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*Dollars and Sense is a publication of the Baruch College Business Journalism Program. Our purpose: to provide the Baruch community with a business magazine written, designed, and edited by Baruch students.*

*Cover Design and Photograph by Marie Facci*
Japan. It’s not just rice and raw fish. It’s not just Sony and Toyota. Business people lunch at a chic Manhattan sushi bar and come home to find Shogun on television. As Japan continues to take the international business world by storm, more and more Americans are developing a yen for things Japanese.

"Because of Japan's economic development, people are interested in Japan," says Takako Takahashi, a Japanese brush painter and calligrapher who has lived in New York City for 18 years. "People are asking themselves, 'What are the Japanese doing right?'" she says.

This increasing American curiosity about Japan and the Japanese, led by the desire to understand the native psyche which seems to drive the Japanese to success, has given rise to a number of new businesses in the U.S. aimed at supplying goods and services which Americans generally associate with Japan. Hence the rapid spread from city to suburb of the popular Japanese martial arts schools and the flowering everywhere of restaurants offering traditional Japanese fare.

Japanese culture, however, goes much deeper than roundhouse kicks and Kirin Beer. Japanese cultural traditions such as calligraphy, brush painting, flower arrangement and chado (tea ceremony)—all of which were established and flourishing hundreds of years ago—are an integral part of being Japanese. Most if not all Japanese have some experience in at least one of these traditional arts. Many study a skill for years, while others may choose to dedicate their lifetimes to one.

Selling A Heritage

Encouraged by the growing fascination with Japan and its heritage, businesses have begun to open their doors in New York City, some providing actual instruction in Japanese fine arts; others offering authentic Japanese items, such as kimonos, tea bowls and calligraphy brushes.

These businesses seem to divide roughly along nonprofit and profit lines. Instruction in Japanese arts and traditions is offered by nonprofit organizations, while profit-oriented small businesses handle the sale of the complementary goods which are essential to the study of Japanese culture and which appeal to those interested in Japan.

In the nonprofit sector, the Nippon Club, at 145 W. 57th St., was originally created only to sponsor social events. It
began offering instruction in Japanese arts eight years ago in response to interest evinced by New Yorkers, both Japanese and American.

Founded in 1905, the club is "the most prestigious and largest Japanese culture organization in the world outside of Japan," says Toru Mano, the club's coordinator of cultural affairs. "We celebrated our 80th anniversary last year and we are looking forward to our 100th anniversary in the next century," he adds.

Originally the club was created for immigrant Japanese and was intended by its founder, Dr. Jokichi Takamine, a famous chemist, to create a link within the then tiny Japanese community. "He wanted to organize a social club for Japanese, for mutual friendship and for sharing information and helping each other," explains Mano. "But it was also organized to establish friendship between Japanese and Americans in New York City," he points out.

The harsh financial realities that nonprofit organizations must face sometimes prove to be too much for many of them. Not so for the Nippon Club which is supported solely through membership contributions and receives no other financial support for its operations. "We now have about 4,000 individual members," says Mano. "We also have 400 corporate members." A life membership costs $400 for an individual plus a semiannual charge of $87. For a corporation, the initiation fee starts at $5,000 and increases with the size of the company, although the semiannual fee is the same as for individual members.

The club offers its members, both individual and corporate, a wide variety of social services which includes access to the dining facilities and invitations to club-sponsored parties as well as opportunities to learn traditional Japanese skills. "When you become a member you can hear lectures and you can use the dining room or banquet room," says Mano.

Corporate clients, such as Mitsubishi, Sony, Mitsui & Co., the Bank of Tokyo, the Bank of Yokohama and the Dai-ichi Kangyo Bank, often host seminars or luncheons, and many use the club for their own meetings. "The thing that the Nippon Club does which Sony supports is promote cultural exchange," says David Kawakami, manager of corporate communications at Sony. "The introduction of Japanese culture to New York is something that Sony encourages." On the more pragmatic side, Kawakami adds, "The club's membership represents all the major Japanese corporations, and it has good Japanese food."

To become a member one must be vouched for by two current members, although it is no longer necessary to be Japanese. "Our purpose is to seek friendship between Japan and the United States, and although the membership is mostly Japanese, we have associate members who are non-Japanese and mostly American," explains Mano. These 100 American members are interested in Japanese affairs either culturally or economically. "There are many businessmen, bankers and traders," says Mano.

Besides these Americans who are members, there are a number of Americans taking classes in Japanese traditional arts which are open to members and non-members alike. It is here that Takahashi teaches her art, along with others who guide students in the mastery of various skills of Japanese origin. Instruction is available not only in brush painting and calligraphy—or shodo, the Way of the Brush—flower arrangement and chanoyu, but also in Japanese classical dancing, the koto or Japanese harp, and Japanese doll carving.

These lessons, which are open to members and non-members alike, range in price from $7 to about $18 each. Takahashi's class has a $25 registration fee; some others may require the purchase of special items, such as tea whisk and kimonos.

The club is well aware of the increasing American interest in Japanese ideas. "We get tons of calls from Americans looking for information and looking to plan joint events," says Mano.

Just one such event was the exhibition last summer in the club's gallery—which is free and open to the general public—in honor of the Statue of Liberty. "That exhibition was sponsored by the Nippon Club and New York Telephone in association with the Japanese Chamber of Commerce," says Mano.

"It was not only another opportunity to support the arts," says Robin Flowers, a New York Telephone spokesman. "The show was very popular and very well received," he explains. "Our community relations staff enjoyed working with those people. They described it as a very positive experience."

At the beginning of every new year the club offers a gallery show centered on the cultural activities and instruction given there. This year's show included displays of the three different schools of ikebana or flower arrangement: ikenobo, saga and sogetsu, as well as a brush painting of a magnolia branch by Takahashi, whose work has appeared in The New York Times, and an antique kabuki kimono. Other displays included one centered on chanoyu, presented by an instructor from the Urasenke Chanoyu Center, which also offers lectures on Japanese traditions.
happens with the dollar, but Tsuchiya, while he is also somewhat cautious, hopes to expand one day. “I would really like to open another store,” he says. “As long as I keep the quality and taste which American people show interest in, I think I will be all right.”

Japanese Design

Interest in Japan is also growing among Western artists and Western art collectors. Many of the more traditional Japanese crafts such as lacquerware, woodwork and knife making are being adapted and westernized as the cultural exchange between East and West expands.

At 91 Grand St. in SoHo, Gallery 91 specializes in offering exhibits of modern Japanese design as well as in Japanese influenced Western design.

“Today, the interest of the American public is drawn to the contemporary, living arts of Japan,” says Yoshiko Ebihara, the gallery’s director. “I have created a showcase for the ideas and concepts of artists and designers active in this area,” she adds. “It is my wish that our efforts will stimulate people involved with the arts and enhance the cultural exchange between the two countries.”

Ebihara receives a commission for each work which is sold in her gallery. The exhibits are composed solely of usable objects such as lamps, chests of drawers, chairs, plates and knives, but never paintings or sculpture. Manufacturers regularly visit the gallery and ask for licenses to mass-produce certain objects. In these cases, Ebihara acts as an agent for the artist and receives a part of the royalties resulting from production.

An example of the creative forces now emerging from the Japanese and Western cultural exchange was the gallery’s February 1987 exhibition of “Sei Mobletti,” or seven small furniture pieces. These pieces are the work of an Italian and a Japanese designer who collaborated to make a “game” of their art. The Italian designed half of each piece of furniture, sometimes the top and sometimes the bottom. He then mailed the unfinished designs to his artistic cohort in Japan who finished them. The results are spectacular, particularly in the case of a stainless steel chair whose thick and thin arched legs were designed by the Italian and whose stool seat bound in thick red rope was the creation of the Japanese.

How far this exchange between East and West may ultimately go is difficult to predict, but it is generally agreed that there are profits to be made in the long run, as increasing numbers of Americans grow to appreciate and enjoy Japanese arts, crafts, design and philosophy.
the agency profession is so unstable.

With all this riskiness, one wonders why people are attracted to this industry in the first place. Barry Holland, who began his career in 1973 after graduating from The School of Visual Arts with a Certificate in Advertising, says, "It seemed like the most natural way to go because my two older brothers were both art directors at ad agencies. I thought it would be exciting and glamorous. After two layoffs, I know better. I'm on the corporate side to stay."

Linda Daubson also admitted that she was attracted to the agency side because of the glamour. "If I had to do it over again, I would still pick the ad business. I was always fascinated with television commercials when I was a kid." Linda gained her introduction to advertising through her studies at the Fashion Institute of Technology.

"I received my Associate Degree in Advertising & Communications from F.I.T. in 1981. All the professors there were oldtimers who raved about the business. They warned us, though, that it would be tough getting our first job—there was a lot of talk about starting as secretaries. In fact, F.I.T. insists that all advertising and communication majors enroll in and pass a typing class before they allow you to graduate. They were right, though. I had to start as a secretary and so did a lot of women at DFS."

Eric Rosenberg, a graduate of The School of Visual Arts, had always heard that there was big money to be made in advertising. "From the very beginning, I was told about the mega-salaries of the top creative people. I was impressed. Now that I'm in the business, I'm still impressed. After all, how many professions offer you the chance to earn six figures by writing a clever jingle for a new children's cereal or a new deodorant soap?"

"Overworked, unappreciated."

If a love for glamour and money attracts people to this industry, Dan Dray was the exception to the rule. Dan was never attracted to the ad business. In fact, he was completely turned off to agency life because he had heard about the fast pace and competitiveness. Nevertheless, when nothing else turned up in the way of job offers, Dan accepted a position in the research department of BBDO as a marketing analyst. During the year and a half he was there, he watched five out of 15 co-workers leave the department. Today, Dan is a senior analyst in the management sciences department of the CBS/Columbia Record & Tape Club. He says he is happy there, and would never again accept a position in an advertising agency unless "it was the last position left on earth. At BBDO, I was overworked, underpaid and completely unappreciated."

This is not a business for the faint-hearted, frail or delicate. It is ill-suited for anyone with a family or outside commitments. The divorce rate runs extremely high among successful male agency executives.

In this business, you have two bosses—your creative director and the client. So when the client calls at 3 p.m. on Thursday demanding five 30-second spots for a 9 a.m. presentation on Friday, you can say goodbye to the long-standing dinner engagement with your wife, children, girlfriend or boyfriend. That's the rule if you want to stay in this business.

