado, New Mexico, Utah, Wyoming.

#10 Alaska, Idaho, Montana, Oregon, Washington, Alberta, Canada, British Columbia, Canada, Saskatchewan, Canada.

#11 California, Hawaii, Nevada.

The three managers' groups of each district meet together in one annual conference, each district having its own officers and directors and each conducting its own program.

This new set-up has been successful not only in facilitating any business or survey to be carried on by the National Retail Credit Association during the interim of the national convention but also in giving those credit men, who are unable to attend the national convention, an opportunity to hold smaller regional meetings. For instance, many stores in Chattanooga would not be able to send their credit managers any great distances to a convention held perhaps in San Antonio or San Francisco. But many of them will be able to send representatives to a convention held anywhere in the four states comprising district #4. By
means of their own regional meetings, which are usually held in the spring so as not to conflict with the national convention, these credit men are able to discuss their problems and accomplishments with credit men from other cities.

In perhaps no other field of business is discussion and intercourse of more value than it is in the field of credit work. A credit manager in a Birmingham store may have found a solution to some particularly knotty problem almost identical to that confronting the credit manager of Miller Brothers in Chattanooga. This is only one very simple illustration of the many benefits to be derived from such meetings, which more credit men are privileged to attend because of the regional district set-up. In addition to their regional group the credit bureau managers have also annual state meetings composed only of the bureau managers.

Before concluding our discussion of the many outstanding accomplishments which mark this as an important year in the life of the National Retail Credit Association, we must say just a word regarding the convention itself.

This 1934 convention held in Memphis was the twenty-first annual convention of the National Retail Credit Association. Due to the well-remembered depression conditions present in 1933, it was felt
that attendance at a national convention would not justify the holding of such a meeting, and so it was that the Memphis convention was the first convention in two years. Whether because of this fact or because of the now apparent proof—seen from deplorable credit conditions of the depression—that an organization engaged in credit control was working in a very important field, it carried a new note of aggressive optimism. The Memphis convention was a purposeful convention, full of enthusiasm and action. Attendance also was outstanding in that there were 800 delegates who registered and attended sessions regularly.29

This attendance may be largely attributed to the splendid work done in preparation for the convention by a committee named in the early part of 1933, to function until the Memphis convention. This committee was called the "Old Guard Committee" in honor of those credit men who, by their deeds, actions and accomplishments, have had their names inseparably linked with the National Retail Credit Association.

The "Old Guard" was a term which had been applied for several years to those first leaders upon whose efforts the early progress of the National was almost wholly dependent. It was felt only fitting to honor

those men who had given so unselfishly of their time, efforts, and even personal funds to a cause which they considered worthy of any sacrifice they might make—the building of a great credit fraternity. Leopold L. Meyer, past president of the Association, was appointed chairman of the committee and he, in turn, invited all living past presidents to serve as vice-chairmen. In addition to the chairman and vice-chairmen, the "Old Guard Committee" was composed of 100 credit managers, who were asked to serve on the committee with the objective of eventually having a committee member in every city of importance.

The real purpose of the committee was to build up membership in both the national and local credit associations; to recreate the interest and enthusiasm which were felt to be lagging under the unsettled conditions of the depression years. During the fiscal year of 1933, 4,212 memberships were cancelled owing to bankruptcies, consolidations, and firms going out of business. This was two less than the previous year of 1932 when there were 4,210 cancellations. New members for 1933 numbered only 1,856 as compared with 3,819 of the preceding year. It was felt that a crisis had come in the financial and commercial life of the nation; that the credit structure was shaken and that the new and unusual condi-

tions could best be met by such experienced leaders as those making up the "Old Guard."

Each individual committee member was asked to carry on the work of "selling" the Association in his own community. May 4, 1933, was designated throughout the entire country as "Old Guard" Day, and each local association was asked to plan a program for that day, following as nearly as possible a schedule or plan suggested by the committee. The programs were to center around the seven definite objectives of the "Old Guard Committee":

1. To arouse credit men to a consciousness of their own significance in the credit world and to arouse the credit fraternity as a whole from its dormancy in credit affairs in general, and in the affairs of the N. R. C. A. in particular.

2. To develop outstanding credit men in the various communities, and to cultivate potential leadership in these men in order that such men might, in the course of events, and through meritorious accomplishments, ultimately administer the affairs of the N. R. C. A.

3. To suggest and work out educational features which will add interest to local Association meetings.

4. To advise and counsel bureau managers for the purpose of developing the bureau, both as regards service and necessary revenue.

5. To sponsor, encourage, and cooperate—

ate in the establishment of new credit theories and policies practicable under the new economic conditions.

6. To prepare short inspirational articles for The Credit World which articles shall be given especial publicity by the editors.

7. To educate the merchants of this country to the necessity of sending their credit managers to conventions, in order to insure a contact with other credit managers, as a result of which a badly needed broader interchange of credit thoughts and ideas may be developed; and also to remind the merchants that the Memphis Convention is to be dedicated to a serious consideration of the vital problems now confronting the credit fraternity.

Thus, the Memphis Convention was outstanding in the minds of credit men for its preparation as well as accomplishments. Credit managers began to realize more than ever before that they were responsible for the success or failure of credit as a builder of business, and more than ever before a need was felt for study courses in credit sales management. Such courses were recommended to the convention.

The Educational Committee reported at the convention that an excellent collection manual had been prepared and would be ready for distribution among the members in a short time. The course of instruction as planned included seventeen subjects, each of which were carefully and thoughtfully worked out by outstanding men in the collection field. Some of
the subjects are:

1. Set-up of the office, needed files, indexes, etc.
2. Form letters and their use.
3. Underlying principles to consider in writing good collection letters.
4. The use of the telephone and telegraph in making collections.
5. Understanding the debtor and the duty of the creditor to the debtor.
6. Interviewing the delinquent debtor.
7. When and when not to sue.
8. Collecting small accounts at a profit.

32. Annual Reports of Officers and Committees to the Twenty-first Annual Convention of the National Retail Credit Association, Memphis, June 19-22, 1934, p. 16.
The Service Department or Inter-Bureau Reporting Department under the National Consumer Credit Reporting Corporation, was never essentially a business organization, but was primarily a promotional and educational department, designed to unify and harmonize the practices of all member bureaus and provide for efficient and uniform reporting between member credit bureaus. Because of this fact it was decided at the Spokane convention in 1937 that the interests of all member bureaus of the Inter-Bureau Reporting Department would best be served by separating it from all other organizations and setting it up as a non-profit association. This was done on July 28, 1937, under the corporate title and according to the Missouri Statutes as the Associated Credit Bureaus of America, Incorporated.

