

## Credit in Country Stores.

The following pamphlet on the credit system, which has fallen into the hands of *The Commercial*, contains so many good points that we cannot forbear publishing it. The pamphlet was published by W. Clifford, merchant, of Austin, Man., for distribution among his customers. It reads:—

That we should all be the better for paying for the necessities of life, our food and clothing, as we use them, will I think be admitted by all; is such a method of living practicable with us, is a subject this pamphlet proposes to discuss.

A cash system is a hard system to get into when times are bad, but when they are "booming" we do not realize that the same necessity exists. The People's Store was started with the object of gradually working from a credit to a cash system by making a difference between the price of goods bought on credit and those paid for in cash; but unless some more decided step is taken this object will never be attained, for there is always a tendency to expect more accommodation from the local store because it is a local institution, than from a firm that has its headquarters at some distant point. The local merchant being more in touch with his customers, having more opportunities of speaking to them and knowing their financial position, to some extent admits this claim, but one exaggeration grows out of another till some begin to treat, even if they do not maintain it in so many words, the local store as a charitable institution and not as a business one. "If I can't get my groceries on credit till fall, I don't know how I shall pull through," "I'm ashamed to ask you for credit but—" and similar phrases are I think familiar to all country storekeepers, while many are the men who count themselves excellent customers to the local store because they pay their bill regularly at the end of twelve months.

To give the best satisfaction to all a business should be run strictly on business lines. We should not look for credit where we have to apologise for asking for it. No one thinks of apologizing to a loan company when they apply for an advance on farm property. The loan company's business is to advance money at interest, the storekeeper's business is to turn over his capital as frequently as possible.

Let us look for a moment into some of the causes that have led to the credit system in this country, to a system that has given men the idea that they are "good pay" if they settle up at the end of a year. First and foremost, this system has been bred by the fact of Manitoba being a new country; everything starts at sea level as it were; to have left it alone for a hundred years, it would not have gone behind what it was twenty years ago, because at that time it was practically untouched by men, therefore every step taken was an advance, every acre cultivated, every building added was a step towards a development that practically has no limit. This at once created a feeling of confidence; men had no hesitation to buy, and sellers parted readily with their goods, not on the credit of the purchaser, but because of the confidence they had in the country. But in making their calculations they omitted to reckon time, forgot that no matter what the resources of the country were, and they are to-day just as great as ever, it must take time as well as capital to bring about that development, hence promises to pay in comparatively short time were given and accepted with due consideration for unforeseen risks and the time necessary to produce the desired returns, and it is the awakening to these facts that largely tends to the want of confidence and consequent general depression of to-day. The fault was on both sides; the salesman was too ready to part with his goods, for he was confident the amount was to be got out of the land. What does it matter to a man, from a business point of view, whether you or I can hold on to what we have, provided that when we are wiped out our 160 acres are in such a locality and state of

cultivation that some one else will take hold of it when we left off? Many are the complaints raised against machine companies and horse dealers because they have persuaded farmers to purchase what they could have done without. But they were simply business institutions; their object was to make sales and get their money, and it was for the purchaser to know whether he required the money or whether he could purchase them without sacrificing what he already had. The greatest fault was on the part of the purchaser, hence the punishment falls heaviest on him. The salesman was like wise sometimes at fault in estimating the ability of his customer to pay, hence he suffers in proportion, and the depression is felt by both parties.

Another cause is that the returns of our year's labor only come in once a year so long as we depend on wheat alone; and a man who has practically been without money for eight months seems to be unable to hold it when he gets it; hence in the years when wheat was a high price, or a big yield, many could see nothing better than to at once invest the balance of their earnings, after paying their debts (some not even waiting to do that) in land, more machinery or some similar article which could not be turned into money again at a moment's notice should an emergency like the present arise.