Barry Holland recalled a typical incident during his stay at Foote, Cone & Belding. "I was called into my creative director's office at around 5 p.m. to complete a rush project that was due the next day. I worked until 5 a.m. the next morning on that presentation. Then I went to a nearby hotel, showered, shaved, and came back to work for the rest of the day. Yes, the company picked up the bill for the hotel and meals. But my paycheck wasn't any larger at the end of the week."

Dan Dray talked about life in the research department. "I decided that I wanted a personal life so I never stayed past 5:30 p.m. Everyone else in my department stayed until 6 or 7 p.m., but they were single and I was just married!"

On the subject of overtime, Linda, Barry, Eric and Dan agreed unanimously. Regardless of the department one works in, overtime is a constant factor and often a constant source of irritation. Knowing where to draw the line can mean the difference between some personal life or none at all. Holland best describes the type of person suited for agency life. "A young person in his 20s to early 30s who lives in Manhattan, with no family, with no concept or concern about time. You have to be married to your job."

Of course, there can be rewards for overtime, especially, if you work in the creative department. There is always the possibility that the radio commercial, TV commercial or print campaign you labored over will win you a Clio. You also have to have enough political savvy to be working on the right account and the right brand within the account.

Despite the instability, there is a certain amount of exhilaration in agency life. When times are good and the client roster is growing at a healthy pace, agency life can be
a lot of fun for the bright and talented. New York agencies, regardless of size, can be some of the most laid-back environments you could ever hope to work in. How can a company be both laid-back and a pressure cooker at the same time? It can, and that's what makes this profession so unique. All it takes is a walk through the offices of any ad director, copywriter or TV producer. There you'll see some of the wackiest, most colorful, and offbeat decor, reminiscent of SoHo lofts. It is not at all uncommon to find posters, stuffed animals, toys, whips and chains all on the same floor, although not usually in the same person's office. One former creative director at Foote, Cone & Belling, a female who shall remain anonymous, had a king-sized bra dangling conspicuously from her office walls.

Still, there's more to the creative department than individual decor; it's the people in the department who really count. When an agency is doing well, gaining the business they want and maintaining the business they need, the atmosphere practically bubbles over. There is a constant chatter, constant flow of work and best of all, people are free to be themselves. No one thinks you peculiar, if you decide to come to work in jeans and a purple sweatshirt or if you take the time to linger over some office gossip. It's all part of the loosely structured environment and it's exactly the type of environment that good creative work thrives in.

How would you describe life at an ad agency to someone who has had no previous experience? Here's what some agency veterans had to say:

"Image conscious."

"Risky, unstable, but definitely worth it."

"Hectic, exciting and boring all at the same time."

"Very political, very competitive. Find another line of work—open up a 7-Eleven."

Perhaps, banking or insurance is safer, and you would never have to worry about the public's fickle buying habits or the demographics and psychographics of working women ages 18 to 35. But you would also never experience the thrill of seeing your idea, which started as a thumbnail drawing, come to life in a $10,000 commercial.

Perhaps, most important of all, you would miss the chance to defend yourself when someone asks, "What do you do for a living?"

The folks who scurry around the thickly carpeted floors of New York's ad agencies are as team-oriented as major league players, as goal-oriented and deadline-oriented as Wall Streeters, and as influential as many politicians. If you doubt it, ask yourself how you made your last 10 purchasing decisions.
Manning the Decks

by Robert Meringolo

If you are among the estimated 211,310 college seniors graduating with a BBA this year, you will be relieved to know that the employment outlook is very promising. According to a study by John D. Singleton and L. Patrick Scheetz of Michigan State University Placement Services, there will be more business and management jobs available in 1987 than qualified graduates.

There are many reasons for this positive turnaround in employment, chief among them an upward swing in the economy. "Low interest rates have encouraged firms to expand," says William L. McLoughlin, associate director of the Career Planning and Placement Department at Baruch College (CUNY). The result of such expansion has been increased hiring and better starting salaries. The average starting salaries of BBA graduates have been increasing at the rate of four percent annually, and Singleton and Scheetz predict that the average starting salary for a BBA this year should be between $20,000 and $22,000, varying with a graduate's major and geographic location.

While this rosy employment picture may encourage many grads to dream of three-piece suits, initialized briefcases, and Wall Street, others may wish to consider alternative opportunities. For those who are not quite ready for gray flannel suits or positions as junior accountants, a career in the United States Navy may prove to be just as lucrative and more exciting. At least, that is what the aggressive recruiting staff of the Navy would like young college graduates to believe.

In order to attract the most qualified personnel from the talent pool of graduating seniors, the Navy has sweetened its offers considerably over the last few years. This push represents the Navy's natural response to market trends. "The positive employment outlook for college graduates, and the development of the Navy in terms of its need for highly trained specialists has forced us to make our forms of compensation more competitive with the salaries paid in the civilian job market," says Lt. Carlos Sotomayer, director of the Officer Program for the New York City and Long Island area.

Statistics seem to support L. Sotomayer's claim. According to the Navy, the annual total salary of an ensign, the entry level officer rank, as of January 1987 was $20,721, of which $5,590 is considered to be nontaxable. Added to the total salary are medical benefits worth about $1,000 annually for a single person, a low interest $10,000 loan available upon commission, a five-year student loan deferment and special duty (involving submarines, aviation, or nuclear technology) benefits worth up to $9,000 annually.

"The Navy has sweetened its offers considerably over the last few years."

"I'm a lieutenant with eight years as an officer," says Lt. Sotomayer. "This year I'll earn about $45,000 (including aviator's benefits). Since the bottom fell out of the commercial jet pilot market, it's unlikely that I'd find a job with comparable benefits if I left the Navy."

To heighten awareness of the opportunities available to potential officer candidates, the Navy employs Ted Bates Worldwide, Inc. The entire Navy contract is worth nearly $32 million to Ted Bates this year, and about $3 million will be spent on advertising aimed specifically at potential officer candidates. These numbers represent record spending by the Navy.

"Strong economic periods such as what we are presently experiencing have a negative effect on the military's ability to recruit qualified personnel," says a staff member of Ted Bates. "The Reagan administration has had a more aggressive attitude than previous administrations in terms of defense budgeting and development. This has created a demand for more highly trained personnel," he adds.

Ten years ago things were very different. In 1977, the Navy's advertising budget was less than $5 million, and the civilian job outlook was pretty rough. "1976 was a post-recession period, a tough time. The oil embargo of 1974 had a great impact. High interest rates forced everyone to cut expansion. Most Baruch graduates were starting out around $11,000," says McLoughlin, who has been with the college for 14 years. Hard times in the business sector meant relatively good times for military recruiters.
Lt. Sutomayer's story corroborates McLoughlin's account of the period. "I couldn't afford R.P.I. so I went to Annapolis," he said. In 1976 the Navy's pay scales were fairly well in tune with the national employment trends and ensigns earned a base pay of about $8,000.

Today, competition with business employers has radically changed the Navy's marketing strategy. This year the Navy will spend $2 million on printed advertising aimed specifically at potential officer candidates. These ads will be placed in college-oriented publications such as Campus Voice and Newsweek On Campus, as well as in publications aimed at specific fields of study: Graduating Engineer, and Black Engineer. $1 million is earmarked for late-night television spots. These spots will be aired during broadcasts that are geared to and have been shown to attract the targeted audience. Late Night with David Letterman and other similar programming gives the Navy the captive audience that it seeks while affording it the relatively inexpensive air-time of late-night advertising.

Current campaigns are aimed at attracting only the most talented graduates. A print ad on a Baruch bulletin board reads: "The Navy pilot. He's a college graduate with the skills and abilities to excel in any profession. He chose to be a naval aviation officer..."

Ted Bates is working hard to deliver the message that the Navy will help the college grad reach his or her full potential. Phrases like "Rise to the Top" and "Take It to the Limit" are often to be found in the ad copy. Proud of the campaign, the same Ted Bates staff member adds, "We've found that the new "Lead the Adventure" campaign has generated positive response." Most Navy advertising seems to be concentrated in the beginning and the end of the
school year. "In the fall, seniors aren't sure what they want to do, and in the spring they're panicking because they don't have a job waiting," he explains.

"How can you have a family life when you're out at sea for six months of the year?"

But, some say the ads don't tell the whole story and can often be misleading.

A print ad from the "Lead the Adventure" series reads: "There is no boot camp. College graduates get leadership and management training at Officer Candidate School (O.C.S.)." While this ad is truthful, and is used to show that great opportunities await college students in the Navy, it is misleading. The things that make the idea of boot camp nightmarish to college students—pushups, pre-dawn wake-up calls, harassment from gargantuan drill sergeants—are found in abundance at O.C.S.

William Ellsworth, a former officer candidate, cautions that although the Navy will guarantee the form of duty, whether nuclear, aviation, or submarine, a new officer cannot back out of the deal and receives no guarantee for where he will be stationed. "While a Naval station in Hawaii may be your dream, the reality might in fact be a cruiser off the coast of Greenland." He adds, "Another aspect to be considered is that a military career is tough on a family. How can you have a family life when you're out at sea for six months of the year?" Ellsworth suggests that, "There is more to the decision than salary. You may want to be a Navy officer, but are you prepared to perform the duties and make the sacrifices involved?"

Women are not actively recruited for Navy officer programs. Although the Pentagon is not in the habit of releasing information pertaining to its goals for the recruiting of women and minorities, it is known that women now constitute more than 10 percent of the more than 2,700 officers commissioned last year. Much of Navy advertising is apparently geared specifically to white males. However, the Navy recruiters do set out to make their presence known to minorities. Lt. Sotomayer often makes appearances at local colleges with substantial minority student bodies such as Hostos Community College (CUNY).

The Navy's advertising campaigns seem to be growing, attracting new officers and bigger budgets. But recent news stories about the Army's troubles with NW Ayer, has the Navy on guard. After years of investigations, the Army has suspended any further dealings with NW Ayer, the ad agency contracted for the Army's recruitment campaign since 1967. The Army has accused the ad agency of bid-rigging and acceptance of kickbacks from subcontractors.