The Associated Credit Bureaus of America, Inc., therefore, is a non-profit association, chartered for educational purposes on behalf of its members and the credit granting merchants and business houses as well as on behalf of the consumers themselves. Its
income is derived from dues paid by member bureaus, of which in 1939 there were 1310, the largest number in the history of the Association. Aside from its educational objectives, the purposes of the Association are to promote friendly relationships between all member bureaus; to provide uniformity and efficiency in reporting between bureaus; and in every way possible to aid in the service that all bureaus are striving to render to their local member business houses. Better to accomplish this purpose and to provide for educational activities, the United States and Canada have been divided into nine geographical areas, each of which is known as a "district," all of which have been organized under corporate charters as separate entities, and are known variously as Associated Credit Bureaus of Pacific Northwest; Associated Credit Bureaus, Fifth District; Associated Credit Bureaus of Midwest; Northeastern Credit Bureaus, Inc.; Associated Credit Bureaus, Ninth District; Associated Credit Bureaus of Tennessee; etc.

Following this important step more and more attention came to be paid to the workings and formation of Retail Credit Bureaus all over the country. Therefore, it is not out of place at this time to describe just what sort of place the Bureaus have come to occupy in the field of credit granting.
Briefly, the reason that every community should have a properly set up and operated credit bureau may be stated in the following facts. Within the past ten years or so retail credit, in both open account and installment phases, has undergone so many rapid changes and has increased in volume so tremendously that it is no longer possible for the credit grantee to know what he needs to know about the paying habits, the ability or the existing obligations of his customers. Even in the smaller communities, where the retailer may know most of his patrons intimately, he can no longer be aware of the extent to which other retailer's, both locally and in other cities, may have sold his customers on a charge basis. In all cities and towns of any consequence in the United States the answer has been found by setting up an office from which can be drawn the composite picture of the three "C's" of credit granting—character, capital, and capacity for all individuals. In brief, this is the entire working principle of the credit bureau.

A retail credit bureau can only be organized if the retail credit granting interests of any community are willing to give it their financial support and their cooperation. It acts solely as a clearing house of information given to it by its
members and all other available outside sources. The retail credit bureau does not give opinions; it does not manufacture information; and under no circumstances is it a forecaster or a judge of the future. It gives out only the information it receives, without bias or prejudice; regardless of whether it may be good, bad, or indifferent.

Any business firm or individual selling merchandise or services to the consumers on a credit basis is eligible and should be solicited to join and cooperate with the retail credit bureaus. As part of the widespread educational campaign of the Associated Credit Bureaus of America, an article containing complete instructions on how to organize a retail credit bureau, the sources of information, the plan for the files and other such matters has been prepared and is available upon request. 33

Any individual, firm or corporation doing a reporting or reference clearance business primarily on consumers, and which maintains active files of the ledger accounts of representative credit-granting firms, individuals, or professional men, may be eligible to file an application for membership in the Association. Because too frequently in the past, newly organized bureaus upon being accepted to mem-

33. "First Steps in the Organization of a Retail Credit Bureau," The Associated Credit Bureaus of America, 1218 Olive St., St. Louis, Missouri.
Exhibit 6: Bar graph chart showing the individual membership of the National Retail Credit Association from its organization through 1937.
bership in the Associated Credit Bureaus of America discontinued operations due to improper financing, or inexperience of the management, more stringent rules for membership were adopted.

Present requirements are that a bureau, in order to be eligible for membership must first have been in continuous operation for a period of at least six months and must be able to demonstrate to the satisfaction of the Board of Directors of the Associated Credit Bureaus of America, that it is qualified to render a complete credit reporting service, and that it is cooperatively and financially supported by at least a representative number of the retail credit-granting establishments of the community. The applying bureau must also show reasonable growth and progress during the first six months of its operation and that it has reason to be considered a permanent venture.

Also, because of the growing necessity for prompt and reliable credit reporting, the requirements for membership in the Associated Credit Bureaus of America are of necessity growing more strict. All applications are thoroughly investigated before being passed upon by the Board of Directors. There is no intention whatever to restrict membership or to arbitrarily limit the number of members, but more
rigid requirements have been set up for the sole purpose of providing retail credit-granting merchants of the nation with a reliable, permanent, and stable national body of retail credit bureaus. Membership in the Associated Credit Bureaus of America is a recognition of efficiency and merit, and it is never extended lightly by the officers of the Association. It is a privilege that must be earned and maintained at all times.

As we have already mentioned on several occasions, the development and growth of the bureaus has taken place along with the development of the National Retail Credit Association. Their accomplishments, aims, and purposes are so irrevocably linked together that no history of the National Retail Credit Association could possibly reserve its discussion to the work of that organization alone. Even after the incorporation of the Associated Credit Bureaus of America, the bureaus were still a part, for all practical purposes, of the set-up of the National Retail Credit Association. Not only do the two organizations hold joint conventions each year, but their main offices are located at the same address in St. Louis, Missouri. It can be readily seen then how close the affiliation is and how any consideration of the one group must necessarily involve a consideration of the other.
In the past—up until the 1934 change in the bureau organization to the National Consumer Credit Reporting Corporation—the impression was widespread even among credit executives themselves that the National Retail Credit Association was made up principally of retail credit bureaus. Some who were unfamiliar with the organization thought of it as a credit bureau organization. This was not the case, for in 1934 when the change was made the bureaus represented a little less than ten per cent of the total membership in the National Retail Credit Association. The remainder of the membership—ninety per cent—consisted of retailers, public utilities, banks, finance companies, and professional men of the country; the term professional men being here used to include doctors, dentists, hospitals, and clinics—in other words, people who render a professional service as contrasted to those who sell merchandise over a counter.

In actual practice, then, the National Retail Credit Association has always been under the control of the credit men, and under the new set-up following the 1934 change and the organization in 1937 of the Associated Credit Bureaus of America the influence of the bureaus in National Association affairs was less than ever.
By these changes the National Association did not intend to minimize the bureaus or to ignore their importance. On the contrary, it was fully realized that retail credit bureaus are a necessity to safe and sane credit granting; and that they form one of the many props upon which the manager of credit sales must lean. In the opinion of Mr. Charles M. Reed, a former president of the National Retail Credit Association and General Manager of the Retail Credit Men's Association of Denver, Colorado, a good credit bureau must be back of and supported by every representative association of credit granters. He says further that "It behooves the credit manager to work in close harmony with the bureau manager so that the bureau may reach a high state of perfection and serve to the entire satisfaction of its membership." 34

This is the manner, according to Mr. Reed, in which the Denver bureau has been operated for thirty years and it has proved during this time to be a very satisfactory arrangement. Practically all retail activity of that section, particularly where all important matters of credit and collections are concerned, is centered in the Denver Retail Credit Men's Association, which Association is, in turn, a loyal supporter of the National Retail Credit Association.

