The Economic History of a Midwestern Retail Store, 1911-1934

Robert S. Raymond

The Partners

The origin of the Raymond-Green Furniture Company was due to a loan of $500 made by the father of one of the partners, Rev. E. O. Raymond, to his brother-in-law, Alva McKinstry, who owned and operated a furniture store in Coffeyville during the first decade of this century. It was a poor loan in that there is no evidence that it was ever repaid, but it yielded other benefits to the lender.

The Reverend Mr. Raymond, a Methodist preacher with pastorates in central Kansas, had a family of six boys and one girl. In the year 1905 he sent his second son, Scott, aged 27, who had been working on the Raymond farm, to Coffeyville to work for McKinstry and learn the furniture business. When he left a year later, Scott Raymond went to Kansas City, Mo., worked as a furniture salesman for a year, took a commercial course in a business college for another and then moved to St. Louis, again as a furniture salesman. He returned to Kansas City, Mo., in the year 1908 and worked for Yost Furniture Company. A year later he was manager of their branch store at 710 East 12th street at $20 per week. It was there in November, 1910, that he first met his future business partner, E. G. Green, and again Rev. E. O. Raymond played a part.

Green, like young Raymond, had spent all of his youth on a Kansas farm. He lived near Overbrook and was a member of the Methodist church there. Rev. E. O. Raymond spent the years 1907-1909 as pastor in Overbrook. When he returned a year later to conduct a funeral service, he met Green again, spoke to him of his son Scott in Kansas City, of the profitable opportunities for a young man in business there and of Scott's desire to go into business for himself or with a partner. Green, having accumulated $1,400 in his last two years as a tenant farmer, was interested and after exchanging several letters with Scott in Kansas City, met him there in November, 1910. The two men were quite unlike in physical appearance, but each was impressed by the other. Green, a little over six

Robert S. Raymond, professor of marketing, Ohio University, Athens, received his B.S. and M.B.A. degrees from the University of Kansas and his Ph.D. from Ohio State University.
feet tall, weighing 200 pounds, was tanned and hardened by years of farm labor. Raymond was five and a half feet tall, weighed 135 pounds, and was a salesman type, smooth in manner and appearance.

An oral partnership agreement was concluded that day which lasted for 23 years. Because Green's business experience had been limited to clerking for a few months in a general store in Overbrook, he agreed to put in $500 for each $300 which Raymond contributed to the enterprise. Raymond's business experience was assumed to be worth the difference. Their original capital was deposited in a joint bank account, and Green returned home the next day to dispose of his farm equipment and await word that his partner had found a suitable location and bought a stock of furniture.

In the light of subsequent events Green's judgment in entrusting a third of his savings to a man whom he had never seen before on the basis of an oral agreement was amply vindicated, but it is interesting to know the reasons for his action at the time. There were three. Green knew and thought highly of Raymond's family; second, Green, as he later demonstrated, was never averse to risking money on a business venture; and third, Raymond's personality and demonstrated business ability appealed to him strongly. The common background of the partners, their adaptability, their same high standard of business ethics and the unlimited energy and ambition of each were a firm base for the business partnership. In time a warm personal friendship was established which survived the 23 years of close business association and the dissolution of the partnership.

The Founding of the Business

During the next two months while he managed the store for Yost Furniture Company, Raymond canvassed possible locations for the business that he wanted to establish. His choice of Kansas City was not a reasoned one but was made simply because his home, his family, and his job were there and he did not have funds to go elsewhere. Fortunately, Kansas City in 1911 was a good place to locate a retail store.

The period of migration had ended, the area was settled, and the city was just entering its first period of sustained growth. Its population had increased by 50 percent during the previous decade, from 215,170, and gave every indication that the gain would continue. It was the distributing center (wholesale) for a vast hinterland containing one sixth of the entire number of farms in the

United States but was primarily concerned with the preparation, distribution, and storage of foodstuffs both raw and manufactured. Livestock and grain were the basic raw materials in its economy. The Kansas City Star reported that contracts had been signed for the expenditure of $27 million worth of municipal and industrial buildings and improvements to be constructed during 1911.

The outline of a modern business center was already clear. The Baltimore Hotel at 12th and Baltimore, the R. A. Long building at 10th and Grand avenue and the Commerce building at 10th and Walnut, 12, 14, and 15 stories respectively, anchored it solidly and were symbols of its permanency, its progress and its prosperity. Eighteen trunk line railroad systems served the city, making it the second largest rail center in the world. A huge railroad passenger terminal was being built at a cost of $50 million to be opened officially in 1914. The Missouri River Navigation Company, organized in 1909 with more than a million dollars of paid-in capital, was to spend half a million dollars for barges and tow boats in 1911, and Kansas City was to be connected to the Eastern states and to the sea. A vast park and boulevard system had been laid out to take care of the city’s needs for years to come, including Swope Park, which was then three miles beyond the city limits.

