

to be hot, and went to another bank, where he was accustomed to keep, also, a considerable cash deposit. This bank treated him no better than the first, which so annoyed him that he decided to go no further.

Where banks are accustomed to extend credit they will frequently loan large amounts on short notice. Where a company has existed for years without borrowing, any attempt to borrow immediately arouses suspicion. It is, therefore, undoubtedly good practice for a man, or company, to borrow money from time to time, just to get the financial community accustomed to loaning to him.

The factor most considered by banks in the extension of credit are the quick assets. Quick assets consist of stocks which have a fixed market value and can be disposed of at short notice, accounts receivable which are due from customers in good standing, and, of course, cash on hand and in bank. Many other assets which might be considered excellent cannot be taken into account, because they are of such a character that should the bank come into possession of these it might take considerable time and expense before they could be converted into cash.

In presenting these few elemental facts I realize that those who have made a study of credit conditions will find nothing new or instructive in my remarks.

Credit, as practiced today in the commercial world, is the foundation of all business operations of any magnitude. A thorough understanding of credit will be a valuable thing to you, because you will never know when the time may come when a knowledge of the opportunities afforded to obtain loans may affect very seriously your successful business career.

If, therefore, I have started any one thinking along these lines, I will feel that this paper has not been presented in vain.

THE DRUGGIST'S STRONGEST ASSET—CREDIT.

JOHN R. THOMPSON.

You might have \$25,000 in bank and still not be considered a desirable customer by merchants and manufacturers. On the other hand, your bank balance may be very small and cause you no embarrassment, if you are prompt in paying your bills. A strong credit is built up by the method you employ in making settlement, and not by a strong showing in assets.

A bank will lend money and a merchant will give credit more readily to the druggist who has a reputation for prompt payment, even though he may be only moderately rated, than to the man of reputed wealth, who is slow to liquidate.

Good credit is more to be desired, as it is more useful to the business man, than lots of property.

The firms who sell you goods are not interested in what you are worth particularly, but they are alive, indeed, to whether you do or do not pay when your bills are due.

The proportion of druggists who discount their bills is larger than one would suppose on first thought. It varies in different localities, like everything else. In

Pittsburgh about 80% of druggists discount. In Philadelphia about 60%, in New York 60%, in Boston 80%, in Baltimore 50%, in Chicago and most western cities about 75%. Cleveland and Cincinnati, both in the same state, vary from 80% in the former city to 65% in the latter.

These estimates apply only to city druggists. In the country districts the proportion is larger in the West and smaller in the East.

Take as a general average we will say about 70% of druggists discount promptly. This is a good showing compared with other business of comparative size. Grocers and other merchants do not discount in any such proportion. Department stores, with scarcely an exception, discount all bills.

The merchants in all lines who discount are the ones who are making money. Those who do not are the ones who simply exist or fail.

This is easily accounted for. The man who is prompt in payment is also prompt and forethoughtful in all his actions. He is a good buyer and will not overstock; he is a good salesman and will get rid of goods somehow which have ceased to be sellers; he is a good manager and will not allow extravagance and negligence to escape notice. He is a good business man all round *because* he discounts. He discounts because he is a good business man.

The direct profits to be made by discounting, aside from establishing credit, are large in themselves.

A druggist purchasing ten thousand dollars worth of goods a year will realize a hundred dollars if cash discounts are only one per cent and in many cases they are two and three per cent. To clear up a hundred dollars net by selling goods you must handle about a thousand dollars worth of merchandise.

The advantages of discounting, therefore, are: The direct profit in it; the building of credit, and the acquisition of good business habits. These three qualities will make business a success anywhere in the world.

DISCUSSION.

CHARLES HOLZHAEUER: "I used to be indifferent about paying my bills, but woke up one day to the fact that I was losing money by the practice and began discounting my bills. When I needed money I went to the bank and borrowed it.