But there is another cause which more directly affects the country store than those just cited. The bigger the profits the bigger the risk, and in order to increase his business the merchant will sell on credit, increasing the percentage on his goods to what he thinks will cover the risk of bad debts; so that if he knows a customer has only \$100 cash to spend but will buy \$150 worth of goods if given till fall to pay for them, he will naturally take the risk, which, supposing his man to be industrious and on a good farm, is small, and thus increases his business fifty per cent., otherwise the trade would go elsewhere. Provided the storekeeper adheres strictly to business principles, and selects only such credit customers as he knows to be reliable, his risk is small compared with the increase of business he gains. But in taking these risks the storekeeper opens the door to the man who looks upon him as a charitable institution. "If I pay the cash to you a creditor will sue me for an old debt." "I can give you no security beyond my note, but will make it a point to pay you first if you will only see me through till fall." "You know I paid you up before, won't you trust me again?" and so they follow one another. There is not a single one amongst them who would admit that he was dishonest, that he is getting goods under false pretences or that he is not a man of his word; but the merchant knows from experience that a percentage of these debts will be bad, but that he must wait till fall to get his suspicions confirmed. Why is it that the storekeeper does not draw a hard and fast line that will exclude these customers? Because in doing so he would dismiss a large number who will pay when they say they will; he therefore adds an extra ten per cent. on the goods he sells to all, to cover the loss which he knows is there but cannot detect till it is too late.

By carrying on a strictly cash store all this bad debt risk is wiped out, but in a place the size of ours and situated the way we are, the question arises can we guarantee a sufficiently large business to warrant anyone running a permanent cash store?

Five years ago a store with a stock worth four thousand dollars supplied us with an assortment of dry goods, groceries, general merchandise and hardware. To day a general store requires a stock worth at least eight thousand dollars, exclusive of hardware to carry the assortment desired. The interest on this amount at 10 per cent. is \$2.65 per working day, while the cost of attendance, fuel, light, rent, taxes and insurance cannot be paid for with less than \$5.35 per day. Selling goods at 12½ per cent. margin it would require a business of \$67 per day to pay expenses; at 15 per cent. margin it would require \$58 per day,

while if only \$20 was taken in, goods would have to be sold at 30 per cent. to pay expenses, and it makes no difference whether the proprietor attends to the counter himself or pays another to take his place the working expenses chargeable to the business will be the same in either case.

We have no transient trade in Austin, no one coming on a holiday from a distance who will spend a little money in presents for themselves and their friends before leaving. The country store's business is the same year round; the same customers with much the same requirements for their households one year as another, therefore if a cash store is to exist it must look for support from the immediate neighborhood. Can we guarantee 200 customers who will average \$93, or 160 customers who will average \$120 per year at the very least? If not, it will not pay one to carry a stock such a we require and sell goods near a 15 per cent. margin.

This is the view the merchant takes of the situation and the answer is plain to each of us. Make no more effort than we have done in the past towards getting into a cash system and it will be impossible to run a cash store in Austin.

As business is carried on at present, some pay their year's bill in the fall, and some at the end of every three months, and some at end of every month. If then we can pay at the end of our stated term, why not at the beginning? If we pay \$100 every fall, why not let it be paid in for what we shall require instead of always for what we have had. If we can pay \$10 into the store on June 1st, why not pay that \$10 for June, not for May? This is reversing the order of things. I wonder what our opinion would be of the merchant to whom we had paid \$100 in advance, and he was to tell us with a long face that he had really meant to supply the goods but on account of hard times, etc., etc., he could neither supply the goods nor return the money. No! no! this is a string we have always attached to our own bow, and comes in too handy with many of us nearly every year, to part with. Many will tell you they would pay cash if they could only catch up with the back debts, and the next moment turn round and buy a horse or some machinery to be paid for out of the next crop. The real reason that the cash system is not more general, is that we will spend any length of time talking about it, but we will not make the effort necessary to bring about the adoption of the system.

It is not correct to say the cash customer pays for the bad debts: the credit customer who pays, pays for the credit customer who doesn't. The ten per cent. added to cover bad debts is returned to the cash customer in the form of discount, though were every article sold on a cash basis the cash customer would probably get goods to better advantage than he does at present. Still a cash store at Austin cannot be expected to sell every item at the lowest price quoted elsewhere, though the cash customer being more independent and more desirable than the credit one, a merchant will invariably try and quote a price to suit him. Some firms will sell an article as a "leader" at cost or less than cost; others will have a line of bankrupt stock, whilst some doing a larger business with a larger range of customers require a smaller margin to cover running expenses, and I have seen goods quoted by retail dealers in the larger towns at the wholesale prices quoted to small country storekeepers; but I am convinced that even supposing we could not buy much cheaper by paying cash we should find our position greatly improved by having no store bill to meet in the fall.

I do not wish to be understood as condemning the system of dealing on credit, for without it business and speculation would be dead, but what is to be avoided is the abuse of it as instanced in our own province. It may pay us to raise a percentage of the value of the farm on the security of the whole; it may pay a man with a hundred acres of crop to buy a binder by instalments so that instead of paying