In the midst of this growth and prosperity Raymond felt that there was room for another retail furniture store. The easiest and quickest way open to him was to buy out a going concern, and this he did during the last week in January, 1911. He was aided by the seasonal character of the furniture business, which finds its low points during the coldest and hottest months of the year, in January and August. Sellers are more willing to sell at those times as evidenced by the $450 which he paid for the entire stock of a small store at 1508 East 12th street. There was no goodwill included in the transaction; indeed Raymond recalled that the inventory was figured at considerably below wholesale cost. Green arrived from Overbrook on February 2, and on February 6, 1911, with no formalities they opened for business under the name of Raymond-Green Furniture Co.

The First Decade, 1911-1921

The partners found their roles as entrepreneurs wholly different from anything they had previously known. For Raymond the venture meant a return to hard physical work in the store as well as doing all the buying and selling. Green, being physically the

stronger and knowing little about the business, undertook the deliveries with a horse and wagon which was one of their first purchases. (Total cost of horse, wagon, and harness $75. The horse was blind.)

Business was satisfactory during the first two weeks, but they prepared to move their stock to a better site a few blocks west, 1017 East 12th street, since Raymond thought that their present location was a major factor in the failure of the previous owner. The new location was very near the intersection of two street-car lines (an important transfer point) which carried thousands of working people to and from their jobs, morning and evening, in the downtown shopping district and in the West Bottoms industrial section. It was from this stream of traffic which passed their door daily (and which they dubbed the dinner bucket brigade) that they drew the bulk of their customers. Most of these worked at the hard, hot, and heavy jobs in industry. Their incomes were toward the lower end of the wage scale but were regular and therefore suitable for the installment credit business which Raymond intended to develop. His experience had shown him that furniture is purchased by families, infrequently and in rather large amounts (compared to other budgeted expenses) and that there was little future for a furniture store selling only for cash. While with Yost Furniture Company (his store was now located only three blocks from the one he had previously managed for them), he had noted the wider market which could be tapped through credit sales. Furthermore, he knew the technique of selling furniture on installments, with the emphasis on terms of payment rather than quality, and he was thoroughly familiar with the credit and collection policies of the store he had successfully managed. All of these combined to direct his efforts toward selling furniture on credit to low-income working people, but although he was prepared by training and ability to exploit this market, he was ill-equipped financially to do so.

He began to sell on credit from the very first day the store was opened although he did not mention it in his first advertisement, which appeared in the classified section of the Kansas City Star, Sunday, February 26, 1911. It was more in the nature of a hopeful announcement as follows:

Come to the big new store; It is full of bargains in slightly used furniture; cash paid for household goods. Raymond-Green Furniture Co. 1017 East 12th.

3. Seventy-two percent of total furniture sales are credit sales.—U. S. census (1940), Census of Business, v. 1, Retail Trade 1939, pt. 1, p. 106, Table A.
The subject of credit did appear in the next advertisement in the Kansas City Star, on Thursday, March 2, as follows:

Homes furnished half price; few dollars down, balance to suit customers. The New Store. The Raymond-Green Furniture Co. 1017 East 12th.

On Sunday, March 19, the following advertisement appeared:


Classified advertisements which appeared regularly two or three times a week thereafter were the only means of advertising used for several years, and each of them stressed installment sales and easy credit terms.

The pattern of operation varied little over the years except that it was further subdivided as more employees were added. However, the merchandise which they stocked at this time was of Edwardian elegance modified by Grand Rapids and quite unrecognizable as the forerunner of today's fashions. For the parlor there were massive oak duofold suites, oak rockers, and oak library tables; for the dining room there were huge oak sideboards with a mirror above, round, pedestal-type, oak dining tables, and chairs with leather seats; for the kitchen there were gas and oil stoves or wood and/or coal ranges, kitchen cabinets, and wooden refrigerators; for bedrooms, brass beds were indispensable (prices ranged from $5 to $50) with flat, woven wire springs, and cotton mattresses, and there were dressers, chiffoniers, chifforobes, and wardrobes in a variety of finishes but principally golden oak, fumed oak, and mission oak. Floor lamps were heavy, turned, wooden, polychrome columns surmounted by ponderous parchment, bead-fringed shades. Brussels carpets in large floral patterns were the popular floor covering. Big wood and coal heating stoves were used extensively by the low-income groups and, with refrigerators, were the principal seasonal items. The phonograph was a fast-moving item in their stock at that time. There were both table and floor models, and they were apparently priced according to the size of the horn as television sets are now rated by the size of their screens.

