

# SELLING BY THE INSTALMENT PLAN

In Address Delivered at National Convention of Jewelers, Prominent Chicago Banker Gives Views on Sales Method Also in General Use in the Music Business.

In an address recently to the convention of a national association of jewelers, J. Edward Maas, vice-president of the Illinois Merchants' Trust Company, Chicago, made his theme the installment method of credit selling, a method which is of equal interest to those who retail music goods. The expression of views on the installment plan is always timely in a music trade paper, so that a request by a Presto-Times reader that Mr. Maas' address be reprinted is promptly acceded to. It is done all the more gladly because of the many friends of Mr. Maas in the music business who will read his address with pleasure and interest. With the permission of Mr. Maas, the address follows:

For ages men have sought means to avoid the errors of human senses. And little by little science has learned how to replace guess work by exactness. So in business, men have turned to the science of economics with its background of statistical data and records of the past. For the past few years, particularly in 1925 and 1926, there has been a vast amount of discussion of the soundness or unsoundness of installment selling. During this period this form of distribution has had a remarkable growth, so much so that considerable doubt has been expressed as to whether it is basically sound, or whether it is causing us to become a nation of spenders, thereby undermining the financial structure of the country and threatening the elimination of saving.

About two years ago a group of business men sought the aid of Prof. Seligman, professor of political economy at Columbia University. Professor Seligman with a corps of assistants spent more than a year studying this subject and compiled an extensive treatise on it. This treatise is in two volumes under the title of "The Economics of Installment Selling." His conclusion on this subject may be summarized as follows:

"If the credit is restricted to the proper commodities, and it is granted to the right kind of individuals . . . it will stand forth as one of the most signal contributions of the 20th century to the progressive creation of national wealth and national welfare."

### History and Development.

There is nothing new about installment selling. It is as old as credit itself. Probably our earliest form of installment selling is to be found in our public financing in the form of special assessments. Instances may be found where it has been in use in business for over one hundred years. It has been emphasized of recent years due to its phenomenal growth and due to the fact that it is today a very important part of our economic system. With this phenomenal growth in business has come many abuses and practices considered dangerous. The most common abuse and misuse of installment credit has been either in the type of articles sold or in the price of the goods sold.

### Character of Commodity.

The spread of installment selling during the last few years has been used in business almost entirely to commodities possessing the following characteristics.

First, the commodity must possess durability, instead of providing a one time use to the purchaser an article that will not wear well or last long. For example, a sewing machine, if properly cared for, will last several years; the average life of the automobile is about five years, or more; a piano may continue to give satisfaction for a generation. Thus durability is the first characteristic that is shared in common by most articles sold on installment.

The second characteristic is the relatively high price of the commodity that is within the power of customer to purchase. This characteristic, while not applying to all articles sold on the installment basis, has in general been common to most commodities.

### Current Desires.

Finally, the last characteristic of goods sold on installment is that they are to a large extent of recent

origin, or at least designed to satisfy new wants of the individual. Commodities exemplifying this characteristic are the radio, electric washer, automobiles and the like.

Thus the three important characteristics of articles to which installment credit has been applied are durability, expensiveness and novelty.

In applying these qualifications to the jewelry trade, it is readily seen that the commodity of jewelry qualifies under each of the characteristics—first that it is durable, second, expensive, and finally, due to style change, it is, and probably always can be, classed as a novelty.

### What Is a Luxury?

Many have questioned the feasibility of applying installment selling to any commodity other than a necessity, or a commodity having a useful purpose. Such discrimination would eliminate all so-called luxuries. This leads us to the very mooted question of what constitutes a luxury. This has been a subject for discussion among economists for a good many years. In reality, a commodity may be a luxury of one age and develop into a necessity of the next. For example, there was not the slightest question as regards automobiles during the early stages of production. In that generation it was definitely considered a luxury. In this same sense, jewelry a few generations ago was definitely considered a luxury, whereas today, a certain amount at least, is considered a necessity by everyone. History records even to this day many races where jewelry was the only raiment. I have not the slightest doubt but what there are some jewelers here today who through their anxiety to sell would welcome such a tradition.