It is through such local bureau associations as described here that the credit executives, working in close harmony with executives of the various stores in the community, are able to conduct educational courses, statistical research and many other features having to do with the safeguarding of the members' interests. For example, the Retail Credit Association of New Orleans publishes an eight-page monthly periodical called "The Credit Educator." This little publication is a valuable asset to that association and contains articles of general and local current interest to business men as well as collection percentages, credit terms, or suggestions of needed improvements in the field of retail credit granting.

Additional reason for the close cooperation between the Associated Credit Bureaus of America and the National Retail Credit Association since the incorporation of the former organization in 1937 is that, in the final analysis, the interests of the credit executive and the credit bureau manager coincide. The credit executive is primarily interested in safeguarding his store against credit losses, against fraudulent purchases, against swindlers and bad-check operators. He is interested in proper selection of credit risks and the prevention of frozen assets in
the form of delinquent accounts. The credit bureau manager's mission and the reason for the existence of the credit bureau is to gather and record and furnish to the credit executive such information as will help to achieve these objectives.

A good parallel in the purposes of the individual credit managers and the credit bureaus was drawn by Mr. Lundy of the Chattanooga Retail Credit Men's Association, an Association which has been in operation for twenty-three years and is a member of both the Associated Credit Bureaus of America and the National Retail Credit Association. He said that the main objective of the credit manager was the controlling of the credit situation in his particular store; the main objective of the bureau is the giving of necessary information so as to enable the credit manager to maintain this control.

The Retail Credit Men's Association of Chattanooga

The Retail Credit Men's Association of Chattanooga finds desirable the practice of holding weekly luncheon meetings. An average of about forty credit managers attend these meetings, held every Friday in the private dining room of Miller Brothers store. The program usually consists of one or two speakers, usually on some specialized phase of credit, such as bankruptcy, although topics of current interest, such
as patriotism are sometimes chosen. Following the planned program there is a discussion period during which the credit managers discuss their various problems, calling any overloaded credit customers by name to enable other credit managers to identify them.

Of course, these meetings are essentially for the credit managers division of the Retail Credit Men's Association. However, we may see how really close the connection is between the credit managers' problems and the work of the bureau when we consider another function of the Association. The Chattanooga Retail Credit Men's Association does not maintain a collection service as do a large number of the bureaus, but one feature of their service consists in helping overloaded customers to preserve their credit standing. To do this the bureau will often attempt to persuade the individual to borrow money from the bank with which to pay his creditors. In addition, the bureau will also use its influence to persuade the bank to lend to the individual. There are three distinct reasons for the bureau's helping the customers in this way.

1. The most important reason which is directly in keeping with the aim and purposes of the bureau is to save the various creditors from permanent loss through the individual's declaring bank-
ruptcy and freeing himself from responsibility for his debts.

2. The second reason and a more unselfish one than the first is a real desire on the part of the bureau to save, if possible, the credit reputation of the individual.

3. The last reason is really a combination of the first two. The bureau helps the individual to borrow money in order that he may pay his creditors.

When the Retail Credit Men's Association performs this service for an individual it usually is accompanied by the "tieving up" of that person's credit. This is an expression which is frequently used by credit bureaus. It simply means that the particular individual in question has given the bureau a promise that he will not attempt to buy on credit until all of his obligations have been paid in full. When such a promise has been received the bureau is automatically given a power which it does not possess under ordinary conditions; that is, the power to tell a store not to sell to that customer on credit. If a credit transaction is made in such a case—the individual breaks his promise and the store pays no attention to the bureau's request—the store assumes full responsibility for the account and can expect no aid from the credit bureau.

The Retail Credit Men's Association of Chattanooga now has 290 members and an average of 340 sub-
scribers. The difference between its members and subscribers lies in the fact that the members contribute a regular stipulated amount to the Association while the subscribers use the service, paying only for the service used. However, as is to be expected, the rates of the service to the subscribers are higher and yield a profit to the Association while the members receive service at cost.

The only criticism which we would mention before leaving this consideration of the Retail Credit Men's Association of Chattanooga is the fact that there are only thirty-two members of the National Retail Credit Association in Chattanooga. This is, we believe, the smallest number in any city of the same size as Chattanooga, and is a condition which should definitely be remedied by our local unit of the National Retail Credit Association. The reason for this small number of members probably lies in the fact that the local unit of the National Retail Credit Association in Chattanooga—the Retail Credit Men's Association—has grown to be more of a bureau organization and as such is not as interested in seeking members for the National Association.

A remedy for just such a problem as the one mentioned above was suggested by Mrs. Verne Zimmerman in an address before the Thirteenth District Confer-
ence, Milwaukee, Wisconsin, April 13, 1937. She believes that every city having a credit bureau should also have a local credit association, a local unit, in other words, closely affiliated with the National Retail Credit Association as well as with the local credit bureau. Furthermore, it is her opinion that every credit bureau manager would find it profitable to foster such an organization as well as to encourage 100 per cent national membership among his own local members. It can easily be seen how the National Retail Credit Association by educating its members in proper credit procedure could be of great help to any bureau manager desiring to improve credit conditions in his own community, for without such a national consciousness among his members he would be working alone in proposing credit improvements. However, the one deterrent factor in the organization of local credit groups where there are already established credit bureaus is the spirit of selfishness that seems a necessary evil in our system of highly competitive business. Business men must be made to understand that while sales may be and surely are competitive, the granting of credit should not be competitive.

Although this discussion of the Chattanooga

Retail Credit Men's Association seems in one sense to have resulted in a departure from the original subject of this, we hope by this description of one example to have enabled the reader to realize more clearly the organization, function, and importance of the retail credit bureaus as they operate as members of the Associated Credit Bureaus of America.

A Brief Comparison of the National Consumer Credit Reporting Corporation and the Associated Credit Bureaus of America

The National Consumer Credit Reporting Corporation, which will be remembered as the bureau organization up until 1937, still maintains its place in the credit field, operating as a business corporation from offices in New York City.

The essential differences in the services and functions performed by this organization and the Associated Credit Bureaus of America, Inc., lies in the fact, as we have already mentioned, that the National Consumer Credit Reporting Corporation was organized originally for the purpose of enabling its member bureaus to successfully compete with the large national companies. The large credit reporting corporations were coming into existence and through their many scattered branch bureaus were gaining a very large share of the credit reporting business. So the National
Consumer Credit Reporting Corporation was organized and incorporated on a basis as nearly as possible similar to that of these large competitor companies. It is an organization owned and created by the bureaus which contributed money for its organization. The National Consumer Credit Reporting Corporation, then, as a corporation can actually conduct a business and therein is an essential point of difference with the Associated Credit Bureaus of America, which is a different type of corporation and cannot carry on a business.