The company had no other employees, and the partners took no salary out of the business until July, 1911. Each lived on his savings. Mrs. Raymond kept the books. In July they hired their first regular employee at $12 per week to make the deliveries, and Green was able to spend more of his time in the store. Indeed he soon
mastered the details and techniques of the business in which he had invested his money, and by the end of the first year his ability in every phase of it equaled his partner’s. Fortunately, as time proved, their preferences in responsibility were complementary and not coincident, which largely accounted for their success in retailing furniture. Both of them were good salesmen, and that part of the business was their first concern. Beyond that, Green preferred looking after the bookkeeping and credit work (Raymond had such a positive aversion to that part of the business that he could scarcely be persuaded to look at the annual balance sheet), while Raymond did most of the buying and made arrangements for the advertising.

In spite of a satisfactory volume of sales it was inevitable that the new company would soon feel the lack of adequate capital. Their credit sales and low rate of stock turnover were the principal causes. The real pinch did not come until November, 1911. At that time the partners again contributed to the business in the agreed ratio (Green $500 and Raymond $300), Raymond’s experience again counting for two fifths of his share. It is indicative of Raymond’s slender assets that he was forced to borrow $250 from a personal friend on a six-months’ note to make his contribution. The total invested by the partners was now $1,600, and since each had reached the limit of his own resources, they had recourse to other methods of obtaining capital thereafter.

Credit from local wholesalers was a substantial part of their capital and was obtained at first because of Raymond’s connections with them in his previous job. Since Kansas City was the distributing center for a vast territory to the west and south, there were at least six companies which engaged in manufacturing and/or distributing furniture wholesale there. Raymond bought merchandise from two of them, Enterprise Furniture and Stove Company and Hocquerd Wholesale Furniture Company. Myron Lowen, owner of the former company, and Mr. Hocquerd, of the latter, called on him personally at least once every two weeks to sell their merchandise and to collect for it when the invoices were due (60 days net). Raymond recalled that it was usually 90 days before he paid them. Joe Vandenboom, a manufacturers’ agent for several out-of-town factories, and P. E. McCarty, selling Kroehler Manufacturing Company living room furniture, also granted him credit, and all of them found him a steady customer for the next 30 years.

Profits from the business were reinvested as a matter of course, and the partners (after July, 1911) withdrew only enough for their
living expenses. Early in the year 1912 they applied to the Traders National Bank, where they had maintained a checking account, for a loan and were able to borrow $300 at eight percent on a 90-day note. This note and others were renewed regularly and the amounts gradually increased. During the first few months these funds were used wholly to buy more merchandise, but by 1915 they were discounting their invoices regularly. It is indicative of the profitableness of their operation that they were able to expand using bank loans at eight percent and mercantile credit. The latter was very expensive since the terms were 2/30 days,4 net 60 days (24 percent). It was interesting to note that Green soon grasped the fact that substantial sums could be saved by discounting invoices, and because of his interest in the bookkeeping he continued to borrow for this purpose long after the inventory was sufficient for their needs, while Raymond thought that bank funds would yield as large returns eventually if used in promoting the business through advertising. The difference of opinion never amounted to more than an amicable discussion and resulted in a compromise which saved the firm some money and also promoted its sales.

The first World War was a powerful stimulant to business, and the partners prospered.5 They moved the business across the street to a larger building in 1917 and in 1919 opened a branch store. The new location was a three-story building with a garage attached and needed extensive alterations to make the first two floors into display rooms. They also installed a freight elevator and to finance this improvement they accepted the suggestion of their contractor and applied to the Merchants Bank of Kansas City, Mo., at Fifth and Walnut streets for a loan.6 They were agreeably surprised to find that they could borrow larger amounts there at a lower rate of interest than at their own bank and immediately shifted their banking connections.

While Raymond made the first credit sales in accordance with his previous training, the credit and collection policies which evolved from actual experience bore the imprint of Green’s systematic methods and patient firmness. He assumed responsibility for the office work of the company in addition to selling and gave the delinquent accounts his personal attention. It was well that he did so, for the partners were liberal in accepting the credit offered by their low-

4. Meaning that two percent can be deducted from the amount of the invoice if it is paid within 30 days. The total amount of the invoice must be paid within 60 days. If not discounted this amounted to 24 percent simple annual interest.
5. Perhaps the best indication of their prosperity was the fact that when the Sterling State Bank was organized in the latter part of 1919 at 12th and Troost, Green invested $6,000 in bank stock and became a director. Raymond by that time had four children.
6. They already had a maximum loan from the Traders National Bank.
income group of customers (to increase sales), and without his indefatigable collection efforts their losses would have been greater. They averaged 4.7 percent. Green married in 1912 but had no children and often spent his evenings telephoning or making personal calls on delinquent accounts.

