

THE OKLAHOMA QUARTERLY

A RECORD OF RESEARCH AND REVIEW

Edited by L. N. Morgan

Introduction

By Boyd Gunning, '37ba, '37Law

"Let's make the broth a little stronger," that is the advice of one alumnus who has been reading the *Sooner Magazine* for many years. Suggestions have been received from time to time about how the magazine could be improved. Constructive criticism is always welcome and has led to numerous changes in policy. Beginning with this issue, the magazine will contain a section each quarter, published under the heading *The Oklahoma Quarterly*.

This section will be devoted to informative articles written by members of the faculty and alumni who have something of permanent or special value to present. The magazine staff has recognized for sometime the desirability of presenting new ideas, new theories, or the results of surveys and experimentation dealing with the people, the institutions and the problems of the Southwest.

What can a reader expect to find in the *Quarterly* besides a rather vague smattering of informative material? Those directly responsible for the *Quarterly* hopefully submit that it will be interesting; that it will present sound, pertinent information with which University alumni are concerned; and further that over a period of time every graduate of the University reading this section will find some material which touches his primary interest or profession.

To understand how broad is the scope of the *Quarterly*, consider the following:

1.) It is intended that articles will be in-

cluded which deal with economic problems, business conditions and techniques, along with the industrial potentials of the future. Ever since the depression of the 30's, the idea has persisted that our economy is not necessarily built on a boom or bust basis. The economic planners have been studying conditions and trying to supply correct answers and safeguards. Business practices and techniques are being improved through study and research. What is being done in the field of economics and management will be analyzed and reported for the supplement.

2.) Social Studies. Included in this category will appear items on public health, welfare and morals; history, literature and government; military and political sciences.

3.) Natural and Physical Sciences. Technical and scientific advancement is of interest and sometimes of concern to most of us, however, very few of us are able to understand or interpret the changes that are taking place.

4.) The professional fields of law, medicine, engineering and teaching offer a rich source of material not only on the professions themselves but also the influence these professions have on society at large.

5.) The Arts. The cultural aspects of the Southwest are unlimited. Music, art and drama are all a deep-rooted part of our cultural tradition, beginning with the Indians and moving through to the present.

This then is broadly the field in which

the *Quarterly* will find the grain to harvest for an alumni feast. If occasionally there is a little chaff with the wheat, it will only serve to make the rich kernels that much more delectable.

Our purpose in presenting the *Quarterly* is to stimulate interest, to inform, and to encourage investigation. We hope the end result will be a better understanding of the purpose of the University and of the potential of the Southwest. And when there is better understanding, it will follow that the way is open for further advancement.

In planning and instituting this innovation to the magazine, we have had the competent leadership of Professor L. N. "Fess" Morgan, editor of the special supplement, and an editorial board consisting of Professors E. E. Dale, Gaston Litton, E. D. Meacham, L. H. Snyder, and Thurman J. White.

In addition we have had the co-operation of the authors represented in the supplement. We hope they feel a sense of achievement in being the first representatives of a new supplement. To them and the many who will follow we owe our sincere congratulations and appreciation.

Suggested articles for and any criticism of the *Quarterly* will be appreciated. This *Quarterly* is not printed for the contributors nor for the Alumni Office and magazine staff. It is prepared and printed for the alumni reader. Please let us know what you think of the idea.

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Organizing a Small Business

By Francis R. Cella

One of the characteristics of our people is to seek independence with respect to a means of livelihood. This is expressed in many ways, but for a considerable part of our people it is expressed by working for themselves in the ownership of a small business. While there may be other choices which would be more desirable, people tend to assume that a comparatively limited training and capital are required to operate a small business. They appear to believe that a small business is the most likely medium within their grasp for securing a method of living which frees them from reliance upon and subservience to others for their livelihood. The extent to which people turn to organizing a small business as a livelihood is indicated by the 8,315 new retail and service establishments which were started in Oklahoma during 1950.