With the organization of the Associated Credit Bureaus of America, all the bureaus banded themselves together to affiliate with it. But within this group there remained some larger bureaus in important cities which had needs that the average bureau does not feel and it was this group of larger bureaus that continued to be served by the National Consumer Credit Reporting Corporation.

To make the distinction clear we may consider the National Consumer Credit Reporting Corporation, which is by far the smaller organization, as a group within the larger group of Associated Credit Bureaus of America. Every bureau which is a member of the National Consumer Credit Reporting Corporation is also a member of the Associated Credit Bureaus of America, but
the reverse is not true.

The Associated Credit Bureaus of America has performed its main functions in inter-bureau relations. Not only has it standardized the report forms to be used by one bureau in sending reports to another, but it has set up a type of clearing house to standardize rates and facilitate payments for these reports.

**Rating Books**

Before closing this chapter and our discussion of the bureaus, we must mention one other function carried on by about three per cent of the existing bureaus. This is the practice of publishing rating books. In most cities the rating book tends to be very unpopular among the individuals, though there is a claim made for it because of its psychological effect in appealing to the individual's sense of pride.

In a survey compiled recently by the Research Division of the National Retail Credit Association six bureaus in six different cities expressed their opinions of rating books. One bureau was unalterably opposed and another was not in favor of continuing its publication of a rating book, but had not been successful in devising a way to obtain an equal amount of revenue from any other source. The
remaining four expressed the opinion that rating books were desirable from the standpoint of both their members and the individuals.

Many difficulties can, of course, be seen in any attempt to set down in cold figures anything as changeable as a person's credit standing. The Sioux Falls Bureau expresses the opinion that, in the case of an individual whose credit status can by any one of many unforeseen emergencies change almost overnight, a rating book is impractical if a bureau wishes to give up-to-the-minute service.

The enormous amount of work necessary to compile such a book is a second disadvantage. The Birmingham Bureau, which publishes a rating book in loose leaf form, has a crew of people constantly at work revising it, compiling or delivering new sections and trying in every way to keep the volume up to date. This particular bureau also publishes a monthly change sheet, showing vital changes of ratings, additional bankruptcies and individuals filing debtors petitions.

A third argument against the custom is advanced by the Minneapolis Bureau—the information is old before the book is published. This particular bureau, however, believes from actual experience that the percentage of individuals whose ratings change very much is small and intends to continue the publication of its book.
In citing the advantages of rating books, we may mention their importance as a source of desirable revenue to the bureau. It is a means, also, of increasing the membership of a bureau since it is a known fact that it is easier to sell something tangible than something intangible, such as service. Lastly, a rating book can furnish a strong basis for an extensive advertising campaign through its appeal to the individual consumer's pride in maintaining a good rating in the credit guide.
CHAPTER VI

RECENT DEVELOPMENTS IN THE HISTORY OF THE
NATIONAL RETAIL CREDIT ASSOCIATION

Returning for our consideration to an historical basis, we must consider some of the happenings and accomplishments of recent conventions. While there have been no radical changes in organization and set-up as have taken place in previous years, the Association has made real progress in membership, in its financial condition, and in educational and legislative fields.

1938

The twenty-sixth annual convention was held at Pittsburgh, Pennsylvania, June 21-24, 1938. In spite of the chaotic economic conditions which had prevailed during the past year, it was felt that the Association had progressed along many lines. While the membership increase during the past year had not been as large as had been hoped for, there was a net gain of 449 leaving a membership at the close of the year of 14,468.35 Associations affiliating with the National during the year numbered seventeen.

Real improvement was made in the financial condition of the Association with an increase since the

preceding year of well over two thousand dollars in cash on hand and in the bank. In general, it was found that expenses had been kept within the budgeted amounts, and current bills, as had been the policy since March, 1935, were paid in the month in which they were incurred.

The report of the Educational Committee, headed by F. W. Walter, consisted principally in the statement that it had been marking time pending the appearance in the early fall of the new text-book which Dr. Clyde William Phelps had been compiling for the Association. The manuscript, it was reported, had been submitted to the members of the Educational Committee for suggestions, and the final draft was then being edited by Dr. Phelps. The courses of credit training which were then being conducted throughout the country were to continue until such a time as an entirely new course, based on the contents of Dr. Phelps' book, could be devised. It was reported that there were many associations eagerly awaiting its publication for use in credit classes during the coming winter. Mr. J. Gordon Ross, president of the National Retail Credit Association, reported that he had read each chapter of the book, which was to be called "Retail Credit Fundamentals," as it had been finished and was confident that it would be
an outstanding book on retail credit and of valuable aid to the Educational Committee in its work in the future.

Mr. Ross submitted several worthwhile recommendations to the convention, as a result of observations made during the past year in his visits to eleven local associations and various district conferences and meetings of other organizations. Some of these recommendations, intended particularly to increase the value of the Association, are:

1. That a careful study be made of the reasons for the outstanding success of some of the local associations, and the findings be used to invigorate and develop many associations which were not playing the important parts they should in their communities.

Mr. Ross was impressed with the fact that, while the National could be justly proud of the accomplishments of some of its local units, there were too many of these local associations which showed definite lack of organization and effort on the part of their members. The president felt that if this inertia could be overcome by inspiration based on fact supplied by the National office, opportunity would be presented to extend their influence and at the same time increase the membership.

2. That organization and publicity efforts of the National be directed

37. Ross, J. Gordon, Convention report of the President (from Dr. C. W. Phelps' files).
at the merchants as well as the credit men.

Unfortunately all merchants were not familiar with the title "Manager of Credit Sales" and did not realize the enormous opportunity of one in such a position. It was Mr. Ross' conviction that the extent to which the store owners could be encouraged to support the local association would, in a large manner, determine the effectiveness of the associations themselves.

3. That a study be made of the various features presented in the District Conference programs, with a view of recommending use of those features or methods which have proved to be most constructive, interesting, and economical.

At that time more than ever before it was felt essential that the Conference provide sufficient return to justify the expense of attending. Hundreds of the members attend District Conferences who find it impossible to attend the National Convention, and Mr. Ross felt that it was most expedient that the National office do everything possible to assist District officers in planning their Conference programs.

4. That a study be made and publicity given to the most effective plans of promoting District Conference attendance.

Types of publicity, special committees and other activities have a very definite bearing on Conference
attendance. Large attendances and live programs, it was realized, are the result of intelligently planned effort.

5. That a conscientious effort be made to cause the story of credit and bureau service to be presented to the high school students of the country as a part of the school curriculum.

Certainly every credit grantee would be grateful if he knew that future buyers had a definite knowledge of the purposes of credit, the means used to control it, and the responsibilities of the applicant. The knowledge of the most effective use of money and credit is of utmost importance to young people starting out "on their own." Mr. Ross found that for several years excellent results had been obtained through the practice of some of the Associations of telling their story to student groups. However, there is no doubt that the most effective manner to present the picture adequately is by offering it as part of the regular course of instruction.