As the firm grew larger, the salesmen whom they employed obtained credit information by interviewing the customers to whom they sold and, if the account was not too large (less than $200), made the decision to accept or reject the account on the basis of the bookkeeper's verification of the facts of employment and ledger experience with other stores by telephone or letter, and by using the two simple rules which the partners had worked out as practical guides from their own experience. These rules were for the average customer buying up to $500 worth of merchandise. They would accept the credit if he or she had been continuously employed during the past year at his or her present job, and second, if his or her total monthly payments, due on all installment payments including this one, house, car, and other debts, did not exceed one third of the total monthly income. In addition, they did not accept barbers, ministers, casual workers, the self-employed, unmarried black men, students, and others who had proved to be poor risks. If there was any question in the salesman's mind, one or both of the partners were always available for a decision on the matter.

Their two general rules were indicative of their policy rather than absolute requirements. They often violated one or both of them. Personal contact with or their general impression of the customer was often a decisive factor in the credit decision, for they could then easily discover the reason for his failure to meet their minimum requirements. If, for example, the customer had recently changed jobs and was a newcomer to the city, then the fact that he had a family and had bought a home was indicative of stability and was sufficient to overcome the requirement that he be employed in his present job for at least a year. Another example: they would sell furniture to a poor credit risk—e.g., a casual laborer or someone self-employed—if he was recommended by a credit customer with a good credit record. Apparently their experience with such situations was favorable or it was done as a goodwill gesture. The possibilities of variation in the credit offered to customers are infinite, but in general, it may be said that they were liberal in their credit policy during the years in their first location, considering that their customers had low earning capacity and little capital.
There were a number of factors which enabled the partners to assume more than the usual risk in selling to customers with a poor credit rating and yet to avoid unusual losses. They believed that most people are honest and will pay for what they buy so long as they are employed. If they did not pay they could usually be persuaded to return the furniture voluntarily. During the first 10 years business conditions were good, there was no severe unemployment, prices were rising, and the city's population was increasing. Their merchandise was durable and essential to the customer so that he would make an effort to meet the payments. Their profit margin was 50 percent of the selling price (100 percent of the cost), which was characteristic of all home furnishings except appliances and with the customary downpayment of 10 percent meant that 20 percent of the store's original cost was covered when the furniture was delivered. Moreover they could recover at least one third of the original retail price by selling the repossessed used furniture, so that if no installment payments were paid after the furniture was delivered, they could nearly recover its cost. One method they used to increase sales was to accept used furniture as a down payment, and one can judge the importance of this phase of their business by the fact that in 1916 they shipped 11 railroad cars of used furniture to dealers in small towns in Missouri, Kansas, and Oklahoma, besides selling considerably more than that locally. The extra costs involved in handling it were small. All of these factors combined to persuade them that their credit policy was sound.

**Prosperity and Depression, 1921-1934**

After the first World War business conditions continued to be satisfactory, and the partners felt even better when a Republican (Harding) was elected President of the United States in 1920. They had been ardent supporters of Theodore Roosevelt's Bull Moose campaign, along with the Kansas City Star, and were Republican party members. The company was now well known, firmly established, and successful in the retail furniture business in Kansas City. They had a large building suitable to their needs (display rooms, warehouse space, freight elevator, garage attached), an efficient organization which functioned smoothly, access to capital through the Sterling bank after Green became a director in 1920 (largest loan during 1922 was $10,000), and sales were gradually increasing so that they were favorably situated to take advantage of good business conditions during the 1920's.
Raymond went on regular buying trips twice each year in January and July to Chicago, where nearly all furniture manufacturers in the United States displayed their lines. This experience kept him up to date on style trends, new items, improvements in construction, finishes, and fabrics and new methods of advertising and display.

A few years later the partners gradually became aware that their store location was no longer on a main traffic artery. The city was expanding south of the business district, and their store was 10 blocks east of it. The automobile was becoming a more important factor than the street car in transporting shoppers and workers. Both 12th street and Troost avenue were so narrow that they carried little auto traffic. Parking space near the store was hard to find. The severe drop in sales for the year 1924 was a clinching argument. They realized that their present location was deteriorating; therefore, they must move, and since no other outlying area held sufficient prospect of development, their decision was to move downtown.

They believed that the move was feasible because they had nearly $25,000 worth of accounts receivable, their bank loan had been reduced to about $4,000 from a high of $10,000 in 1923, they had a good stock of merchandise, they were discounting their merchandise regularly so that their credit rating was good, and the branch store was doing well. They believed that these assets were sufficient to finance the move and carry the store along until business could be developed at the new location.

The actual building was decided on by "walking and talking" (a phrase used by the partners in describing their action)—walking through the business district weighing the favorable and unfavorable factors of each possible location and talking with business friends and associates to get their advice. In March, 1926, they rented a two-story-and-basement building at 1310 Grand avenue for $800 per month on a five-year lease. It had less floor space than the store at 12th and Troost and twice the rent, reflecting the better location. Grand avenue was a wide thoroughfare with a street car line and was one of the main north-south shopping streets of the city. In addition there were three factors which made the location desirable.