Ted Bates says that Navy dollars are carefully watched. "The Navy is different from private industry because they are so cost conscious," the Ted Bates staffer says. "If we estimate the cost of a magazine ad at $20,000 and it ends up costing $22,000, we have to write letters to Washington with some good reasons to get the extra funds."
Nothing Ventured

by Jill W. Richburg

In a day-stilled hotel ballroom in New York, sixty or seventy people sit five rows deep. A pair of elderly women fan themselves actively in the front row, not bothering to remove the weary spring coats they are wearing. A man in a hard hat lumbers up the center aisle, and lowers himself onto a folding chair. A few men in janitor's uniforms look on. In the last row, a man picks lint off his once-perfect gray suit, the papery soles of his shoes peeling like old rose petals at the toes. There are a number of married-looking couples; some chat while others, hands clasped, gaze in reverent silence at the podium ahead. Others, pencils firmly in hand, bear the wide-eyed and hopeful look of the temporarily unemployed.

Soon, a handsome man in an immaculate navy suit appears at the front of the hall, taking microphone in fist. For those in his presence, the 10-minute wait, the forfeited lunch hour, the swallowed pride are forgotten. For they are about to learn how they, too, can invest in real estate with no money down.

This free introductory class serves as an inspirational advertisement for Ed Beckley's No-Down-Payment Seminar. The lecturer, Frank Quinn, gives a few well-rehearsed hints about the insider tips available in the paid seminar to be held that weekend, available at a special price, "for those attending the introductory seminar," at $445.

In just under two hours, 10 people are sold.

Those 10 people join an ever-growing population in the United States whose insatiable hunger for get-rich-know-how comfortably supports dozens of real estate seminars, authors, and roving lecturers. Ed Beckley, lecturer and author of No Down Payment Formulas, claims 100,000 graduates. Robert G. Allen counts 100,000 graduates of his own throughout the U.S. and Canada, and has loosed about 700,000 hardcover copies of Nothing Down, just one of his best-selling books, on an eager public. Entire publishing houses have cropped up which specialize in instructional real estate material. For those who prefer home study to classroom, audio cassettes with supplementary manuals can be purchased, and for truly pain-free absorption, you can see what you're hearing via videocassette. Meanwhile, the financial freedom gurus, armed with their rags-to-riches tales, effectively and guiltlessly add more students to their income-producing portfolios every day.

The road to real estate seems easy and accessible at first—listen, learn, and earn. Yet the buying principles that "anyone can follow" are often too numerous to master, too abstruse to grasp, and worse, experts say, too unworkable to work. If ordinary mortgage transactions are complicated and time-consuming enough to require the lengthy explanations of a bank and a lawyer, trying to buy property without putting up any cash can hardly be as simple as it's made to seem. Still, at a time when interest rates are low, and investing in real estate seems less risky than the stock market, this 1980s version of the get-rich-quick scheme is luring the American public in large numbers.

From Simple Beginnings

The lecturers assert that they were once ordinary people before real estate blessed them with exponential returns. Beckley says he was a school teacher with a run-down car. Allen describes having a miserable time getting his MBA. Albert J. Lowry, another mega-success story, says in his book, How to Become Financially Independent by Investing in Real Estate, that he started his real estate empire with just a few hundred dollars. Thus, while few are excluded from the target market, the prime focus is on the low-to-moderate-income individual.

Real estate, for its own part, has a unique image among investment vehicles. While it has earned its Trump-esque takes-a-million-to-make-a-million reputation, it also holds a popular, common man appeal. Helene Mandelbaum, publisher and editor of The Real Estate Investing Letter, explains the attraction: "People think they know something about real estate; maybe they own a house and they've seen it go up in value."

The Perils of No-Money-Down

Or maybe they don't own a house. Without a sizable bank account, cash down payment requirements of financial institutions can go as high as 50 percent of the property's appraised value. That is, while institutional mortgage lenders can extend credit for as much as 95 percent of a property's value, they usually do not extend themselves for the average buyer.

According to Barbara Fox, vice president of residential real estate at Cross and Brown Company in New York, the small investor is generally required to put up a substantial amount of the property's value. For upscale properties, bankers' belts tighten further, Fox says. "For a co-op on the Upper East Side, you're talking about 50 percent." Thus
while mortgage interest rates may fluctuate with the business cycle and vary from lender to lender for many would-be buyers, cash down is at all times and all places exclusionary.

Enter the nothing-down techniques. Courses like Allen’s commonly issue these two directives: 1) Locate a seller who, for whatever reason, is unusually anxious to get rid of his property, and 2) negotiate with him until a sufficiently low-interest, low-cash-down agreement is reached.

Neither step is easy. Both are crucial to success.

Finding a seller who will be amenable to a no-cash-down plan is the first hurdle. Allen shows his property-seeking students how to screen newspaper ads. If, for example, the seller’s ad says something like “beautiful home,” or “nice view,” he’ll likely be too fond of his property to let it go under terms other than those he has pre-set. Other real estate gurus recommend unearthing public records at the local county courthouse, keeping an eye out for recent divorces, or calling up probate lawyers about their clients. Lecturer Quinn advises students to telephone large companies in their geographical area of interest and ask if any of their executives are relocating. He also recommends running your own ads to find a seller who might agree to no-cash-down.

To be sure, the lecturers offer a wealth of suggestions, each one, they admit, as long a shot as the other. Locating a seller who will accept no-cash creative financing can carry one-in-a-hundred odds, according to Allen. Mandelbaum offers a different assessment: “one in a million,” she says.

What’s more, many markets guarantee a lucrative haven for even the most bolt-prone seller, rendering no-cash-down proposals unattractive at best and at worst, financially unconscionable. In New York City, for example, to bend de facto high cash rules is to fly squarely in the face of supply and demand.

“Land is so dear [in New York] that it would be a very rare opportunity,” says Fox of no-cash-down. Why shouldn’t a seller accept creative financing? “He wouldn’t need to,” Fox observes. No-cash-down can even wind up being unattractive to the buyer: It’s risky because mortgage payments are that much higher.

The Art of Negotiation

And, take-it-or-leave-it markets aside, even an unearthened eager seller can say “no sale” if the terms aren’t right. Let the fainthearted beware; while detailed descriptions of creative offers are widely written, nowhere are they written in stone. Most of the real estate courses provide students with outlines of contracts, to be fleshed out with the investor’s negotiating skills, skills often lacking, claims editor Mandelbaum, even in professional brokers.

Negotiation can encompass a wide variety of buying concepts that range from the simple to the complex. The use of unsecured paper (notes not backed by collateral) is one idea that, according to Mandelbaum, is more straightforward than it is useful. “I can’t imagine anybody taking unsecured paper at this point,” she says. “Every seller wants to have some kind of security.” More obscure techniques include transferral of mortgages, multiple mortgages, or buying discounted paper and selling that paper at face value.

The Fun of Being a Landlord

For the small investor able to understand and put the course to use, a new set of problems arises, not the least of which is management. According to Abe Gelber, president of Resources Property Management Corporation, the small investor is usually “not truly prepared for the ongoing responsibilities involved.”

While the services of a property management firm can run to six or seven percent of total monthly payments, it may save enough time and money to pay for itself in the long run. There is also the option of using realtors as managers, but this can create problems, says Jack White, executive vice president of residential real estate at Resources. On top of an absentee landlord, the property would, in White’s words, have an “absentee management” to boot.

As for managing your own property, most real estate experts agree that it is best to do so only with residential properties of four units or less. White agrees: “It could be okay with a small property.” Others maintain that any property can become unruly. “Can you imagine coming home at night and having to deal with the problems?” Gelber asks. Moreover, he notes, aside from the self-inflicted misery of the owner, tenant satisfaction must be kept in mind. “Remember,” he says, “you’re learning at the expense of other people.”

The New York investor will likely face more headaches in tenant relations than he would in any other area of the country. Tenant hostility can run dangerously high, necessitating costly repairs for vandalism. New York landlords can be intractable, too. “I have a very hard time with New York landlords,” Gelber admits. Those landlords preside over what is, according to Mandelbaum, “the oldest rental stock in the country.”
Best Bet: The Handyman Special

When it comes to a small investor, though, old is definitely in. Undesirable as they may seem, abandoned cinder-block buildings offered at public auction conceal gold mines, according to Mandelbaum. "It's an easier way to get into real estate," she says.

Of course, hard labor on distressed property has not gained in popularity. When lecturer Quinn mentions rolling up your sleeves for a few weekends and making cosmetic repairs to a mildly distressed property, more than a few groans are audible in the audience.

Time Is Money

The incentives to work hard and acquire property become nebulous in a real estate market with an uncertain future. While the seminars tout the tax advantages of owning real estate, experts warn that new tax reforms could diminish those advantages. Even without reforms, Gelber cites the limitations of tax benefits. "There's no such thing as a tax shelter," he says. "It's tax deferral—one of these days (at the time of resale), you're going to have to pay the piper—where's the money going to come from?"

High rent expectations can also be thwarted for small investors, particularly in rent-controlled areas. Rent increases in such areas can require "a tremendous amount of paperwork," says Mandelbaum, taking more time than most small owners want to spare.

Time too will be at a premium for any real estate investor aiming to make a significant number of purchases. While many seminars provide part-time investing plans, other specialists feel that making a killing takes more time. "It's not something you can do on a Sunday afternoon and get rich," says Mandelbaum. Even where cash is readily available for purchases, as with rehab auction properties, the time needed to arrange necessary repairs is often prohibitive, he says.

So is the opportunity really there? Can a low-to-moderate-income person with the will to work hard, make it big? "I just see it as a very tough road for low-income people," Gelber says. "For middle income ($35,000 to $65,000 a year) it's a lot easier, but it's still difficult."

How To Get Rich in Real Estate

What about the investment success of the Beckleys, Allens and Lowrys?

"I know there are a lot of people that have managed to do that," Mandelbaum allows. "But it's almost impossible to duplicate the circumstances."

Gelber notes that some of the populist real estate pundits got rich by investing in distressed real estate.

"And foreclosures," adds White.

There will always be naysayers, the lecturers of real estate say. For that reason, they are as much positive-thinking cheerleaders as they are real estate investment specialists. Several lecturers have formed support groups for their graduates. Ideas are exchanged and morale is kept high.

"The people who keep telling you it can't be done are the ones who are going to bring you down," Quinn advises at the Beckley lecture. "We want to show those people who say that it can't be done that it can," he adds.

It's debatable whether you can go to a lecture or read a book and go on to create wealth in real estate. Susan Edelstein, a college student who says she went with high hopes to an Ed Beckley introductory seminar, found the lecturer had a lot of information but "it wasn't for the average person to grasp." She admits, "I didn't get much from it."