In considering the possibility of starting a small business, people are too prone to overlook the highly competitive aspects of such organizations. They see only the relatively simple requirements for starting a small business and are encouraged to undertake such an enterprise with no further examination of the problem. However, a notion of the competitive aspects among small business establishments is indicated by the 8,428 Oklahoma retail and service firms which failed during 1950. This high failure rate is evidence that potential proprietors must have much more than a desire to be a small businessman before they can hope to achieve success.

Functions

Although the concept of what is a small business extends over many lines of activity, this article will be devoted to retail and service lines since they are predominant among the small business firms. The first aspect of the problem of establishing a small retail or service business deals with the functions in which the small business proprietor must engage. These are rather diverse and a successful proprietor must be aware of what they include.

The small businessman must be able to buy properly. He must be able to judge demand for products from contacts with his customers. Sales records are of assist-

ance in this function, but a lot of common sense is also required. Unless the small businessman judges demand properly, he will crowd his shelves with products which are not salable and build up a huge investment in inventory. Over-sized inventories lead almost inevitably to business failure. The retailer must perform an important selling function which will complement his buying abilities. Through coming in direct contact with consumers, he can do much to influence demand and thereby keep his goods moving. Although he is often criticized as being a mere clerk, he can influence demand by proper display of goods, salesmanship, advertising, thereby vindicating his judgment in buying.

On the basis of estimates of consumer wants, the retailer places orders with wholesalers or manufacturers. He may make little effort to seek out sources of supply, but a successful retailer will aggressively hunt for better sources, and even develop them. When he purchases his merchandise, he must store the goods so as to be accessible to consumers. If he purchases large and varied stocks of goods, he relieves consumers of the need for anticipating their wants far in advance and of storing the goods at home.

The retailer also performs an essential function in dividing. Since the consumer buys small quantities, the retailer purchases large amounts and then divides them into smaller packages for individual sale. Much of the activity of retail clerks is devoted to dividing and packaging merchandise, so the small businessman must plan for the efficient execution of this function.

There are a variety of other functions which the small businessman must consider and execute properly if he is to be successful. Extension of credit is a significant function because a large portion of sales are made on a credit basis. The successful retailer must be equipped to provide credit on a sound financial basis. He must be prepared to assume the risk which is involved in the ownership of goods. The selections which he has bought may not please customers, fashions may change, prices may drop, goods in stock may spoil

or prove unsalable, or they may even be destroyed by a catastrophe. The retailer must be prepared to meet these hazards as part of his business responsibilities. Transportation costs from the wholesaler or the factory may be assumed by the retailer. Also, he may assume the cost of delivering goods to his customers. This makes transportation expenses an important function to deal with and consider.

Finally, there is the record-keeping function. Many retailers keep such meager records that they are unable to accurately analyze their business or to determine proper policies. On the other hand, some small businessmen keep elaborate records of purchases, stock on hand, sales and expenses. The successful retailer must keep records for the purpose of paying bills, collecting accounts, paying taxes, and determining his financial status at any given time. A simple but properly maintained system of records is an essential characteristic of each successful small businessman.

Methods of Operation

Retailers in general may be divided into five main classes on the basis of services rendered and methods of operation: (1) service stores, accepting (open book) credit and making free deliveries; (2) stores selling on the installment plan and making free deliveries; (3) cash-carry stores which neither accept credit nor make free deliveries; (4) self-service stores which dispense with salesmen and have the customers select their own goods (may be cash-carry or credit); and (5) wagon retailers who sell and deliver goods to their customers on regular routes (either on a cash or credit basis). In giving consideration to each of these services and methods of operating, the small businessman is influenced by a number of factors which bear on the problem. These factors must be carefully weighed and decisions made as to the particular type of operation the small businessman is prepared to embark upon.

Open-book credit is convenient because it saves the bother of paying for each purchase separately. Installment credit helps people to make large purchases and allows them to use the goods while payments are