"I think it is a subject that every one in the retail drug business should take to heart. If you have good credit with your banker you need not tell your jobber you are borrowing money to pay his bills, but just pay him. It is a good thing for a man in business to have a good line of credit, not only in one place but in several places.

"I remember a case similar to the one mentioned in the paper, where of two men one said, 'I will pay cash for all my goods and never borrow a cent'; the other said, 'I am going to borrow all I need.' When there was a financial crisis the man who paid cash for goods couldn't borrow a cent; the other man had no trouble for he had established his credit. My advice to any young man would be to borrow on short time and pay when due, then he can get more the next time and can get it for a longer term.

"The basis of credit depends very largely on the standing of a man in his community and the keeping of his word that he will pay at a certain time."

D. A. MILLER: "To the statement in Mr. Kline's paper that it is a good policy to borrow money, I would like to add my testimony that he is absolutely correct. As Mr. Holzhauer has advised, the young druggist should aim to establish a line of credit as soon as possible. The usual rule with banks is that at least 25 per cent. must be left in the bank. It is also a cardinal principle that loans must be paid punctually when due. It is the business of banks to loan money; it is their only method of making a profit.

"It is with great reluctance that wholesale druggists accept notes from their customers. One of the best things a retail druggist can possibly do is to establish a line of credit with one or more banks as soon as possible."

H. B. MASON: "Not only is it a source of profit to the druggist to borrow money and discount his bills, but there are numerous other ways in which he can profit. I don't suppose any fortune has been built up in this country out of what a man can save of his own earnings. It is the general rule that you prosper by using the other fellow's money. If you can get money at 5 per cent., make it yield 15 per cent. It is like a profit on merchandise, only quicker and better.

"The question has been raised as to what method banks use in loaning money. There is really no rule so far as I have been able to discover. A man who has not an established business usually finds it necessary to put up collateral. If he has a business in a good locality he can usually trade upon that business with the bank. I do not think that banks base their loans upon a certain percentage of deposit. Every banker is a law unto himself; if he likes the appearance of a man and knows his character to be 'A number one,' he will not hesitate to make the loan. As has been pointed out, the more you borrow money the easier it is to get it. There is no doubt in the world that most druggists fail to use their banks as they should use them."

"Most druggists are of the opinion that the borrowing of money is an unsafe practice. I know one druggist who has two or three stores who started in business twenty or thirty years ago with a prejudice against borrowing money. He has expanded rather largely and recently opened a new store, and suddenly found that he did not have quite enough ready money to swing the deal. Instead of doing as a wise man would have done and borrowing \$5,000.00, he did not go near the bank, but held up his creditors, with the result that the jobbers and others from whom he buys supplies have come to the conclusion that he is an unsafe risk and in two or three instances have refused to ship him. He is worth perhaps \$30,000.00 in excess of his liabilities, but as he was holding up his creditors on one pretext or another they were afraid they would not get their money and denied him credit. The man who borrows money at the bank, discounts his bills and keeps things going is in much better position to do business with his jobber and supply man."

S. H. SCALLIN: "There is one feature of borrowing that has not yet been touched upon. Some people when they go to the banker think it is none of the latter's business what the borrower is doing with the money; it is his business. He is not loaning his own but his depositor's money, and it is right that he should know something about the character of the investment you desire to make. In my portion of the Middle West, South Dakota, there is no requirement as to your bank balance; it is a matter of character and business ability. If these are all right the banker will go a long way to help you."

SOME EVERY-DAY PROBLEMS.

CLEMENT B. LOWE.

The Sunday closing movement is gradually attracting attention and some progress has been made towards shorter hours on this day, which to humanity is, or should be, a day of rest; especially is this so in the summer time when there is such an exodus of people from the cities. Those who do not close during the hot Sunday afternoons of summer are probably largely influenced by the business to be done in soda water, cigars and candy. In a long pharmaceutical experience the writer has never opened his soda fountain on Sunday; it has been his endeavor to restrict business on this day, rather than to attract it, he has felt that it would not