Nonetheless, the success of real estate evangelists and the cut of Frank Quinn's blue suit are as real as the house on your block.

And that's good enough for thousands. Of people. 
Ask anyone to name a few American institutions and you are sure to hear apple pie, baseball, the Fourth of July, and comic books.

Yes, comic books. These colorful fantasy tales have charmed several generations of American children. Few are unfamiliar with Captain Marvel, Wonder Woman, Superman, and Batman—superheroes whose heroic deeds and mighty adventures have earned their respective publishers millions of fans and millions of dollars.

In their heyday, the 1940's, over one billion comic books were sold annually. Back then, in what might be described as a more innocent age, it was easy to market tales of amazing feats and daring adventures. Comic superheroes were newborn and their graphics were visually dynamic, different from images the public had confronted before.

Today, with keen competition from television and movies, annual comic sales hover around 150 million books. Comics are forced to offer much more than kryptonite and a bat signal. To survive and prosper, comics must now provide a mesmerizing alternative for sophisticated, older audiences raised on Star Trek.

By 1984, comic companies realized that the time had come for action: Pow! Wham! Bang!

The nation's two largest comic book companies, Marvel and DC Comics, concerned about the drop in readership and annual revenue, quickly and dramatically transformed the lifestyles, costumes, and storylines of popular characters and titles in an attempt to boost sales and patronage.

Marvel's new tack: the mysterious disappearance of every major superhero and supervillain in the mighty Marvel universe. This exciting tale was documented over the course of the year in Marvel's Secret Wars. Not to be left out, DC drew up plans for Crisis on Infinite Earths. Marvel also unveiled a companion series, Secret Wars II, which further redesigned its characters and recharted on a frame-by-frame basis the comics' change in direction.

Superman, Spiderman, Batman, The Hulk, and Flash were hit the hardest. Apparently, Marvel and DC were plunging the industry into a totally new era of comic book fantasy and fandom, akin to the incredible competition for original game ideas set off by the video craze of the early 1980s. The shakeup proved prosperous to Marvel, boosting sales by more than 15 percent from 1984 to 1986.
is outside these walls. That's the new universe. It is built on a foundation of real life and takes place in real time," Shooter adds.

New Universe consists of eight monthly titles, each with a wide black border framing the cover art. Included in the group are: Starbrand, Kickers Inc., PSI Force, Merc, Spitfire and the Troubleshooters, Nightmask, D.P. 7, and Justice.

"The current Marvel universe is beautiful, but much of it operates on pseudo-science rather than real science," Shooter explains. Marvel hopes that its new series can build upon the success of previous efforts by replacing superhero fantasies with increasing realism.

Making characters more realistic seemed reasonable to DC Comics. Though ranked as the second largest comic company, DC too saw customers and sales slipping away. So for its 50th anniversary, DC, formerly Detective Comics, decided to overhaul its biggest moneymaker, Superman.

"For as many years as I can remember, fans have said DC has better characters, but Marvel's comics are more fun. Maybe they've had the better writers and artists, or just the right titles. But no more!" says Dick Giordano, editor-in-chief at DC Comics. "1986 was the year we proved that we had the characters with the best talent working on them.

And the form of Giordano's "proof?" Superman. "Superman created the comic book industry in 1938 and in 1986 he re-created it for DC." Not by being faster than a speeding locomotive, but by losing strength and becoming somewhat vulnerable.

The plan for Superman's three monthly titles, Action Comics, Superman, and The Adventures of Superman was to make the Man of Steel more believable and thus marketable to the reality-minded readers of the 1980s.

Apparently, Superman was long overdue for an overhaul. The title's sales had sagged to a mere 70,000 copies a month. Even an unsuccessful Marvel title, Rom, Spaceknight, a comic based on a Parker Brothers toy, averaged 120,000 copies a month for the fourth quarter of 1985-20 percent higher than Superman for the same period—before it was cancelled.

It's not yet known how the new Superman will fare against his many market adversaries. However, with one of the most popular artists in the comics industry, John Byrne, formerly a Marvelite, writing and doing the pencilling on Superman books, it's expected to generate enough publicity to hurl these titles into the fast lane.

DC also launched Legends, a new mini-series with a limited number of issues. The self-contained tale will supposedly tie in with all of the other new and existing DC series by taking for its time frame the universe after The Crisis on Infinite Earths. The Infinite Earths series relies upon the long-practiced ploy at DC of creating new versions of the same character, or somehow altering a character's past or future. Frequently, in the adventure, a character meets "other" selves, as for example, Superman meeting Superboy. Whether or not the new series, Legends, will prove to be as lucrative a venture for DC as Secret Wars and Secret Wars II have been for Marvel remains to be seen.

Marvel seemed to be quoting the Fantastic Four's Thing. "It's clobberin' time!" with the publication of Secret Wars and two volumes of a critically-acclaimed series, The Official Handbook of the Marvel Universe. These volumes are in-depth 12 and 14-issue encyclopedias in comic shape, classifying and identifying every Marvel character.
this giant comics publisher which controls over 65 percent of all comics sold in America.

According to Tom Costello, vice president of sales and circulation at Marvel, their circulation reached 6.5 million in the first half of 1986 compared with 4.6 million in the first half of 1981. "That's more than any other comic book publisher in the business today," Costello says. For the last half of 1985, Marvel's single copy sales reached 7,209,325, an increase of 300,000 per month over the same period in 1984, and a 41.4 percent gain since 1981. For the first half of 1986, single copy sales were 6,995,000, the drop from 1985 reflecting the fact that peak summer season comic sales are not included in first-half calculations. For the second half of 1986 single copy sales were 7,318,874.

In November of 1986, New World Pictures Ltd. acquired the Marvel Entertainment Group, consisting of the New York based Marvel Comics Group, Marvel Comics Ltd., their United Kingdom subsidiary, and Marvel Productions, from Cadence Industries Corporation. Lawrence L. Kuppin, New World's co-chairman, told a writer for the Comics Buyers Guide that "the business segments occupied by Marvel fit perfectly with New World's existing businesses. With the acquisition of Marvel, New World makes an entry in a substantial way into the publishing, animation, merchandising and licensing arenas," Kuppin said.

"Things were bad for a while."

alphabetically by name, physical characteristics and history. With characters being continually created or eliminated, appendix editions will likely prove necessary. It is conceivable that a New Universe section will be included in future handbooks should these titles prove as successful as Marvel hopes.

"Things were bad for a while," admits Shooter. "In 1950 there were more than 900 million comic books sold bringing in $60 million. Now we're only selling 150 million." But selling 150 million comics, which translates into $12 million in sales, is something that Marvel and the rest of the industry is very proud of since comic book sales actually dropped as low as $4 million in 1979.

"We just do the best we can," Shooter adds. "We think we (Marvel) know what people want and we try to give it to them." Secret Wars has increased sales and publicity for

Since then, readers and sales are up and new ventures are doing well too. Secret Wars II finished an average of 419,600 issues for the fourth quarter of 1985, more than any other comic. Other titles, related to the Secret Wars storylines, have also shown a jump in sales. The Uncanny X-Men, a steady sales leader for several years, and progenitor of at least three spin-off titles for Marvel because of its tremendous popularity, fluctuates between number one and number two, alternating with G.I. Joe and averaging sales of 300,000 to 400,000 copies monthly. Several Spider-man books, The Avengers, and The Fantastic Four come right in behind X-Men.

Turning on the public to comics was one challenge. Another was how to keep them interested enough to continue buying. The companies were forced to find new marketing techniques. These strategies worked for books
like Marvel’s Epic, Star, and New Universe, which are lines aimed at specific audiences.

But the real credit for rescuing the industry from doom belongs with the specialty store. Specialty stores deal only in comic books, horror and science fiction novelties, and similar paraphernalia. Most of these shops, as many as 3,000 nationwide, sprang up in the last decade. They cater primarily to teenage and adult collectors. Older patrons are attractive to publishers because they tend to have more money to spend, enabling production of lengthier, more challenging material. One type of direct sales comic book sold exclusively at specialty shops, is Marvel’s Epic line. Some of the Epic books are printed on higher quality paper and the line ranges from $1.50 to $4.00. Steep prices, when compared to the regular line which features more popular characters like Spiderman, Captain America and The Hulk, which are sold everywhere for 75 cents. While Marvel’s regular titles are geared for teenagers and younger readers, Epic focuses on adult buyers, 21 and older.

DC introduced a $1.00, 32 page issue in January, an effort to give readers higher printing quality without going to the full deluxe format’s $1.50 price tag.

In the current flurry of activity, it’s easy to forget that the comic industry, until quite recently, was experiencing hard times. The decline was hastened by the demise of corner drug stores and soda shops. Marvel tapped the little shop’s replacements—shopping malls—through major bookstore chains such as Waldenbooks, and B. Dalton, a company that has over 725 stores nationwide. Tom Costello says that Marvel worked hard to get not only their comics but all comic companies involved in the Waldenbooks/B. Dalton project.

“Adults can enjoy them too.”

“We designed special showcases that could be altered to hold different amounts of books and look attractive at the same time,” Costello says. Marvel would like to reintroduce comics to supermarkets, a venue where the industry could potentially pick up a great deal of capital. Some food store spokespeople claim selling comic books draws loiterers, but George Weiss, manager of a King Kullen supermarket on Long Island says, “I think it’s a good idea. I see a lot of women who come into the store with three or four kids, and I think it would be a nice addition to my store and many others.”

Fearful of losing young readers, the market comics were designed for in the first place, to rival presses, Marvel launched its Star comics line whose sales increased by over 15 percent in its inaugural year. Star features such kiddie favorites as Ewoks, Muppet Babies, TopDog, and the Droids. “Star comics are designed for kids six to eleven years old. We created them solely for our young audience. But adults can enjoy them too,” says Costello.

According to a January 1986 report, sales figures for Star comics, from its inaugural month, April 1985 until December 1985, showed them selling almost as well as the regular Epic line. The Thundercats, a book based on the successful LJN toy, averaged $96,100 in sales. Heathcliff brought in $90,800. Peter Porker, Ewoks, and Muppet
Babies all had more than $70,000 average sales in the same period. *Thundercats* presently sells 500,000 issues monthly, tying *Masters of the Universe* for the number one spot.

Other revenues come from licensing toys, like Thundercats, He-man, the Transformers, and G.I. Joe. G.I. Joe now sells 400,000 copies a month and it is one of Marvel's hottest selling books.

