

## THE RELATION OF THE TRAVELLING SALESMAN TO THE CREDIT DEPARTMENT.

AND HOW HE CAN BEST ASSIST THE CREDIT MAN.

The following prize article on this subject is by Samuel Rosenthal, of Strouse & Brothers, Baltimore:

Travelling salesmen are a desideratum, representing in number quite a formidable army, and their relation to the credit department *must* be very close to insure its manifold benefits. One of the essentials in a successful business is choosing representative men commanding prestige, and in whose integrity and judgment the utmost confidence can be reposed. In many sections of the country large numbers of merchants seldom, if ever, visit the markets, but place their orders regularly with salesmen on the road, making it impossible for the credit man to come in contact with such clients; in these cases the opinion of salesmen is important, and accelerates the decision whether or not to ship goods as ordered. By experience keen salesmen are able to make a safe approximation of the value of carried merchandise, noting condition of same, and ascertaining in which markets customer chiefly deals, and from whom he buys, including such other data that might prove of incalculable value to the credit man, whose arduous duty it is to frequently dispense credits almost exclusively on agency reports. Unfortunately many salesmen hesitate to question their customers in reference to financial matters, considering their duty ended when sale is completed and order transmitted, but this is a great misapprehension. Orders are frequently declined on prejudiced reports; the result is great injustice to customer; salesmen thereby become affected in their commissions on the transaction, and the opportunity is forever denied to house and honest of reopening account, as no honorable or shrewd merchant with any degree of pride and independence could consistently resume business relations with any firm who once declined him credit.

Pending investigations, orders are frequently held in abeyance, and when decision is ultimately reached not to fill them, the season has so far advanced that goods can be disposed of only at a loss which could be avoided if the salesmen would frankly ask for reference, especially when opening new accounts. It would lessen the credit man's labor, for he would then be enabled to communicate with parties referred to, collate his statistics without delay, and reach a decision promptly; but when forced to enquire at random, asking information from firms who perhaps never sold party in question, delay is inevitable.

Trade reports are the most authentic sources for intelligent data, as they bring producer and consumer into contact, which discloses manner of payment, business methods, etc.

Many merchants are addicted to the pernicious habit of returning goods without cause and making claims for rebates and allowances which are often unjust, so that concessions are made rather than have goods reshipped. When these facts are developed (and it is the duty of every house to announce them when enquiries are made), such patronage should be avoided or discontinued.

The sale of merchandise should be conducted on business principles, with no misrepresentation or overcharge. Competition precludes the latter fault, but the former is unfortunately indulged in to some extent by salesmen who are more eager to secure orders than establish a foothold. Discovery, however, is inevitable, and salesmen suffer irretrievable loss from which their employers seldom emerge unscathed.

For this reason I insist that travelling salesmen must be in good repute at home and abroad, and possessed of the highest business principles.

As a rule successful travelling salesmen are versatile, men of education, culture and refinement, and their relations to the trade are often very intimate.

They should likewise enjoy the same relation to the firm they represent, which gives them encouragement and is calculated to create an incentive to sell only the best trade. I would be remiss if I failed to state that life on the road is not very enviable on account of its many hardships. Only those who have been "through the mill" can understand the loneliness, privations, discomforts and sacrifices the great majority endure.

If business men would take all this into con-

sideration they would feel more kindly towards travelling salesmen, who are quick to appreciate courtesies and recognize thoughtfulness in their behalf, but undue familiarity of salesmen is a fatal error and should be discouraged, being very obnoxious to most men.

There should be a tacit understanding between credit men and salesmen regarding the standing of each customer to guide them properly. They are entitled to know whether payments are prompt or slow; but salesmen should never intrude their opinions or persist in the delivery of goods when the credit man is opposed to it or unfavorably impressed, inasmuch as he may receive information from other sources of which salesman may be ignorant; frequently the credit man's judgment is swayed and his vacillation rewarded with certain loss. There may be exceptions, but they establish precedents fruitful of no good results.

If a buyer orders freely and is apparently careless in his selections, a line to that effect to the credit man would be a valuable suggestion. Long credits and long dating are pernicious features and it lies in the power of salesmen not to grant both in all cases.

There are occasions when they must discriminate, to which no objection can be made; but to uniformly grant the longest terms and dating reflects unfavorably on all salesmen. Another point that I almost overlooked is the failure of some salesmen to specify their agreements when taking orders. The inevitable result is, when bills mature, customers often claim having arranged for extra time when order was given.

In conclusion, I beg to suggest that travelling salesmen could facilitate the execution of their orders by furnishing the credit man with their impressions and other data at their command, and submit reports free from exaggeration. Be just to your trade, and fair to the house you represent, and the credit man cannot fail to recognize a disposition to enlighten him and spare him time and labor.—*The Lawyer and Credit Man.*

## FARM INSURANCE.

Many farmers and others are asking what prospect of success there is for a company conducted on the lines of the Ayrshire Farmers' Mutual Fire Insurance Company, recently formed.