1939

At the 1939 convention, held in San Francisco, Mr. Leopold M. Karpeles, who had served as its president during the past year, gave a brief resume of the year's accomplishments. He paid especial tribute to Mr. L. S. Crowder, the General Manager-Treasurer, for his accomplishments during the year, and to Mr. Arthur
H. Hert, the Secretary, for his splendid work in the field of research and statistics. In connection with this he mentioned a recent expense survey, compiled under the supervision of that department, which has proven to be of invaluable assistance to credit departments in analyzing their costs.38

The finances of the Association were reported as being in the best shape of its history, with approximately $25,000 in cash and Government bonds on hand at this time, and all current indebtedness to date paid in full.

Among the various committees, the accomplishments of the Educational Committee were especially outstanding as seen from its report, which revealed the fact that sixty-six credit schools, with 4500 students had been established during the year. This enrollment was far in excess of the most optimistic of expectations. In connection with this committee, Dr. Phelps, whose text book, "Retail Credit Fundamentals," has been of such educational value to the Association, is preparing a second, a more advanced course in retail credit. This latter book should be available for use sometime in 1941. Until such time, however, as this text is published Mr. Karpeles recommends the organization of as many new credit

classes as possible using as a basis for their courses of study the present elementary text. Mr. Karpeles also recommended that the officers, Educational Committee and members cooperate to the fullest with Dr. Phelps in preparing these advanced courses on retail credit.

One of the recommendations which the outgoing president made was that the National Retail Credit Association consider the preparation of a study course in letter writing, such course to include not only credit and collection letters, but also business letters in connection with the credit and collection and adjustment departments. This latter recommendation was carried out with the publication in 1940 of a book entitled "Streamlined Letters." Written by Waldo J. Marra in a simple straightforward style, this book was prepared especially for members of the National Retail Credit Association. Neither this book nor "Retail Credit Fundamentals" slights in any way the small store or the medium-sized establishment as is so often the case.

The membership increase at this convention was reported as being in line with expectations based on prevailing economic conditions; the total figure nearing the 16,000 mark.
Credit Women's Breakfast Clubs

The first Credit Women's Breakfast Club was organized in Portland, Oregon, in April, 1930, as the direct outcome of an inspiration and daydream of Miss Edith Shaw, now Mrs. Elsworth Johnson, who for many years had been employed in the office of the Credit Reporting Company of Portland. Miss Shaw in her work came in daily contact with credit men, but more particularly with the girls in their many offices. Through these contacts she had the opportunity to fully realize the many splendid friendships which the men enjoyed through their continued association in civic, state, district, and national credit circles. In contrast to this she also realized what little opportunity the young women engaged in credit work had for forming such friendships.

The realization that closer contact and interchange of ideas between these women would not only mean much to them personally, but a great deal to the firms they represented, prompted the idea of such an organization as would bring them together regularly, both to work and to establish social contacts. This idea was directly in accordance with a philosophy in which Miss Shaw had always believed—that is, that a friend could and would do more for his fellow credit workers than a mere business ac-
quaintance.

Five months after the Portland club was organized, Spokane followed suit. It was not until two years later, July, 1932, that the third club was organized in Vancouver, B. C.; by August, 1936, there were three clubs in British Columbia, five in the state of Washington, two in Oregon, one in Idaho, and one in Montana. These twelve clubs organized into a group which came to be known as the Pacific Northwest District with a total membership when it was organized of a little over 600. These clubs at first did little to encourage other cities to follow their example, for they were experimenting with a new idea, attempting to prove its ability to succeed to the watchful and skeptical eyes of the credit profession of that section. These pioneer clubs realized that time was needed to prove the wisdom of their move, and measure their success, and so they devoted their time to perfecting their own clubs.

Having experimented as the Pacific Northwest District for two years and having overcome numerous operative problems through their annual meetings with the men's Tenth District conference, they felt the time was right for expansion. There were, by

the end of 1938, sixty-one clubs organized in far distant sections of the United States and Canada. On order to best carry on the extension work, to coordinate the work of these separate clubs that they might progress along similar lines, and in order to handle the many inquiries that were being addressed to them on how to organize a breakfast club, the need of an international organization was felt. But what was the most important reason of all was that the Tenth District group realized that it needed the counsel and advise of the clubs outside its district, and believed it would be of tremendous advantage to all if representatives of these sixty-one clubs could get together annually to exchange ideas and ideals.

So it was that in June, 1938, a call to organize was responded to by clubs located in the four corners of the continent. At that meeting held in Spokane, Washington, a constitution and by-laws were adopted, officers elected, committees appointed and the Credit Women's Breakfast Clubs of North America actually started to function. At the end of the first year of operating as an international organization, ninety clubs had been organized.40

It was indeed appropriate that the first or-

organization meeting of the credit women should have taken place in Spokane, Washington—the birthplace of the already famous National Association—and at the same time as the National Retail Credit Association was in session there in its Twenty-fifth Annual Convention. From the floor of their convention a resolution which pledged the support of the entire membership was proposed and unanimously adopted, thus according official recognition which made the newly organized women's group an affiliated part of the Association. The resolution read:

41. Be it resolved: that the National Retail Credit Association in all branches of its activities shall lend its cooperation and active assistance to the Credit Women's Breakfast Clubs of North America in the attainment of its ambitions, in the development of additional units of its organization, in obtaining a broader membership, and in realizing the accomplishment of its lofty ideals and objectives.

The adoption of this resolution gave the women's organization the recognition and prestige of becoming an affiliated part of the well-established Association, giving them the right to meet with the national and participate in their educational programs, both district and national. To assure themselves of always having officers familiar with the work of the National Retail Credit Association, and so that the clubs at

all times will remain in sympathy with the ideals and purposes of the Association, the women's national organization requires that the presidents of the individual clubs be employed by a firm holding National Retail Credit Association membership; that the presidents of each of the thirteen districts now making up the Credit Women's Breakfast Clubs of North America be so employed; and that all international officers meet this requirement, or, if they are not so employed, that they take out individual membership in the National Retail Credit Association.

Purposes

The purposes of the Credit Women's Breakfast Clubs as set forth in the constitution are:

1. To develop a closer contact among credit women.

2. To maintain a friendly relationship between the credit departments of the various firms represented and the local credit bureaus.