"We always know when something we do is successful if DC does it too. It's kind of flattering, I guess," says Jim Shooter. DC holds about 30 percent of the comics market. Some readers find similarities between DC's *Crisis on Infinite Earths* and Marvel's *Secret Wars*. Others find the *Who's Who in DC Comics* mini-series remarkably like *The Official Handbook of the Marvel Universe*.

Smaller comic groups find it hard to stay aloft in an industry dominated by the leviathans, DC and Marvel. Comic groups like Capital, Noble, Texas, Spectrum, and Pacific were all pushed out of business by the big two. First Comics, a company that began marketing comics to specialty stores in November 1981, filed suit against Marvel in 1984 charging it with flooding the market with its own books and being a "business bully."

"I don't want to speak on this because the case is still going on. To us the suit really has no premise," says Shooter. "When I took over as editor-in-chief in 1976, we were publishing 60 titles a month. Over the years I cut it down to about 30. So I really don't understand what First Comics means by Marvel flooding the market." Shooter doubts the case could cause problems for Marvel. "As it is right now, we outsell DC three-to-one, and the other companies we really don't worry about," he says. "I think it's just their way of gaining respect and recognition by trying to make us out to be the big bad comic book wolf, and themselves some kind of giant killers."

Aggressive or disgruntled newcomers to the industry are not the only problems facing Marvel or DC. Many of Marvel's top writers and artists, who draw readers and boost sales, have been defecting to DC. Some artists even freelance for both companies. Frank Miller, whose art work on Marvel's *Daredevil* sent sales of that title skyrocketing between 1978 and 1983, is now working with DC. Miller has already completed a six issue mini-series called *Ronin* and a special *Batman* series, *The Dark Knight*, which is printed on glossy, high quality paper. The Marvel name for this format is a "Graphic Novel."

Marvel's latest defector is John Byrne. Byrne is an extremely popular artist in the comics industry and has been so since the late 70's during his *Iron Fist* and *Uncanny X-Men* days. Before his move to DC, Byrne's talent graced the pages of *Alpha Flight*, *The Incredible Hulk*, and *The Fantastic Four*.

During the Thanksgiving '86 weekend, Byrne was a featured guest at the Creation Comic Convention, held in New York City. When asked about his reason for leaving Marvel, he said, "Nothing creative was happening at Marvel." DC offered him the opportunity of re-creating some of their major characters—Superman in particular. Byrne's decision to move was based on his desire to "renew those great, old characters."

DC is banking on Byrne's talent and reputation to make the three new Superman titles the most sought after books since the *Uncanny X-Men*, which Byrne helped catapult into a megaseller for Marvel.

"You can offer someone just so much. We offered John all kinds of things," admits Jim Shooter, "but DC offered John something we couldn't and that's Superman, a character John has grown up with and has been dying to write and illustrate since he was a boy." Shooter was also quick to point out that many writers and artists have left DC for Marvel. Bob Layton, who resurrected *Iron Man* in 1978, and Walt Simonson, who turned *Thor* into one of the hottest comics of the 1980's, are just two of the many DC defectors to Marvel's offices.

It's funny how things work," chuckles Jim Shooter. "If someone leaves DC for Marvel, nobody hears about it. But as soon as someone leaves Marvel for DC—Whoaaaaa!—major headlines, major scandals."
The bookstore at Hobart and William Smith Colleges was reeling from its loss of sales because a student entrepreneur had stolen its market. When Eric Hadar proposed that bookstore management sell a line of sweat clothing with the college insignia, he was told that the store would not handle the goods. Instead, Hadar marketed the clothing in a shopping and entertainment guide that he and a partner distributed to the college community.

After several months and thousands of dollars in sales, Hadar went back to the bookstore management to ask if they would like to reconsider. This time he met with a slammed door and a threat of legal action. “They were adamant, and I think they were more adverse to the idea of working with a student when they wanted to be with the product itself,” says Hadar. Apparently, this was the first time anyone had challenged the bookstore monopoly.

Out of more than 110 million Americans employed in 1986, 7.9 million are classified as self-employed, according to an economist at the Bureau of Labor Statistics. The Association of Collegiate Entrepreneurs (ACE) estimates that out of the 600,000 small businesses started every year, 30 percent, or 200,000 are started by 30-year-olds or younger and some 10,000 spring up on college campuses.

In the last three years, colleges and universities across the country have begun to add entrepreneurial courses to their curriculum because of a growing demand by students for entrepreneurial expertise. In fact, ACE estimates that there are now some 20,000 people enrolled in entrepreneurship courses at about 250 colleges. “In 1967, only 10 universities and colleges offered courses and in some cases majors in entrepreneurial management,” according to Deanne Woodard, former associate director of ACE.

Babson College in Wellesley, Mass. has been teaching and providing a variety of entrepreneurship courses since 1919. Today, the Babson undergraduate major in entrepreneurial studies includes four basic courses: Entrepreneurial Perspectives and Operations, Starting New Ventures, Entrepreneurial Financing and the Business Plan, and Entrepreneurial Field Studies. In addition, majors are encouraged to select business electives in taxes, insurance, law, consumer behavior, developing technologies, the psychology of leadership, mortgage financing, capital planning and, last but not least, business ethics. On the graduate level, the curriculum includes a high-level seminar on financing the entrepreneurial venture. In 1978, yet a third tier was added when the Babson Center for Entrepreneurial Studies was chartered to “promote and strengthen the entrepreneurial tradition through education and scholarly research.”

Other colleges around the country have established similar centers for entrepreneurial research and for the development of new courses. In the New York metropolitan area, the New York University Center for Entrepreneurial Studies has been created to advance the practice of entrepreneurship. It was established in 1984 after a study revealed that there was a need for such an institution. “The center promotes academic respect for a field that had none by creating a focus and bringing attention to the academic world of entrepreneurship,” says Zenas Block, clinical professor of management at the New York University Graduate School of Business Administration and the associate director of NYU’s Center for Entrepreneurial Studies. In order to make entrepreneurship more popular, the Center has dedicated itself to research to establish that there is a theoretical base to entrepreneurship.

Elsewhere, entrepreneurship has been adopted into the curriculum at the University of Virginia, recognized for its case studies method, Wichita State University, known as the home of ACE and the first Pizza Hut, Baylor College, and New York University to name but a few. On the graduate level, Harvard University Graduate School of Business, with its AAA rating, Stanford University Graduate School of Business, known for its first-rate faculty, and Columbia University Graduate School of Business have also shaped their curricula to accommodate the entrepreneurially-minded student.

Harvard MBA students can choose to enroll in “Entrepreneurial Finance.” Intended for future company managers, the curriculum covers every stage of the process: identification of opportunities, marshalling the necessary resources, managing/exploiting opportunities, and harvesting the rewards.

Most entrepreneurial courses seem to focus on the entry into ownership and management of new ventures, either by start up of a new enterprise, or by acquisition of an ongoing concern. Major topics include attracting seed and growth capital from venture capital, investment banking, business plan development, legal and tax considerations...
and tax and real estate issues.

Although the entrepreneurial trend is growing in the academic world, programs are still too new and too varied to tie directly to specific achievements. "What is taught varies, and there is no telling how students will do," says Block, of NYU's Center for Entrepreneurial Studies. "There are no entrepreneurial courses offered at Hobart and William Smith Colleges, but we do have an entrepreneur section in the library," says Hadar. Then, too, some of the more publicized collegiate entrepreneurs boast that they never took a course to tell them how to go into business, but merely went ahead on their own.

Such was the case with Doug Mellinger and Dave Goldsmith, college entrepreneurs at Syracuse University, who started their first business without any classroom experience in entrepreneurship. With 685 boxer shorts that had "Spring Break 1985" printed on them, Mellinger and Goldsmith went down to Ft. Lauderdale during their Easter vacation. They planned on selling out in two days, and on grossing between $6,000 and $7,000, but things did not work out the way they hoped. "Terrible price, terrible market, terrible product," says Mellinger.

Today, Mellinger and Goldsmith are partners in Vision Enterprises U.S.A., Inc., a corporation which includes four companies: a storage company, a formal wear rental company, a campus ad agency, and a shopper’s guide for local business and national corporations. The partners expect to gross $500,000 in 1987. "College and university entrepreneurship programs don’t know what entrepreneurship is; they puff up entrepreneurship and psych the students out," says Mellinger. When he misses class because of business, professors are understanding. "They know I’m not goofing off, but attending to business matters where I am also getting valuable experience."

Despite the proliferation of college courses, a controversy is growing: can entrepreneurship be taught, or is it innate? "Energy, knowledge, and talent are inborn characteristics of the entrepreneur," says Block, "and business skills cannot substitute for these traits." However, many students feel that courses can heighten their business skills. "Many collegiate entrepreneurs have the ideas, but they lack business sense," says Hadar. "Lots of terrific, esoteric ideas fizzle as soon as discussion turns from potential figures to real ones, possibly reflecting a void in classroom-learned skills." The debate rages on.

There is some consensus that a successful venture begins with a good business plan. To enroll in a course like "Field Studies in Entrepreneurial Management," or the seminar
on "Starting New Ventures" at the Harvard Graduate School of Business, a business plan must first be submitted.

There are many guides available for the resourceful entrepreneur. Brett Kingstone, at age 21 was one of the youngest people ever to sell a business to a Fortune 500 company. He is the author of The Student Entrepreneur's Guide, a paperback that breaks the process into several components: the idea, product description, goals, market, competition, sales strategy, product cost and price, sales quotas, services and warranties, operations plan, partners and employees, time schedule, and financial plan.

The business plan is an essential document for a good business venture. "Mistakes are easy to make," says Hadar, "I didn't do my research or dry test the market in the beginning, and as a result I had a lot of dead inventory." On paper, the start-up costs of a venture may seem too unreasonable until you actually start laying out the cash.

In New York City it costs $33 to register a business," says Steve Mariotti, an entrepreneur with several years of entrepreneurial experience. In upstate New York, Hadar paid $35 for a "Doing Business As" or DBA, which registers a partnership agreement in the county. Mellinger and Goldsmith spent $600 and had Vision Enterprises U.S.A. incorporated. These preliminary legal costs are minimal, but the real challenge lies in acquiring start-up capital.