An inspection of the last published accounts of the principal companies doing fire insurance business in Scotland seems clearly to indicate that such a company has every prospect of success, and that with a company economically managed—and especially with a mutual one like the Ayrshire Company, where no dividend has to be paid on shareholders' capital out of premiums—farm risks can still be covered at the old rates. The accounts referred to show that the fire losses for the year to 31st December, 1893, amounted to about 70 per cent. of the premiums received for that year, thus leaving a balance equal to about 30 per cent. of the premiums received to meet expenses of management, etc. Although that was the result of the year 1893, that year was by all the companies found to be an unusually unfavorable year, so far as regards fire losses—these being for the year about 10 per cent. above the normal rate.

In a company like that formed by the Ayrshire farmers there are no shareholders—the company being a mutual one—and there is consequently no dividend to be paid out of the premiums. It is therefore not necessary that the premiums for any one year should be more than enough to cover the losses of that year and the expenses of management. It might probably be advisable to make the premiums sufficient not only to meet the losses and expenses of management, but also to leave a moderate surplus, to be accumulated as a reserve fund. But in that case the reserve fund should only be a moderate one, as there seems little fairness in accumulating, out of premiums, an enormous reserve which will in no case return to those who have provided it.

The liability of the members (*i.e.*, the policyholders) can, under the memorandum of association, be limited to as small a sum as the members themselves consider expedient.

These local mutual insurance companies are quite common for the insurance of marine and plate glass and other risks, and it is difficult to see why they should not be successfully extended to the insurance of fire risks. The Scottish Chamber of Agriculture and various farmers' clubs have resolved to approach the insurance companies with the view of getting the pre-

miums reduced to the old rates. But it is practically certain that they will not succeed, for the whole of the existing companies are acting in concert, and, indeed, with their large dividends to pay, and managed in the expensive way they are—the expenses of management being about 32 per cent. of the premiums received—they cannot afford to reduce the premiums now charged. Failing the reduction being granted, the Chamber of Agriculture proposes to form a farmers' insurance company for Scotland. A mutual company on so wide a basis could only be worked at enormous expense, and if the project is one for another proprietary company (as it is understood it is) little advantage will accrue to the policyholders, for then again a dividend on the shareholders' capital would require to be provided out of the premiums.

A question which naturally suggests itself, in considering the prospects of a mutual company, is, what would be the result of a big loss during the first year or two of the company's existence? After the first year or two the company ought, of course, to be able to meet a substantial loss with reasonable equanimity, but provision must be made for meeting a heavy loss, even at the outset. There are at least two ways of doing this. First, you can re-insure a portion of your heavier risks. But the better way is this: There should, in addition to the guarantee under the memorandum of association (already mentioned, and which may be fixed at as low a sum as is thought desirable, and which comes into play only in the event of the company being wound up), be a guarantee fund, to which each member would be liable to contribute in proportion to the sum he has insured. Each member's liability to contribute to this fund can also be limited to so much per cent. on the sum for which he is insured. These contributions are not to be looked at as additional premiums. They are really loans by the members to the company, and are treated as ordinary debts due by the company, and are thus in a more favored position than the shareholders' capital in a proprietary company. Each contributor, at his withdrawal from the company, is entitled to repayment of his contribution to this fund, and, in the event of the company being wound up, each contributor has by law a ranking for the amount of his contribution on the assets of the company, just like an ordinary creditor of the company—not a postponed ranking like a shareholder for his capital. The Ayrshire farmers seem to have overlooked the advantages of this fund, for they have not provided for one. Its advantages, however, are too apparent to require further comment.

Against mutual companies it is usually urged that there is difficulty in getting payment from the members when a levy has been made to meet a loss that has occurred and that cannot be paid out of the funds in hand. There is some force in this objection, and it is for that very reason that a mutual company, on so wide a basis as that proposed by the Chamber of Agriculture, cannot be worked except at enormous expense. The difficulty is, of course, very much less in the case of a company, such as the Ayrshire company, working on a more restricted basis where practically all the members are known, and it altogether disappears if the company adopts this guarantee fund, and if under it a moderate levy is made on each member at the time of his entry, to be repaid on his withdrawal from the company, or as soon as a moderate reserve has been got together out of surplus premiums. Indeed, if a moderate contribution is levied from each member at entry, to be paid only when he retires from the company, the necessity for a reserve fund almost entirely disappears, for as one member retires others are coming in. The guarantee fund is thus maintained; the policyholders, for the time being, meet their own losses, and the unfairness of building up a reserve out of the premiums of the earlier policyholders for the benefit of those to come after is avoided.—*North British Agriculturist.*

—Out of sixty replies received by the *Farmers' Advocate* to an enquiry, which branch of farming gave most satisfactory results in 1894, fifty stated that dairying was the most profitable and satisfactory. In most cases hog raising was cited as an adjunct to successful dairying. The farmers of Ontario seem to have given up grain growing as an unprofitable industry. In specialized and intensive farming only can farmers nowadays get back a fair return for their labor.