3. To stimulate education in the practice and procedure of credits.

4. To foster the aims and ideals of the National Retail Credit Association.

A quotation from an article written by one bureau manager and reprinted in a recent Service Bulletin of the Associated Credit Bureaus of America shows that the Breakfast Club idea is spreading, that these clubs are accomplishing the purposes for which they
were organized and that they are being appreciated and sponsored. The bureau manager urges the support of his members in sponsoring a Breakfast Club in his community:

"We believe that you as an employer will derive a direct benefit from having the girls and women of your organization, who have any connection whatsoever with your bookkeeping or credit departments, affiliate with this club. It has been found by business men in communities having these clubs that the 'camaraderie' established by personal contact between the great majority of women members in the various credit offices in the community promotes harmonious cooperation to an extent which is of incomparable value. The individual Breakfast Club members show an interest in their line of business which was never in evidence before and, in a great many cases, those who lacked ambition in the past, except to do the work placed before them from opening time to closing time, and draw their pay thereafter on pay day, now take an intelligent interest in all credit problems. Likewise, they show keenness to be able to acquit themselves worthily in any company and speak intelligently in public if occasion arises, and educate themselves in credit matters. More important still, they strive to educate the credit seeking public along right lines."
CHAPTER VII

ACCOMPLISHMENTS OF THE NATIONAL RETAIL CREDIT ASSOCIATION

Bettering credit conditions in the retail field has enlisted the support of 16,247 retail credit granters, comprising the membership of the National Retail Credit Association in the United States, Canada, England, Australia, and New Zealand. Today, the credit fraternity stands as an outstanding example of cooperative achievement. Credit executives have gone more than halfway in helping one another. Pooling their confidential information for the common good, they have established a mutual trust that has proved profitable to the retailers.

"In union there is strength" has come true in organized credit as is evidenced by the low credit losses in organized cities. By adopting sound credit policies and educating the consumer public to the proper use of credit, this modern convenience has been placed at the disposal of everyone with a good credit record.

It is our hope that in this last chapter we may leave with the reader some definite ideas concerning the value and achievements of the "National."

42. Membership of the National Retail Credit Association as of March 1, 1941.
For this reason we are devoting this final chapter to a practical summary in outline form of what the National Retail Credit Association has accomplished for its members since its organization in 1912.  

1. Standardized credit procedure and established general principles which should govern the granting of consumer credit.  

A. Pioneered the adoption of standard retail terms and championed the tenth of the month as "national" or "merchants' payday."

The first step was the dividing of all accounts into two distinct classifications, monthly charge accounts and deferred payment accounts.

The monthly charge account provides the privilege of charging purchases on one month's bill and paying for them between the first and tenth of the following month. Bills are due for settlement on the first, but ten days are allowed as a courtesy and convenience. The tenth of the month is, therefore, the "deadline" of national pay day for retail merchants, professional men, and all others who have sold goods or services on credit.

The installment or deferred payment account also has a set pay day. It is either weekly on a specified day, or monthly, semi-monthly, quarterly, semi-annually, or annually as first agreed upon.

43. "Let's Look at the Record," a pamphlet published by the National Retail Credit Association.
B. Has constantly endeavored to eliminate competition in credit terms.

Such competition, it is clearly realized, results in useless and increased bad debt losses for the merchant and future worry, with possible serious consequences for the consumer. One of the governing principles adopted by the National Retail Credit Association states that credit grantees should avoid practices which may result in the consumer becoming involved beyond his ability to pay, thereby impairing his future purchasing power.

C. Advocated the carrying charge on installment contracts, and also promoted the plan of adding a carrying charge on past due monthly charge accounts.

The principle which applies to the former states that an adequate charge, covering the financing functions incident to deferred payment sales, should be made, and at the time of the sale the amount of each charge stated as distinct from the price of the merchandise. Secondly, concerning the charge accounts, it has been ruled that those whose accounts are overdue beyond a stated period should pay an interest charge on such overdue balances.

D. Developed the idea of Community Credit Policies which, with the assistance of the Na-
Good Credit Is Your Magic Wand!

Your Credit Record Is An Open Book

And You Are The

By the Way You Pay, You Write Your Own Record on a Little Card In the Files of the Credit Bureau.

Your credit record is of your own making. The Credit Bureau only keeps the record! Shown in the inset above is an actual credit record (with the customer's name and address omitted). It shows how that customer has paid his accounts—truth as he had written in his own book!

Prompt Payments Make a Good Credit Record — And Keep It "O. K."

Fairy godmothers and magic wands were but fantasies of childhood. But, today, we have at our command a magic force for supplying needs. Modern credit facilities! Millions, today, are buying homes on credit—and furniture, automobiles, electrical appliances, and other modern conveniences that were luxuries but a generation ago!

Use Your Credit and Build a Good Credit Record—
By Paying Promptly, According to Agreement!

Safeguard your credit! Pay all bills by the 10th—or promptly as agreed.

National Retail Credit Association

The remedy for "Q. C." is simpler: Bills are due on the first of the month following purchase and past due after the 10th.

Safeguard your credit! Pay all bills by the 10th—or promptly as agreed.

National Retail Credit Association

Exhibit 7 Educational inserts designed by the National Retail Credit Association in its work for prompt collections.
tional Retail Credit Association, have been adopted in many cities.

An example of one such policy recommended by the Association in 1933 is the following:

It is recognized that retail credit granting involves the following functions:

1. To assist the credit grantor in making sales and to accommodate the consumer.
2. To guard against the extending of credit to those whose responsibility does not measure up to reasonably safe standards.
3. To prevent losses by the prompt and intelligent collection of outstanding accounts.

Accordingly, the following general principles (in addition to those which we have already mentioned) should govern the granting of consumer credit.

1. Such reasonable measures should be taken as may be necessary, according to local conditions, to insure the prompt payment of debts in accordance with contracts so as to secure the necessary turnover of capital.
2. Credit granters, in order to insure safety in retail credit granting should properly investigate all seekers for credit before extending such accommodations, by making use of reputable retail credit bureaus or mercantile agencies, which specialize in such information and to whom a debtor or merchant may apply for, and furnish to pertinent information for the protection of both debtor and merchant.

E. Encouraged the "pooling" of claims.

When it is discovered that a customer owes several members of the local National Retail Credit Association unit and is unable to settle promptly, it
has been found advantageous to "pool" all claims and have the debtor pay a certain amount each day to the association or credit bureau. These payments are then, in turn, divided among the creditors. This plan has proved successful in many cases in saving the individual from bankruptcy proceedings of either voluntary or involuntary nature.

Many local associations are successfully operating "Pooled Accounts" or "Creditor Loan" plans, an outstanding plan being that of the Fort Worth, Texas, Association, which has been described in a recent issue of The Credit World.

II. Sponsored the formation of many local retail credit associations, which in turn have:

A. Made it possible for the merchant, the banker and the professional man to meet and discuss credit problems to their mutual advantage.

B. Fostered the adoption of more uniform methods of extending credit.

Credit should be denied to those who have past due accounts, for it is only in this way that overbuying by the consumer can be prevented. The successful control, then, of overdue accounts depends upon the full cooperation of credit granters and bureaus in giving and securing this information.