Small-scale entrepreneurs must be exceedingly resourceful to find funds. Minority Enterprises Small Business Investor Companies (MESBIC), part of the American Association of Minority Entrepreneurs, represents numerous investment companies across the country. These companies are willing to provide $200,000 to $1 million in seed money to qualified female, black, Hispanic, and Oriental entrepreneurs. There are also about 500 venture capital firms in the country who are willing to invest in entrepreneurial ventures.

"It is quite a substantial risk to lend money to someone with no track record," says Robert C. Bradley, vice president of the Business Banking Center at Chase Manhattan Bank. "It's very difficult to get a loan based only on a business idea, unless one could convince a friend, relative, or associate to put up collateral. The lender is looking for asset protection. Ideally, a college entrepreneur should find a partner with liquid assets." However, Mellinger, Goldsmith, Mariotti, and Hadar insist that you really don't need a significant amount of funds to start up. "None of our four businesses required start-up money," says Mellinger. "We constantly parlayed our money." Mariotti spent two years running Mason Import/Export and Mason Consulting. He made a living, paid back his investors, but never made a profit. "A vast majority of entrepreneurs lose money," says Mariotti. Reasons for their failure include lack of care in handling money, under-capitalization, minimum work experience, and no mentor to turn to for advice.

But courageous entrepreneurs are not entirely alone. Already in existence are a group of organizations which provide comfort and support. One such body boasts membership of 2,750 after only being in existence two-and-a-half years. ACE, a non-profit organization, gathers resources and information for entrepreneurially-minded young people in the United States and abroad. Through conferences, a quarterly newspaper, and an electronic networking system, ACE has been able to unite its members. "ACE is the most amazing organization around," says Mellinger, founder of the ACE group on the campus of Syracuse University. "ACE brings entrepreneurs together."

For the collegiate entrepreneur there is often an entrepreneurial club, a source of much-needed feedback. In 1984, Mellinger and six other people planned a conference for entrepreneurs at Syracuse University where some 350 people showed up—both students and faculty from Syracuse and other nearby colleges and local business people. "The conference proved that there was a lot of support for entrepreneurship on the campus of Syracuse," says Mellinger. Recently, Mellinger has formed the Young Entrepreneur Organization (YEO) for entrepreneurs to discuss positive and negative problems in their businesses. "Young entrepreneurs are different from other college students. Because they are dedicated to business, they may lose out on a lot of stereotypical college experiences—like a social life," says Mellinger. "YEO should help fill that gap."

"The recent entrepreneurial surge reflects several dominant trends: young people's need to have control over their lives, technological advancements, and international business competition," says Block, of NYU's Center for Entrepreneurial Studies. A recent study conducted at Harvard Business School indicated that not only do two-thirds of all students take the entrepreneurial management course, but 80 percent of first year students say they want to own and manage their own business someday. On the undergraduate level, students are also interested in becoming entrepreneurs, and they are unwilling to wait to become successful. Verne Harnish, national director of ACE sums up: "It's become fashionable on campus to be 19 and say, 'I have my own company.'"
It’s the peak of the evening rush hour on Wall Street. Thousands of people pour out of office buildings to start their journey home. Their modes of travel vary. Some will board the M train linking Manhattan with Brooklyn and Queens. Some will walk a short way to the Staten Island Ferry. Others, more fortunate, will take advantage of a neighborhood commuter van service or try to catch that rare species of rush hour transportation—an empty yellow cab.

While this rush hour ritual goes on, dozens of cabs make pickups throughout the Wall Street area. Their passengers wait calmly, almost expectantly for their rides.

What’s the difference?

These cabs are called “black cars” according to Ellen Wieman, director of public affairs for the Taxi and Limousine Commission, and they are not allowed to make any street pickups.

“There are two kinds of cabs in the taxi industry,” says Wieman, “yellow medallion taxis, which are the only ones authorized to make street pickups, and non-medallion vehicle-for-hire services.”

The non-medallion services fall into three categories: limousines; livery cars, which operate within specific neighborhoods; and black cars, which service the corporate community. The term black car is generic as the colors range from black to white to any one of a number of mostly conservative colors. Wieman estimates that there are about 4,000 to 5,000 of these black cars on the road, most of which are late model luxury sedans.

The companies that the drivers work for are called radio groups within the industry. Passengers call in their pickups by phone and the calls are dispatched by radio.

No money changes hands. The rider fills out a voucher which is billed back to his company. Of course, the corporations pay a premium for this exclusive service. Most radio groups charge a $10 minimum, while the average fare for a yellow cab is $3. Industry officials estimate the black car market in New York City at $250 million annually and growing. Some companies spend between $5 and $10 million for cabs.

The office manager of a large law firm who did not want her name used, says they spend over a million dollars a year on black cars. “When you have a lawyer who bills his time out at $300 an hour, you can’t have him standing on the street wasting time trying to hail a yellow cab.”

Do the blacks compete with the yellows?

No, says Howard Fogel, president of the Independent Taxi Owners Council. “There’s room enough for everybody. As long as black cars don’t pick up off the street, there’s no problem.”

Fogel’s group represents 5,000 of the 11,787 medallion taxis in the city.

The black car industry started in the early 1960s when the Police Department allowed the yellow fleets to install two-way radios to dispatch calls over the air. The Police Department’s Hack Bureau had jurisdiction over cabs until the Taxi and Limousine Commission was created in 1971.

After a while certain groups started putting radios in non-medallion cars that would only work the radio and not pick up off the street.

“Wasting time trying to hail a yellow cab.”

Several groups such as Citywide Corporate Transportation, then known as Bronx Two Way Radio foresaw that there was potential for radio cars to provide service exclusively to the business community. Jack Galati, Citywide’s sales manager and a cab driver for 28 years, says it was a driver’s market in the early years. Now there are about 20 to 25 radio groups operating in the city. The competition is fierce, he says. “We have to cater to our customers or we’ll lose them to another group.”

It seems that the high crime rate has been a boon to more than just the security industry.

The heavy demand for black cars occurs in the evening between 7 p.m. and midnight, according to Galati. “Most companies who use our service allow their employees to take cabs home if they work late, because there’s a safety factor involved in traveling at night.”

The heart of each radio group is its dispatch center. It is at these locations that the passenger’s calls are received, processed and dispatched to the individual drivers.
Bill Bookstaver, communications chairman at Skyline Credit Ride, runs Skyline's radio room out of a second floor walk-up on West 14th Street in Manhattan. "We average 2,000 to 2,500 calls during the peak hours and more when the weather is bad or the stock market goes up," he says.

Skyline can have as many as 12 phone operators working at the same time. A telephone support system answers each call with a recorded message. When an operator is free, the system feeds the call through. A digital dispatch display at each phone station shows how many calls are on hold waiting to be answered.

The passenger’s information is recorded on a dispatch slip and placed on a conveyor belt which carries it to the radio room. After a car number is assigned, the slip goes back on the belt to a third room where another group of operators relay the car numbers to the passengers.

A two-way radio dispatch system can only handle so many calls before the system starts to bog down. So some firms are turning to a computer-aided dispatch system.

"The computer is the only innovative thing to come around this industry in 25 years," says Victor Dizengoff, president of Vital Two Way Radio, located in lower Manhattan. Dizengoff has replaced his voice dispatch system with a computer that relays all information to data terminals installed in each car.

"It’s very economical and efficient. We can expand and add more clients without adding more personnel, radio frequencies and phone lines."

With this system each phone operator becomes a dispatcher. The operator types the passenger information into a terminal, dispatches the call at the touch of a button and relays the car number when it appears on the screen.

Skyline expects to have a similar system in operation sometime in 1987.

But no matter how fancy a dispatch system is, the whole operation still hinges on the human element—the driver.

Jean has been driving for one of the larger radio groups for only four months. "I was working as a parking lot attendant and some of my co-workers told me I could make a lot of money driving a black car. I had never driven a cab before but they made it sound interesting."

The group that Jean drives for is organized as a cooperative. Each member owns a piece of the company just like a franchise. In order to buy in, a new member must put up $38,000, pass a written test and go before a screening committee.

The cooperative is run by a board of directors chosen during elections held every year. Any member can run for a seat on the board. A full-time president is also elected from among the drivers.

But the politics of his company is the furthest thing from Jean's mind. "The one thing that my friends didn't tell me was the long hours I must put in to make a living." In addition to the $38,000 to get into the group, Jean had to spend $20,000 on a 1986 Buick Regal and $3,000 in annual insurance costs. All of this was financed so Jean must work 12 hour days, six days a week in order to make his monthly payments and support his family.

"If my wife was not working full-time as a nurse, I could never make it," Jean said.

Long past the evening rush hour, Jean was waiting for his passenger to come out of the Exxon Building on West 50th Street in Manhattan. "It looks like I'll be driving all night," he sighed.
On the Cutting Edge

Steven Rosenblum just paid $200 for a new knife. He will probably never use it, much less carry it around. Most likely, the knife will be displayed with the 37 other prize knives in his collection. Rosenblum paid $9,000 total for the knives but estimates their present worth at around $15,000.

Like any serious collector, whether of Topps baseball cards or Rembrandts, Rosenblum spends his money hoping for a greater return in the future.

What is there to know about a knife?

For some people knives stir up images of Jason in the movie Halloween, of hoodlums in dark alleys. A gleaming sinister edge reflected in the eyes of a madman. Most people, however, think of knives as tools—from Stone Age instruments to the campers’ Swiss Army model, to the well-known Ginsu knife, beloved of late-night TV watchers.

“What one knifemaker sees as art another may not.”

But Steven Rosenblum doesn’t collect Ginsu knives (which are only $19.95, if you call right now.) His passion is custom-made knives, a field that according to Jim Weyer, knife collector, author, and photographer for the book Knives: Point of Interest, “is a buyer’s market,” with quick profits and long-term gains. It is a field with tremendous investment potential.

Collectors are drawn to custom knives because each knife is an original, made on a special basis and not to be found in general production lines. “I make what my customers ask me to make,” says Ralph Turnbull, a knifemaker. His opinion is shared by many of the custom knifemakers today. “It’s a business,” says Turnbull.

Currently, there are over 250 members in the 1986 Knifemakers Guild, a sign that the craft of knifemaking is not in danger. “The craft is still growing,” says Turnbull. “The new makers coming in today are getting better,” he adds. Only 16 years ago, the guild’s membership was a modest 11 knifemakers.