1. The Kansas City Power and Light Company was in the same block, four doors south, which meant a great deal of pedestrian traffic past their store as people paid their monthly bills and came to have their lights turned on and off when they moved.

7. With his brothers Glen T. Raymond of Muskogee, Okla., and Harry S. Raymond of Tulsa, Okla., each of whom operated and owned a half interest in a retail furniture store.
2. The Harris Gore Clothing Company, a big installment, ready-to-wear store, which attracted customers through its daily newspaper advertising, was also in the same block, four doors north.

3. The Forum Cafeteria was located just a block north and was a popular eating place which attracted many people to the area during the noon and evening hours.

It was from this stream of pedestrian traffic plus those whom they could attract by means of their own advertising that they hoped to draw their customers.

This move downtown occasioned no change in any of their policies. All of them were simple, straightforward efforts to solve the problems at hand. The pricing policy, for example, was to mark up the merchandise 100 percent over the factory cost plus freight from factory to Kansas City, and to sell it on credit. The terms were 10 percent down and a year to pay the balance in equal weekly or monthly installments. It was a simple formula which had proved successful in the past, and the partners saw no reason to change it.

Green, with the help of the bookkeeper and two salesmen, operated the new store for the first six months (the lease on the store at 12th and Troost had six months to run) while Raymond closed out the old store gradually, informing their customers of the new location, shifting the stock, office equipment, and store fixtures with their own trucks and men so that the move was made according to their usual standards of economy and efficiency, without disrupting their business. During this period the rent on the two stores was $1,200 per month, which seemed a big expense to the partners at that time, but they were agreeably surprised to find that sales at each store were at a record level. In October, 1926, sales were at the highest in their history, $11,744.11, which enabled them to pay the rents with ease.

Soon after the move Green sold his Sterling State Bank stock and transferred the company's checking account to and obtained loans from the Mutual State Bank at 13th and Oak streets. The first loan there was for $8,500, but this amount was gradually reduced during the next two years to $3,000 in March, 1928. At the end of that year the bank, to improve its position for the bank examiner, sent them a routine request to "clean up" the loan, which had been regularly renewed for many months, with the assurance that accommodation was still available. This request came within a month after their disastrous fire in December, 1928, and since it was a rather inconvenient time to pay off even a small loan, Green decided

8. Ninety-day promissory notes secured by the general credit of the company.
that bankers were fair weather friends and thereafter used his own funds when the company needed money. Substantial amounts ($17,000 in 1931) were thereafter lent to the company in his wife's name.

THE FIRE

The fire occurred about seven o'clock in the evening on December 12, 1928, and its origin was surmised to be due to faulty wiring. There were numerous lamps in a lighted Christmas window display. It was a spectacular blaze although it was confined wholly to the one building, and it was fought by several fire companies whose efforts were hampered by ice, snow, and cold weather conditions. They poured water on it from the front and rear (there were higher buildings on both sides) but did not succeed in bringing it under control until the inflammable parts of the building and its contents had been entirely consumed. The next day the safe, which had fallen into the basement, was hoisted out; the records were found undamaged; and the stock ledger along with some invoices that were preserved in a steel filing cabinet were turned over to the insurance claim adjuster. On the 15th day after the fire the company received a check for the full amount of their policy, $20,000. This did not cover the full amount of the loss since the stock was larger than this in anticipation of the Christmas buying season, store fixtures and office equipment were lost, and the company was out of business for about three months. Deposits on merchandise (about $1,000) which was being held for delivery just before Christmas had to be refunded to customers so that the additional loss was estimated at about $10,000. It was a bleak Christmas for the partners, employees, and their families.

The company established a temporary office at the branch store to collect the accounts receivable, and Raymond and Green signed a lease on a four-story building at 1312 Grand, next door to their former location. Their five-year lease at 1310 Grand had been terminated by the fire. The new lease was again for a five-year period with a monthly rental of six percent of gross sales, with a minimum payment of $500 and a maximum payment of $1,000 per month. The building had a freight and a passenger elevator, a vault in the basement, an automatic sprinkler system fed from a tank on the roof, and was heated by steam radiators. The building needed extensive repairs and redecoration which took about two months, but when completed it was ideally suited to the display and sale of furniture.
Meanwhile, Raymond attended the semiannual Furniture Mart in Chicago during the first two weeks in January, 1929, and spent most of the fund received from the insurance for a new stock. The merchandise was delivered in March, and in May, two months later, sales were over $10,000. This was, perhaps, the high point in the company’s history. Never again were its prospects quite so bright.

THE DEPRESSION

It was during this year that the Kansas City Power and Light Company was constructing its own building at 14th and Baltimore avenue and moved there in 1930. The Forum Cafeteria moved to another location near 12th and Main streets at about the same time. The loss of these two drawing cards diminished the stream of pedestrian traffic past the store but did not immediately affect its sales since its advertising and regular customers gave it stability in normal times.