C. Furnished the basis for better acquaintancce
and understanding among credit managers.

This has come about, as we have already seen, not only through the local or community meetings, which are usually held weekly, but also through the yearly regional meetings and the national conventions. The value of the understanding and ideas gained from such meetings cannot be too strongly emphasized.

D. Encouraged the cooperation of members in building and making better use of the facilities of credit bureaus in more than 1250 cities.

It is advocated as a standard practice that before opening an account or extending retail credit, adequate information should be obtained to determine the responsibility and the current credit status of each individual. This can be accomplished by clearing, giving, and securing all retail credit information through the representative credit bureau in the community or trade area.

III. Maintained its leadership in credit education.

A. "Pay promptly" advertising campaigns were developed and the consumer educated, through the newspaper and over the radio, to the importance of prompt payment of bills.

These campaigns, conducted by local associations
and credit bureaus for several years, have resulted in increased collections and a marked decrease in credit losses.45

B. Developed attractive collection inserts and stickers.

This material is kept constantly up to date, being changed and redesigned frequently so as to continually render it effective for the merchants’ use.

C. Prepared the Blue Book of Model Credit Sales and Collection Letters which has proved to be of enormous educational value to the credit manager.

Collection letters are becoming of increasing importance as an inexpensive, and fairly successful collection media. The art of making the letter courteous and respectful and at the same time effective requires a great deal of study and practice on the part of the credit manager. Any aid, then, such as is contained in the Blue Book course is indeed welcome.

D. Encouraged the use of national and local emblems on statements and stationery.

Such a practice not only brings desirable publicity to the association, but also, it is felt, lends

We have YOUR NAME in this "Who's Who"

The file of the Credit Bureau contains the credit record of everyone, and every member of the bureau has access to this record.

We consider courteous behavior to be listed in "Who's Who" or the Social Register, but our credit record in the file of the Credit Bureau is far more important in our daily lives.

In this "Who's Who" of business, we list the credit records of the citizens of this community. How they pay their grocer, the butcher, the baker, the upholsterer, the carpet dealer—every credit griller—now you know it? No nonsense—no haggling—credit is earned.

PAY every bill by the TENTH of each month and your installment accounts on the due dates. Build a reputation and a record for promptness.

Exhibit 8 Attractive collection inserts, designed for the merchants' use as part of the educational work of the National Retail Credit Association. Number 6 is a return merchandise insert.

Six in a series, these inserts sell for $2.00 a thousand of any one style, or $2.50 per thousand assorted styles.
Exhibit 9 This "gold" series of stickers is especially attractive and outstanding—effective, rich, and dignified—looking when used by the merchant on his letters or statements. Five in the series, they sell for $3.00 per thousand; of assorted $3.50 per thousand.
Number 6 is a gold emblem sticker which sells for $1.50 per thousand.
Exhibit 10 The newest series of charge account collection stickers contains six different patterns, attractively styled with new copy and new layout. The price: $2.00 per thousand of any one style; or $2.50 assorted styles.
You are urged to make prompt and regular payments, in accordance with your agreement. Paying promptly builds a good credit record.

Thank You!
The promptness with which you have paid your account is appreciated. We hope you will use it regularly.

Protect Your Credit
Your failure to remit amount now due and to make future payments according to the terms of your contract will mar your credit record. Make it a habit to pay promptly.

This is a Blank Statement!
To remind you that we miss your patronage and to extend this invitation:
Use Your Charge Account!

Don't Break Your Promise
Your recent remittance was appreciated. However, it was not in accordance with your promise. Please bring the account into current condition and maintain a record for promptness.

Your Charge Account is Balanced
Yes! We've noticed it, and hope you will use it this month.
We Value Your Patronage!

Exhibit 11 Collection stickers designed especially for use in installment collections. 3 in series.

Exhibit 12 "Inactive" stickers such as these are effective advertisements when used on "blank" statements and sent to the inactive customers once a month.

Prices: $2.00 per thousand; assorted $2.50 per thousand.
prestige to the firm.

E. Developed credit educational courses that have been successfully used in class work in many cities.

Making students credit conscious and interested in the betterment of credit conditions in the communities is a definite forward step. Through such classes as are mentioned the student may choose credit as his vocation and begin to fit himself for the requirements of a modern successful credit manager. The class work is not, of course, limited to students but through lectures, sponsored by local units of the National Retail Credit Association, individuals who are already in credit work may obtain a better understanding of their particular problems; and be led to improved methods of retail credit granting.

IV Furnishes leadership as well as plans, programs, and speakers for state, district, and national conventions.

V Publishes monthly The Credit World—the only magazine devoted exclusively to the problems of retail credit. (See Chapter III)

A. Established a Research Division in order to make factfinding studies of vital credit problems.

Confidential studies are made covering special
problems to enable personalized assistance and advice to be given in answer to a request on any retail credit problem.

B. Promoted the idea that managers of credit sales are important factors in merchandising and the control of credit sales.

VI Maintains a Washington office to watch legislation affecting retail credit and keeps the membership informed through bulletins and articles in The Credit World.

A. It sponsored a change in the postal laws so as to permit the return receipt of a registered letter or package to furnish the address at which the same was delivered, as well as the addressee's name.

B. Through efforts of its members and in cooperation with other organizations, the association brought about the reduction of first class mail rates from three cents to two cents for local delivery.

C. A retail bankruptcy program, in the form of wage earner amortization, has been evolved and a campaign of education carried on as a result of seven years intensive study of this subject.

This program, which became a fact on June 22, 1938,
represents a new conception of bankruptcy jurisprudence and affords an opportunity to the wage earner to pay his debts from his wages or salary without being forced into bankruptcy by garnishments or attachments. Through the cooperation of the credit granter, the consumer and the court, it was hoped that it would prove successful in operation and would salvage many millions of dollars annually for retail credit grantees. Its success in enacting into legislation an appropriate bankruptcy provision is considered one of the outstanding legislative achievements of the National Retail Credit Association.

D. When banks were failing in 1933 and financial skies were dark, retail credit executives, realizing the great importance to their customers of protecting bank deposits, successfully campaigned through the National Retail Credit Association for Insurance to protect such deposits.

VII Cooperates with the United States Department of Commerce in the gathering of data for the annual Retail Credit Survey and other related studies on retail credit.

It was in 1928 that the National Retail Credit Association persuaded Congress to appropriate $25,000 with which to initiate the first Retail Credit Survey.
Supported by the interest of the then Secretary of Commerce, Mr. Hoover, and his assistant, Dr. Julius Klein, and continuing through the present administration of Secretary Roper, the Retail Credit Survey has demonstrated its value to business men and bankers.