What can a collector find through custom knives, that he can’t find elsewhere? First, there is the satisfaction of personal whim. Every little wish in a knife can be fulfilled. “I’m here to fill a void,” says Turnbull. He means that if a collector desires a knife with a certain style of handle or blade, or one to perform a unique function, it can be created.

Custom knifemaking is a craft that satisfies the desires of the customer. The more skilled the maker, the more he is in demand; the more he is in demand, the more popular and valuable are his knives. It is not uncommon for collectors to seek out knives made by a specific maker, and such a maker’s knives will most probably appreciate faster.

Bob Loveless is one knifemaker whose knives are in high demand. Sixteen years ago, when Loveless helped form the Guild, his knives were selling for about $50. Now, the same knife that once sold for $50 can easily command a price ten times that amount, provided that the knife is still in good condition. “I was at a knife show, and since I got there early, I got a good deal on a Loveless hunter for $400,” confesses one collector. “It wasn’t in very good condition, but I took it anyway. Two tables down, a man offered to buy that Loveless from me for $600. I couldn’t refuse.”

The probability of making such a quick profit is not very high. Not many people who go to knife shows can make such fast turn-around deals. Usually, a knife is purchased, kept for a while, allowing it to appreciate, and then resold.

Appreciation rates vary according to the maker’s skill, and the popularity of certain styles of knives. Currently, there is a fine line separating the two classifications of custom knives. Under the first classification are custom-crafted or utility-designed knives, while under the second, are art/sculpture knives. “What one maker sees as art, another may not,” says Weyer. As a man who sees “all kinds of knives,” Weyer still has trouble explaining the difference. “It could be an art knife, or a very highly embellished utility knife,” says Weyer.

If the definition isn’t too clear, the price tag is. Knives classified as art, or decorative knives, generally have a high price tag. Top makers command prices in the thousands. Among them are Paul Fox, H.H. Frank, D.E. Henry, Fred Carter, and the late W.W. Cronk.

A separate class of art/sculpture custom knives is the increasingly popular category of “fantasy knives,” knives that
do not conform to any utilitarian or classical designs, but look like something out of Conan, the Barbarian. Making such a knife requires tremendous skill and many hours of precision handwork, classifying these among the most expensive of knives in the field. Paul Fox is a popular fantasy knifemaker whose knives are considered by many to be near perfection. His creations can cost $1,000. Much of the steep price is the result of his intensive labor involving hand-grinding of blades and several stages of polishing.

The advantage of owning one of these knives, besides the fact that it looks great on the mantlepiece and serves as a terrific conversation starter, is that it is highly profitable. The reason is percentage markup. Whereas a 10 to 20 percent markup on a $200 knife will return a $20 to $40 profit, the same markup on a fantasy knife can bring hundreds. That is if the knife appreciates.

"Creations can cost $1,000."

The appreciation of a knife, however, is not a guaranteed event. There are several factors that must come into play before this can happen. First, the knife must be of quality production. Literally speaking, the knife must not have any flaws: there cannot be any mistakes in its execution. The characteristics of a well-made knife that collectors look for, according to Weyer, are true grinding of the blade, (meaning that the grind lines are symmetrical) and cleanliness of form. The knife should have clean lines and a smooth continuity in its appearance.

Another factor in appreciation is the knifemaker himself. The popularity of a maker can assure a knife's appreciation. A good guideline is the maker's waiting list or delivery time. The general rule is the longer his list and the later his delivery date, the more he is in demand. According to Weyer "makers are human too." Not all knives are going to be perfectly executed. Yet "makers keep going. You're going to compete against him when you sell that knife," warns Weyer. The implications are simple. Like an artist, a knifemaker can improve, and an earlier knife may be considered one of a maker's lesser works. Then again, the death of a maker almost guarantees appreciation, as is the case with the knives of William Cronk, who died in 1984.

Military knives are another category of knives that can generate good returns. From antique swords to World War II weapons, these knives are collected more for historical than for utilitarian reasons. Military knives are not limited to collections of knife enthusiasts. Gun, history, and antique collectors often collect military knives as well. Unlike custom and general knives, most military knives are bought in the "well-used" condition. Military knives gain value from having seen action in some form of armed conflict.

There are various ways to collect military knives. One can limit one's search to a particular model, to knives of one country's fighting forces, even to knives from a specific conflict. Obviously, this could keep a collector busy. A collector attending the Ninth New York Custom Knife Show in November 1986, admitted to a frustrating and expensive hobby coveting World War II-issued Scottish skean dhus, paying on the average $75 each. "The hard part is finding better pieces and feeling unsatisfied with the inferior ones I got in the beginning," he says.
There are however some restrictions to collecting military knives. Since all military knives are produced as battle weapons, New York City Law (Administrative Code Section 436-5.2) allows possession of these knives only if they are kept on the collector's property. The law prohibits the sale and carrying of any spring-activated knives, such as switchblades and German gravity knives, double-edged knives, and knives with a blade longer than four inches, unless they are bought for utility purposes approved by law, such as hunting, camping or construction.

An interesting note about switchblades is that they can be collected, provided the following rules are not broken. According to the 1958 Federal Switchblade Act, switchblades are illegal in three situations: 1) in certain federal territories such as courthouses, army posts, and Indian reservations, 2) if they were brought over a state line, in interstate commerce, 3) if they were brought into the United States, or taken out of the United States in foreign commerce.

So, if you were to buy a switchblade outside of a federal property, and do not cross the state line, or go overseas with the switchblade, you are safe. Just carry it home so that it is not easily accessible and then you can play with your switchblade in your private collection. But the truth is that smart investors tend to stay away from knives whose value can be lost due to legal technicalities.

Many knives collected for their historical value are classified as military antiques and thus are legal for purchase. They are, nevertheless, illegal to carry in public and must be enclosed in an inaccessible package.

For novices wishing to learn about knives and eventually start their own collection, the factory level is the best place to start. According to Knives '86 edited by Ken Warner, and published by DBI Book Inc., there are currently 15 general cutlery manufacturers in the United States. Among them are Buck, Gerber, Case, Imperial/Schrade, and Camillus. There are also a slew of overseas manufacturers who control a sizable amount of the market. The most well-known are Victorinox, one of two manufacturers of the famous Swiss Army knives currently imported by R.H. Forschner and Swiss Army Knives Inc. The other manufacturer is Wengel, whose knives are imported by Precise International. But, because these knives are designed to be used, they depreciate quickly and have little or no investment value. Also, they are produced in such quantities that scarcity, a factor that increases the value of any collectible, is out of the question. Generally, factory knives should be used as tools, and as learning devices for beginners to familiarize themselves with the components of a knife.

Some factory knives can be good investments. Manufacturers offer limited-issue commemoratives, often numbering only 1,000. Scarcity increases their future value. In addition, there are dozens of custom manufacturers who produce near-custom quality knives that are highly collectible, and tend to appreciate somewhat in value. These include Al Mar, Kershaw, Cripple Creek, Fighting Roosters, and Puma knives, currently imported by Gutman Cutlery Corp. Knives produced by companies that have gone out of business are good investments. One example of this is the massive appreciation—from 200 to 500 percent—of the knives originally produced by Remington U.M.C.

To confuse the issue even more, some factories have "custom shops;" others make custom-quality knives on a production basis. Buck knives, known for their Model 110 folding hunter, commonly called "the Buck knife," is a general cutlery manufacturer with a custom division that allows customers to order options not offered on their production line. Options include exotic handles of mother-of-pearl, stag horn, or rosewood, as well as special sheaths and blade styles.

Manufacturers that make custom knives on a production-line basis can output custom-crafted or handmade knives of superior quality in greater volume than custom knifemakers. These manufacturers include Pacific Cutlery Corp., known for its Balisong (butterfly) knives, the famous Randall Knives of Florida, and Ek Commando Knives of military fame. Such knives can cost anywhere from $100 to $250 each and while they are the best utility production knives available, their collectibility is of a lower level than custom knives.

"Our knives are made to be used," says Michael Stewart, director of marketing for Pacific Cutlery Corp. "Sure some people would hesitate to use a $250 knife. But if you want the best, you've got to pay for it."

"Switchblades can be collected provided the rules are not broken."
Though generally higher-priced than factory production knives, which cost $20-$40, their resale value is low. "Most used Randall's that I sell are discounted 10 percent off of market value, unless, of course, they are special," says Daniel Lulianao, a knife retailer.

Unlike factory or production knives, most custom knives are not available in sporting goods stores, cutlery shops or even through the back of hunting magazines. The best way to find out about them is through research, recommends Weyer. A good source is The Blade Magazine, which went into national newsstand distribution in October 1986. Blade and Knife World are the only trade periodicals available that deal specifically with custom knives, and knives in general. Another publication useful for beginners is the Knives series published by DBI Books Inc. This annual series keeps track of the entire knife industry.

If books aren't enough, and they really aren't, other options include local knife clubs, which are highly popular in the southern United States, and knife shows that occur regularly. The New York Custom Knife Show is the big event in the metropolitan area. Weyer recommends that people go to knife shows to see firsthand what custom knives really are. "If anything, you get to talk to the makers," says Weyer. However, warns Weyer, "a beginner can get pretty confused with his first knife show. It's pretty overwhelming."

Sound distressing? Not really. Eventually, the confusion will subside, and knives will become good choices for investment. The market is still growing, says Turnbull. "It's still a nebulous area. Now is not a good time for investments because it's not a seller's market yet," says Weyer. "When it is, someone is going to get rich."
We’ve Got Your Number

by Delores Cepeda

Ten years ago, before Sarah started her own business, she did all of her gift shopping at the local downtown department stores. Five years ago, she started shopping by catalog, and at least one-half of the presents she bought for family and friends came through the mail. Today, Sarah has discovered the telephone—and more than two-thirds of her annual gift buying is done over the phone. Moreover, the telephone has become a necessary component of Sarah’s wholesale novelty business, and she relies on it to make contact with wholesalers, clients and potential customers. Sarah finds that it is more effective and less expensive than personal sales calls, and she notes with satisfaction that consumers are becoming more and more receptive to the concept of over-the-phone buying and selling.

Increasing competition among businesses and decreasing leisure time for consumers has made telemarketing—the buying and selling of goods and services over the telephone—a highly profitable venture for businesses and an increasingly desirable option for consumers.

Not even classified as an industry by the U.S. Industrial Survey in 1980, telemarketing was raking in revenues of $91 billion by 1985. It took second place in dollar volume in all direct response media, coming in after direct mail but ahead of print advertising and catalogs.