During 1930 there were signs of a business decline, and in the following year the creeping paralysis of an economic depression was felt by the whole business community. The records of the company show that its sales were markedly affected by the general business depression in 1931, and a loss of nearly $10,000 was recorded for the year. Green continued to lend the company money to meet its expenses, and the partners continued to discount their merchandise bills. During the last half of 1931 the loans amounted, on the average, to $17,000.

During 1932 sales were about half of their usual amount and employees were put on halftime, working alternate days during the week. The depression tightened its hold on the economy, and many companies were forced out of business. By the end of the year more than half the business buildings on Grand avenue between 13th and 14th streets were vacant, and even the minimum rent of $500 which the company was paying was about twice the rate asked for comparable buildings nearby. In October, 1932, in spite of the fact that their lease had more than a year to run, they stopped paying rent. It is hard to realize the conditions that would justify any company’s decision to stop paying rent since it is usually a prelude to bankruptcy. Economic stagnation is an apt descriptive phrase. Unemployment was widespread, and people spent their money for little else than food and shelter. Bank failures were common in every city as evidenced by the following table.
Raymond and Green were reared on Kansas farms. They formed a business partnership in 1910 and began operating a furniture store in Kansas City, Mo., the next year. Both were good salesmen, but with the other work Green preferred handling the bookkeeping and credit, while Raymond took over the buying and advertising.
The Raymond-Green Furniture Co. at 1017 East 12th street, Kansas City, Mo., during most of 1911, its first year in business. "We took off our good clothes, put on overalls and went to work," said Scott Raymond, one of the partners. They often worked 60 hours a week at the store, and for many years took no vacations. Photographs courtesy Helen Green and the author.
Table 1

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Conditions were fast developing which led to the bank holiday of March 3, 1933.

In the light of these conditions the partners’ failure to pay rent was not quite the desperate measure it seemed. Actually it was done on the advice of their lawyer, who suggested that it might be possible since a good many other companies who were his clients had stopped payment and offered to vacate. Because no other tenants were available and vacant business buildings deteriorate rapidly, they were usually told to stay and pay what they could or a new agreement was reached which scaled down the rent. This was, in effect, what happened in this case. Raymond went to Springfield, Ill., in December, 1932, to see their landlord, the executor of an estate which owned the property, explained the circumstances to him and asked if they would be required to vacate the building. He did not receive a direct answer, but the company did not move and did not pay any rent for 18 months.

General business activity continued at a low level, and the company’s sales declined despite increased promotional activity. Sales, accounts receivable and inventories declined sharply after 1931, and in December of that year the branch store was closed. The loss for the year 1931 was nearly $10,000, and almost a third of it was due to bad debt losses. Raymond was concerned not only by these facts but by the company’s increasing indebtedness to Green, and during the next year the loan was reduced by regular monthly payments from $17,000 to $10,500. This reduction in the loan was reflected in the decrease in inventory from $19,648 as of December 31, 1931, to $11,711 on the same date in 1932; the decrease in the accounts receivable from $37,655 to $22,574; and an operating loss of $15,383 (losses from bad debts $5,261). Regular payments on the debt to Green were continued during 1933 in spite of reduced sales (probably possible because no rent was paid). The debt was reduced to $4,600, and the company ended the year with a small ($876) profit. Salaries for the partners during the period 1930-1934 were from $250 to $300 per month. They were withdrawn in odd amounts at irregular intervals as the
partners needed funds for living expenses. No specific limit was ever set on their salaries. Each withdrew what he needed, and at the end of the year the salary accounts carried for each of them were evened up by carrying the difference between the two accounts as a credit to the partner who had withdrawn the least. If the amount was more than $100, and the partner did not withdraw it during the next year, interest of six percent was paid on it.

Dissolution of the Partnership

It was during the year 1933 that Raymond began to have serious doubts as to their ability to survive the depression in their present location. With a slow but steady decline in the general price level it was difficult to operate profitably. Merchandise purchased was delivered in 30 to 60 days after the order was given, and by the time it was sold a month or two later, further price declines made it difficult to get the full margin of profit and to collect in full if it were sold on credit terms. Price competition among furniture stores in Kansas City was intense. Raymond’s chief concern, however, was for his equity in the business. Two years before, in 1931, when Green had personally lent the company $17,000, the assets of the company were sufficient to make the loan only a small part of the total capital, and the sales were large enough to pay interest on it. But with sales in 1933 dropping to approximately half of those in 1931 and the end of the depression not yet in sight, Raymond was uneasy over the fact that, although the debt had been reduced to $4,500 during the past two years, it was conceivable that the company might be forced to borrow again; and if it was then forced to close after several years of unprofitable operation, his equity would be wiped out. This idea, that he was overmatched by his partner in resources, was the chief reason for his decision to withdraw from the partnership. There were two others. He believed that the store location would not be good even in normal times because there were no large businesses in their block or in the area south of them to attract shoppers or pedestrian traffic from the main shopping district. Second, he had two sons, aged 17 and 21 years, whom he hoped to take into partnership, and with them he planned to build another successful business.