VIII. Cooperated with authors and publishers in the publication of important books on retail credit subjects, such as:

A. "Retail Credit Fundamentals" by Dr. Clyde William Phelps, head of the Economics Department of the University of Chattanooga.

B. "Streamlined Letters" by Waldo J. Marra, Correspondence Director, Bank of America, San Francisco, California.

Purposes and Objectives of the National Retail Credit Association

Over a quarter of a century ago the National Retail Credit Association was organized for the purpose of bringing about closer cooperation between credit managers and improving credit conditions through the education of the credit granter as well as the consumer. The purpose differing not at all, it is interesting to note that the objectives of the

The Credit World, December, 1940, p. 32.

Exhibit 13 In compliance with the requests of many members, the National Office has developed a new standard "application for Credit" form. Complete in every detail, it has spaces for all needed information. Prices: 100, $ .75; 500, $2.50; 1,000, $4.25. Actual size: 7" x 9½".
National Retail Credit Association, as stated today
differ very little from those published in the January,
1915, *Credit World.*

Section 1. To bring its members, throughout the United States into
closer relationship for the
purpose of interchanging ideas,
methods, and information, and
rendering mutual assistance.

Section 2. To assist in the organization
and successful conduct of local
retail credit associations.

Section 3. To promote better acquaintance
and clearer affiliation between the credit men, the local
associations, and the rating bureaus (now called Credit Bureaus).

Section 4. To disseminate at regular and
frequent intervals, literature
bearing on the subject of re-
tail credit.

Section 5. To concentrate effort, and there-
by have at command a more power-
ful influence in matters of le-
gislation and law enforcements.

The seven different purposes of the National Re-
tail Credit Association, which serve simply to clarify
and elaborate upon the general purpose which we have
already stated, are:

1. To stimulate interest in educational
activities for the benefit of its
members and not for pecuniary profit.
2. To create fraternal feeling among its
members, and all persons engaged in
credit granting.
3. To unite fraternally for mutual bene-
fit, protection, and improvement of
credit granting and credit granting
conditions, all those engaged in cre-
dit granting.

---

4. To collect and distribute information, educational in its nature, among its members.

5. To hold annual and other conventions where the members may meet and receive instructions and may interchange views and experiences regarding credit granting.

6. To publish and distribute magazines, pamphlets and booklets for the education of its members.

7. To collect, correlate and disseminate statistical data dealing with consumer credit in order to assist its members and others engaged in consumer credit extension to better understand and apply the principles upon which such consumer credit extension is based.

It can readily be seen how all these definitely stated purposes and objectives of the National Retail Credit Association point to one general or paramount aim—the maintenance of sound credit, that is the problem both now and in the future. And there can be found no better definition of the term "sound credit" than that contained in the Code of Ethics, adopted by the National Retail Credit Association:

To encourage the broadest use of consumer credit consistent with sound business principles and the welfare of the community.

To protect the interests of credit grantees and customers alike by obtaining credit reports on all applicants for credit, by reporting to the credit bureau unsatisfactory credit experiences and by declining to sanction unsafe credit risks.

To educate the public in the proper use of credit, as a relation of mutual trust, and to the value of establishing and maintaining good credit records.
To counsel and protect customers against the tragedy of going into debt beyond their ability to pay; to safeguard their credit standing by requiring payments according to agreement.

To cooperate wholeheartedly with the other credit granters in matters of credit policies and credit terms affecting the business welfare of the community and the public good.

Future Goals of the National Retail Credit Association

Like individuals, every institution should have a goal and the Association feels that as an organization it should have a very lofty one. It hopes with the proper guidance in the future to reach a membership goal of 50,000 or more individuals, making its influence felt all over the world. In addition to these members, it hopes to have 2,000 reporting bureaus with 70 million credit data files in them, serving 250,000 subscribers with reporting service. This machinery, it is hoped, will function so efficiently that complete reports will be rendered with dispatch from every point no matter how distant in the United States and Canada.

Going still farther, the Association hopes to achieve the goal of 500 local credit associations, the members of which are, through their community policies, working continually to improve credit conditions in their respective communities and generally

Objectives

1. To render uniform and establish more firmly, the principles upon which consumer credit is based.

2. To encourage the passage, correction and modification of laws, both Federal and State, needed for the equal and just protection of honest debtors and creditors, which will be beneficial to the nation's commerce.

3. To coordinate and improve the methods of consumer credit granting.

4. To assemble and disseminate instructive and desirable data and information on credit and commercial subjects.

5. To amend business customs and practices whereby consumer credit may be benefited and improved and the welfare of commerce advanced.

6. To promote cooperation between consumer credit granters and to perform such other lines and types of work as the members of the Association may determine from time to time are required for the advancement and protection of consumer credit.

Exhibit 14 Taken directly from Article II of the Constitution of the National Retail Credit Association, these are the present day objectives of the Association. Compare these objectives with those stated on the preceding page, which were designed during the early history of the National Retail Credit Association and appeared in a 1915 copy of The Credit World.
advance the profession of Manager of Credit Sales.

As an essential and important part of such a set-up as outlined by future hopes of the Association there would be needed thousands of highly dependable collection attorneys and agencies which would handle collections in an efficient and ethical manner.
CODE OF ETHICS

NATIONAL RETAIL CREDIT ASSOCIATION
National in Name — International in Scope

1. To encourage the broadest use of consumer credit consistent with sound business principles and the welfare of the community.

2. To protect the interests of credit granters and customers alike by obtaining credit reports on all applicants for credit, by reporting to the credit bureau unsatisfactory credit experiences and by declining to sanction unsafe credit risks.

3. To educate the public in the proper use of credit, as a relation of mutual trust, and to the value of establishing and maintaining good credit records.

4. To counsel and protect customers against the tragedy of going into debt beyond their ability to pay; to safeguard their credit standing by requiring payments according to agreement.

5. To cooperate wholeheartedly with other credit granters in matters of credit policies and credit terms affecting the business welfare of the community and the public good.

As cooperating members of the National Retail Credit Association, we heartily subscribe to its Code of Ethics—reproduced above.

Guard Your Credit as a Sacred Trust. Pay All Bills Promptly When Due—According to Agreement

Signature of Local Association

Exhibit 15 The National Retail Credit Association has reason to be proud of its Code of Ethics, which gives direction to its affairs and furnishes it with a guide by which to gauge accomplishments.
BIBLIOGRAPHY


Phelps, Clyde W., Retail Credit Fundamentals, National Retail Credit Association, St. Louis, 1938.

From the files of Dr. Clyde W. Phelps:
Annual Reports of the Officers and Committees to the Annual Conventions of the National Retail Credit Association, 1934, 1936, 1937, 1938.

The Credit World, National Retail Credit Association, St. Louis. (articles from various issues over a period of years).