

Mercantile Credit Survey
Part II

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MERCANTILE CREDIT SURVEY

PART II

COVERING NINE OF TWENTY-FIVE LINES OF TRADE



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FOREWORD

The Mercantile Credit Survey is the outgrowth of several conferences held during 1930 between representatives of the Department of Commerce and credit men throughout the country. It was undertaken at the request of the National Association of Credit Men and was made with the active cooperation of its 140 affiliated associations. More than 6,000 wholesale and manufacturing firms cooperated by giving data reflecting their credit policies. The purpose of the survey was to secure a fund of factual information which will serve as a background for sound credit policies on the part of wholesalers and manufacturers in their dealings with retailers.

The important part played by credit in distribution is indicated by the fact that the credit sales of the 18 lines of trade included in Parts I and II of this survey were 87.4 per cent of total sales in 1930. Men's clothing establishments, with 98.8 per cent, had the highest percentage of credit sales; gasoline, lubricating oil, and grease establishments, with 67.4 per cent, had the lowest percentage. There were numerous firms with all of their business on a credit basis.

The figures presented herein for the years 1928, 1929, and 1930 seem to indicate that, on the whole, the credit extended by wholesalers and manufacturers selling direct to retailers was on a sound basis. At the same time, they also indicate that numerous firms were probably carrying on their business without proper regard for sound principles of credit. Some of these firms had bad-debt losses two or three times as great as the average for firms in the same kind of business. Their collection percentages were half the average, which means that the number of days their accounts receivable were outstanding was twice the average, and the amount of money on the books at a given time for the same volume of business was also twice the average. Their returns and allowance percentages were two or three times as great as they should have been. The profits of these concerns were literally being eaten up by the costs involved in carrying overdue accounts, in losses through uncollectible outstandings, and an unusually high percentage of returned merchandise. One of the effects of the type of management reflected in such figures is to nourish a group of inefficient retailers who are a wasteful burden on the distribution system.

The National Association of Credit Men was represented in the conduct of the survey by Henry H. Heimann, executive manager and former president; David A. Weir, assistant executive manager; and Lawrence Whitty, former president.

The survey was made under the general direction of Dr. Frank M. Surface, assistant director, and H. C. Dunn, chief of the merchandising research division, Bureau of Foreign and Domestic Commerce. Dr. W. C. Plummer, of the Wharton School of Finance and Commerce, University of Pennsylvania, who is retained by the department in connection with its credit researches, was responsible for the preparation of this report. H. T. LaCrosse, of the merchandising research division, assisted in the work. Dr. Theodore N. Beckman and Dr. Frank A. Fall gave the benefit of their advice in the formulation of the questionnaire and on various other matters.

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