Early in 1934 he began his search for a small furniture store that he could buy. The pattern of 23 years ago was about to be repeated. He soon found a store and in March offered to sell his equity in the partnership to Green for $10,000. The main items in the balance
sheet as of February 28, 1934, were as follows (rounded to the nearest $100 and shown as net amounts):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise Inventory</td>
<td>$9,200</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>18,200</td>
</tr>
<tr>
<td>Furniture and Fixtures</td>
<td>300</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$ 500</td>
</tr>
<tr>
<td>Loan (Mrs.) M. M. Green</td>
<td>4,500</td>
</tr>
<tr>
<td>Net Worth</td>
<td>22,700</td>
</tr>
</tbody>
</table>

$27,700

On paper therefore Raymond’s equity amounted to about $11,000, and in normal times this would have been a fair valuation inasmuch as the store was a going concern. Green thought it too high since there were losses to be expected on the inventory from continued price declines and on bad debt losses on the accounts receivable. Being unable to agree, they called upon their mutual friend and business acquaintance, P. E. McCarty, salesman for Kroehler Manufacturing Company, who had sold them merchandise since they started the store in 1911, to arbitrate the settlement, agreeing in advance to accept his decision. Raymond received $9,000 in cash and a Ford truck. The settlement was an amicable one, and the former partners remained the best of friends.

**Summary**

The organizational structure of this business was extremely simple through its history. The owner-partners, dividing all of the management functions between them and performing many of the operative duties themselves, had no need to devolve a chain of command or any elaborate system of controls. They exercised control by direct supervision so that written memoranda were unknown to them and all information within the firm was exchanged orally in the course of daily informal contacts. This close supervision made possible prompt decisions as to procedure which not only increased the flexibility of the organization but also promoted its effectiveness and economy.

One or more of the partners were always on hand during store hours, and they developed an easy, friendly, familiar relationship with their employees, which enabled them to solve the problems and integrate the conflicting interests which occurred daily. This did much to promote stability and stamina in the organization as shown by the fact that the personnel whom they employed remained with them for a number of years.

Their direct contact with customers made it unnecessary for them to depend upon other sources of information as to customer
buying and patronage motives, changes in demand, and current merchandising problems.

They solved their management and merchandising problems at first by trial and error, with the aid of Raymond's training and experience, and from this conventional system they evolved the policies and procedures which suited the needs of their customers, for example the acceptance of used furniture as part payment and liberal credit arrangements. They also developed the ability to solve their problems by the logic of reflective thinking, as shown, for example, in the establishment of the branch store and in choosing the location of the main store. The location of their first store showed them the wide market for medium-quality furniture among the low-income group of households, and in time they evolved a simple, formula-like operation in selling a complete line of household furnishings. The formula included marking up the merchandise 100 percent over invoice price plus freight and selling it for ten percent down with a year to pay the balance in weekly or monthly installments, and though the pattern differed but little from that used by most full-line furniture stores it was developed independently.

After a few years of experience the partners acquired an intuitive understanding of the fundamental operations in their retail furniture store, an extensive knowledge of the merchandise which they sold, and good personal relations with customers. These in the long run enabled them to survive two world wars, a disastrous fire, a severe depression, and several changes in location.

The operation of the business was characterized ultimately by several principles. One was a refusal to make a long-term investment in a store building. This was not due to an aversion to borrowing money for or devoting earnings to this purpose but rather to a reluctance to burden the retail operation with a high fixed cost for a long period. It was also probably due to the partners' realization that they were not strong enough merchandisers to attract customers to their building if the tide of traffic were to be diverted from its location. Instead they deliberately chose to lease for short terms and to pay rent as necessitated by the business cycle.

Another principle was to finance expansion of the business wholly out of earnings, using short-term loans only for current working capital needs. To do this the partners limited their withdrawals to nominal living expenses. They did so habitually because they did not require a high standard of living for themselves and their
families. None of the partners or their wives were socially ambitious. The virtues of thrift and hard work were not only inculcated in them by early family training but were also part of the mores of the Midwestern community in the early part of the 20th century.

Reviewing the history of this company, one finds that its success during the first decade was due as much to factors in the environment as to the character and abilities of the partners. They were relatively inexperienced and had little capital, but these deficiencies were offset by the gradually rising price level and the increase in the city’s population. It is doubtful that the company would have survived without both of these factors being favorable since a comparison with standard expense ratios shows that the company’s ratios were usually above the standard. Under these conditions there was a wide margin for error so that the inexperience of the owners was not a fatal handicap. Even with the most expert management their small initial capital would probably have proved inadequate, and surely it would have been difficult if not impossible to finance the company’s growth from profits and to use bank loans as a source of working capital, as actually happened, except in a period of rising prices, easy credit conditions and a general atmosphere of confidence and optimism engendered by the prosperity and growth of the community. Even though the company’s expense ratios were above the standard, they would probably have been higher still except for the expanding local market (population) which required less advertising and rental expense and in general less merchandising ability than a mature business community. The absence of all of these favorable environmental factors after 1929 was largely responsible for the decline of the company’s profits, and in general this was the established pattern throughout the company’s history.