### Volume of Installment Selling.

The total in installment selling in the United States in 1926 amounted to four and one-half billion dollars out of a total retail sales of thirty-eight billion dollars. In other words, approximately 12 per cent of total retail sales were made on installment credit basis. It has been estimated that the average amount of installment paper outstanding at any one time was slightly over two billion dollars. In the jewelry trade the exact figures are not available, though total sales as estimated from the Internal Revenue Department figures would indicate the volume of jewelry sold in 1924 to be approximately \$450,000,000 and in 1925 \$400,000,000 of which approximately \$50,750,000 was sold on the installment basis. With total installment sales in jewelry during 1925 of fifty and three-quarter millions, approximately 40 per cent, or \$20,000,000 was outstanding as installment credit.

When the above figures are compared with the wild guesses that are common, they will appear unduly conservative, yet they are a fair indication of the importance that has been assumed by installment selling in our modern economic life.

### Dangers of Installment Selling.

A business which extends credit on an installment basis is subject to the same business risks due to changing conditions in the trade or industry as all other businesses. The greatest element of danger in installment selling as indicated by past records would seem to lie in the fact that in a desire for increased business there is a tendency in less ably managed companies to show too great a latitude in credit checks. Another element of abuse and danger has been the sanctioning of terms of payment that are economically unsound. Such methods foster increased buying by certain classes of the public of goods totally unsuited to their needs. These practices have done much to create criticism of installment selling. Due, however, to the relatively small percentage of this type of business when compared to the whole, the criticism seems unfair and surely carries with it its own corrective.

Through the past few generations the evils attending ordinary banking credit have been gradually removed until today no one doubts the potential contributions of a good banking system to a community. Likewise in the case of installment credit, there have been grave abuses and there still are grave dangers to be avoided. The theory, however, is fundamentally sound. In the one case, as in the others, individuals are enabled to secure facilities which otherwise would be impossible. With careful application the practice of installment selling is destined to become an increasingly important factor in the creation of our national wealth.

The bankers have a questionnaire we send to our finance companies, which might be copied in a modified form by your association, and sent to your customers who are selling on the installment plan.

## C. J. HEPPE & SON OBSERVE ANNIVERSARY

The Date of Founding Was Coincident with Birth of Florence J. Heppé, Now President of Company.

C. J. Heppé & Son, Philadelphia, this year is celebrating the sixty-third anniversary of its founding by the father of Florence J. Heppé, now president of the company. The event was coincident with one which particularly concerns Mr. Heppé.

Mr. Heppé was born on the very day that his father rented the store in which the Heppé business was started. In fact, when his father returned from interviewing his intended landlord, he found that his son had been born.

Mr. Heppé actively entered the business of his father at the age of 16. At that time he instituted many new ideas in the business and was largely influential in establishing the policies for which the Heppé business has become famous. The Heppé house was the first piano store to install the strict "One Price System." It was also the first store to give free recitals to customers. The Heppé store was the first to introduce the phonograph and the foot player-piano to Philadelphia.

In 1901 Mr. Heppé invented the famous Heppé three-sounding board idea, which was patented. In 1903 he established a tone jury of prominent musicians who certified to the quality of each piano on the Heppé floor. This was done in an effort to stamp out the commission evil among music teachers. Later on, Mr. Heppé invented the Christmas club method of piano merchandising. He was the first one to use free life insurance and relief insurance in the club plan. This idea has been copied almost universally. In 1922 Mr. Heppé invented the famous Heppé tone reflector for grand pianos. These have proved very successful in small grands.

The Heppé house has been an Aeolian Company agency since 1887 and a Victor agency since 1896. It has handled the Henry F. Miller, Steck and Weber pianos, off and on, for over 40 years.

In 1901 Mr. Heppé organized the Heppé Piano Company, which promoted the manufacture and sale of instruments equipped with the Heppé sounding board, specializing on the Heppé, Edouard Jules and Marcellus instruments.

Mrs. A. A. Tichenor has opened a music shop on South Franklin street, Greensburg, Ind.

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