Strong as the influence of environment was upon the fortunes of this enterprise, the personal qualities of the partners were of equal importance. The inexperience of the owners was to some degree outweighed by their willingness to work hard. One of the most illuminating remarks made by Raymond during many interviews was in connection with the first store; he said, “We took off our good clothes, put on overalls and went to work.” They worked at least 60 hours a week at the store, and this was an important factor in their success. They had few outside interests and none which occupied their time or attention during business hours. They were
acustomed to hard work and long hours and had the physical stamina to work for years with no vacation.

It is evident that there were several periods during the history of the company when the proprietors did not receive a return equal to that which they could have obtained by working elsewhere. Moreover, they reinvested all of their profits during good business years, holding their own personal expenses to a minimum, and yet because of business losses (the fire, the depression, and changes in location) they did not realize a return, which might normally have been expected, from an increased net worth account. It can therefore be said that the company was subsidized to some extent by the labor and management of the partners, which were not fully compensated by money payments. There were, however, satisfac-
tions and advantages derived from their position as proprietors which were to them adequate, such as social position in the community, independence of action and the feeling of security which came from management of their own affairs.

There were other significant personal qualities. The first was the complete absence of any friction between them. This was not surprising at the time when Green found himself in a wholly new environment and was dependent upon his partner for advice and instruction, but the relationship had a more positive aspect than that implied by a mere absence of friction. There was a genuine friendship and mutual trust between them based upon the respect which each had for the abilities and character of the other. There was not always unanimity of opinion as to the appropriate action in every situation, but they were always able to integrate their differences, or one trusted the other’s judgment enough to defer to his opinion. It was moreover an equal partnership in that one partner did not try to impose his views upon the other, nor did one commit the company to an agreement, action, or policy without consulting the other. Their mutual trust was apparent in the oral partnership agreement and the system of withdrawals. Each paid his personal and household expenses by writing checks on the company account or by taking cash from the safe, and no limit was ever set on the amount of the withdrawals.

Another important personal factor was the partners’ complement-
ary abilities. Each of them interested himself in different aspects of the business and learned them well so that together they were an efficient team. Green took charge of the credit, collection, and office work while Raymond did the buying and advertising.
Like most small businesses this one viewed in the perspective of
time shows that it was especially vulnerable to adverse changes in
business conditions because it had no cushion of resources to
absorb losses due to poor judgment, unforeseeable emergencies or
a recession. It had an advantage in that its management could
become aware of and adjust to environmental changes more
promptly than larger businesses.
In addition a small company may be seriously affected by
personnel changes in the management because of the personal
relationship between the merchant and his customers and em-
ployees. A part of the success of this company was due to the
continuous service of its management over long periods. Even
more important than the continuity of the management was its
quality. There were alternatives to the practice of thrift and hard
work, but the partners never considered them. They knew no
other way. The store absorbed all of their energies. They were
faithful church members but did not play golf or attend luncheon
(or any other) clubs and rarely went to evening social functions.
The homely virtues which they possessed, and the management and
operative skills which they acquired were uniquely suited to the
operation of a small business.
Upon short acquaintance the manifold problems of a small
business appear insuperable. The statistics of business failure
confirm the fact that many find them so. The stability which this
company was able to achieve attests the presence of above-average
entrepreneurial ability or a very favorable environment. The latter
condition existed only during the first and last decades of the com-
pany’s operation and even then was not present continuously.
One must conclude that the quality of the management was in the
long run the most important factor.

EPilogue

Green continued to operate the Grand avenue store as the Green
Furniture Company for two more years, then sold out and became
a furniture salesman at another store nearby. He retired in 1960
and died in 1966.
Raymond bought out another store at 930 East 15th street,
Kansas City, and established the Raymond Furniture Company.
His older son was employed from 1934 to 1940 and the other son,
T. L. Raymond, from 1940 to 1942. Both left to join the armed
forces in World War II.
Raymond carried on the business with employees until his sons returned in October, 1945. In 1947 they lost their lease and moved the store to 1312 East 15th street. Eventually they bought that building; Raymond and his son T. L. Raymond operated the business successfully there until 1968, when their building was taken by an urban renewal project. Raymond then retired and died in February, 1972, at the age of 89. T. L. Raymond is a salesman at the Duff and Repp Furniture Company of Lenexa, Kan.