"Telemarketing is a phenomenon," says Laurie Buehler, editor of the American Telemarketing Association Newsletter. "It has transformed the way business is being done in this country." The figures support her claim. Revenues for 1986 increased by 30 percent over 1985 figures to $118.5 billion and, Eugene Korsch, president of National Telemarketing Inc., projects that 1987 figures will jump by 38 percent to $163.5 billion.

The astounding growth of telemarketing comes as companies recognize the advantages of selling by phone: rapid feedback, improved management control, better customer service, increased sales volume, lower sales cost and larger gross profit margins. Some firms are expanding their marketing departments to include telemarketing staff, others are creating full-scale in-house departments, while still others are opting for outside agencies to conduct professional telemarketing campaigns. Businesses one might not ordinarily associate with selling by phone, such as newspapers, banks and insurance companies, are jumping on the telemarketing bandwagon. Not only profit-making companies are taking the plunge—many of the most ardent telemarketers are nonprofit organizations.

Marketing the Met

The Metropolitan Opera’s "first venture into telemarketing was a customer service effort to determine why the renewal rate of subscribers for the opera was so low," says Jeff Meredith, who served as a consultant in the Met’s initial effort in 1982. The reasons for the failure to renew were instructive. "Some people had simply forgotten, had been traveling, or thought it was too late to renew," Meredith says. Through the initial effort, "we retrieved about 70 percent of subscribers." That year, 1983, Meredith was hired by the Met to implement its own in-house telemarketing department. Meredith hired a staff of supervisors and eight telephone representatives.

By 1986, the Met’s telemarketing department employed 48 people on double shifts during the nine-month-long annual campaigns for new and renewing subscribers to the American Ballet Theater and the Metropolitan Opera seasons at Lincoln Center. According to Meredith, the telemarketing campaign led to a 40 percent increase in subscription revenue. In the 1985-1986 season, telemarketing operations for “the opera alone generated $1.5 million in sales. The American Ballet Theater’s 1986 telemarketing campaign also increased subscription ticket sales, “up 30 percent over the previous season,” according to Meredith, who adds that the telemarketing department more than paid for itself.

In-house operations are proving profitable for many businesses. In 1980, there were only 1,500 in-house telemarketing departments. According to statistics compiled by National Telemarketing Inc., by 1986 the number of in-house centers had grown to 140,000.

Getting Customers on the Line

For businesses that find it unprofitable to set up in-house departments, there are telemarketing agencies that develop and implement individual telephone marketing programs. These agencies may specialize in making calls to buyers (outbound telemarketing) or receiving them in response to television, mail or other ads (inbound telemarketing), or the agencies may handle both operations.

One such agency, CCI Telemarketing, began as Cam-
campaign Communications Institute of America, Inc. over 20 years ago. It started out fund raising for political candidates. "But it branched out into different forms of telemarketing that were not inherently political," says Liz Kislik, vice president of CCI. "As the medium became better accepted, companies like CCI made more sense."

Telemarketing companies provide consulting services for their clients, conduct surveys, do fund raising, train supervisors and telephone service representatives, evaluate the progress of a client’s program and sponsor membership or sales campaigns.

The number of telemarketing agencies grew rapidly in the early 1980s. Recently, however, there has been an increasing concentration, as smaller companies merge or are bought out by their competitors.

Telemarketing is a growing business because it provides many advantages over more traditional ways of reaching customers. "When you do a direct mailing," says CCI’s Kislik, "what you get back are the orders and the ones the post office couldn’t deliver. You don’t know anything about the ones people didn’t take. With telemarketing, you know why people do not order. You learn a lot more about your market and that helps you plan your next campaign much more effectively."

Another advantage of telemarketing is its low cost. According to Sales and Marketing Management, "the most recent figures available indicate that telemarketing has generated in excess of $50 billion in business for its users, while numbers on expenditures range anywhere from $11 to $25 billion. These costs cover everything from equipment and labor to the marketing process itself." These are industry-wide figures, and individual costs per call vary ac-
cording to the source of the information.

Telemarketing also has advantages vis-a-vis personal selling. "A sales call, on the average, costs a company about $400. This includes travel and personal expenses," reports Buehler of the ATA Newsletter. By contrast, "the telephone costs $10 per call. Personal salesmen are using it to qualify their leads and for follow-up."

In addition to qualifying leads, business-to-business telemarketing uses phone personnel to make sales, prospect for new customers, speed cash flow through accounts receivable collections, maintain accounts and conduct market research. Consumer telemarketing is usually limited to market research and selling. Magazine publishers, book publishers and credit card companies are among the most prominent users of consumer telemarketing.

Voice Control

Both business and consumer telemarketing involve the use of a prepared script, which is carefully designed to respond to the needs of the target audience. "Scripts are essential," says Buehler. "They are psychologically designed for the best sales pitch. They are interactive. You ask the person a lot of questions and their answers define the market because you learn a lot about the person. We can fine-tune a script for evaluation purposes."

Richard Bencin, international telemarketing consultant, noted in Marketing Communications, "developing a script is an essential part of a successful outbound telemarketing campaign. The main steps in that process are sitting down with a company to learn as much as possible about the benefits and features of its product, developing a hook that will capture the listener's interest, giving the script flexibility and testing the script to make sure it will work."

Telemarketing representatives, like all salespeople, have to have a high tolerance for rejection. Customers and potential customers can often be more rude to a telephone salesperson than they would to someone trying to sell them something in person.

Generally, telephone representatives must demonstrate good verbal skills, be able to express thoughts and listen well, and be aggressive, personable and enthusiastic. At the same time, they must exhibit flexibility when handling calls. Since they are following a constantly repeated structured outline or script, they must learn how not to sound mechanical on presentation. Manning the phones is no easy task.

"Telemarketing is hard on the nervous system," says Tony Allen, a former supervisor and top-selling representative for the Metropolitan Opera. "There's something about the mechanical process of repetition which can get on your nerves." CCI's Kislik echoes Allen's thought and adds, "You're doing the same thing 10, maybe 12 times an hour. But every single call is different because you never know what a prospect is going to say. So, there's some conflict between a repetitive process that is highly structured, and the communicator, who has to be ready to handle anything the prospect is going to say."

"These calls are annoying."

Different types of telemarketing require different kinds of people. "The kind of people employed are in direct relation to the product sold," says the Met's Allen. "Here we employ mostly people in the arts, and students." Allen points out that telemarketing "on this level is not a career, but a survival job." For that reason, there is a great turnover of representatives, says Allen.

"One advantage to working here is that you get complimentary tickets to the operas. I happen to love opera, but I'm not crazy about telemarketing," says Delores Lyles, a college student who began selling ballet subscriptions at the Met during one of her winter breaks. Lyles says she tries hard to sell subscriptions, but does not like to insist if people say they don't want a subscription or can't afford one. "Funny thing is," says Lyles, "sometimes people actually want you to convince them to purchase the subscription. You have to be able to tell by listening." David Parsons, who has been a top seller in the same department, says, "I let them know that I've got something they want, and that I'm offering them the chance to get it on special."

The best telemarketers are "hungry," according to Allen. Jeff Meredith, former director of telemarketing agrees. "People find phone selling a game, a challenge. They are competitive. They are money-motivated, not fulfillment-oriented." Says Allen, "It's like gambling. It becomes addictive. You go through a period when you're winning; you go through a period when you're losing. The psychology of telemarketing is like the highs and depressions that gamblers go through. Some days are real exciting—you're making a lot of sales, you're on a roll. Then, the next day, maybe things are slow, but you're pushing yourself, trying
to equal or top yesterday's total. I'm sure it's kind of the same feeling that people have when they put money in the stock market."

Telemarketing wages used to resemble the lows of the stock market, but in recent years salaries have increased as the number of representatives has grown and the industry has stabilized. With a current need for two million representatives in agencies and in-house, telemarketers now earn from $3.50 to $33 per hour, with an average of $8.41. The higher end of the salary scale is paid to business-to-business telemarketers, who handle items such as computer systems and industrial equipment. Inbound telemarketers, who take calls from customers, average $7.34 per hour on salaries that range from $4 to $16.83.

Telemarketing managers earn an average of $37,000 annually, with top salaries as high as $150,000. Both representatives and managers earn the bulk of their incomes, usually between 81 and 92 percent, from salary; additional compensation comes from profit sharing, guaranteed bonuses, incentive plans and commissions. As the demand for qualified personnel increases, salaries should keep pace. National Telemarketing, Inc. estimates that by 1990, some four million telesales personnel will be working for 266,666 firms. By the year 2000, there will be more than eight million people working in more than 530,000 firms.

Who Buys, Who Doesn't

Inbound, or consumer-to-business telemarketing, involves the use of media ads to tell consumers about products and services that they can order by phone. With inbound telemarketing, the call is initiated by the customer, who dials a toll-free 800 number, and makes an inquiry or purchases a product in response to ads on television, in newspapers, magazines, direct mail, catalogs, or some other advertising medium.

"I like the idea of being able to call one of those toll-free numbers to order a set of knives, a record, or even a computer," says Joyce Gilliam of the American Red Cross. "That's because it's only if I want to make the order."

The 800 number, initiated in 1974, is the telemarketer's dream. It is gaining in popularity as American consumers find themselves working more and having less discretionary time in which to spend their incomes. One study revealed that advertisers with 800 numbers generated 35 percent more response to their advertising than those without them. A 1984 survey of 426 respondents conducted by CMG Telemarketing and published in Telemarketing magazine showed that: 64 percent of consumers who re-

DOLLARS and SENSE, May, 1987
There are, however, some folks who find telemarketing a pain. "It is an outrage," says Michael Cudney, who as manager of a bookstore is himself responsible for marketing to consumers. "These calls are annoying, intrusive and a waste of time. When I get home after a long day of work, the last thing I want is to have to deal with salespeople. To defend myself, I ended up buying an answering machine to screen my calls."

Letting it Ring

Cudney is not alone in his objections to telemarketing. Many consumers feel that legislation and associations to control and monitor the new industry are needed to protect citizens' rights to privacy. In 1985, more than 400 bills limiting telemarketing appeared in state legislation nationwide, including bills to prohibit calls to consumers who request not to be solicited, bills to restrict or prohibit the use of auto-dial recorded message players (ADRMPs), which are computers that can call the same number indefinitely. It is the automatic dialer that "seems to generate the most legislation," says Julie S. Crocker in Telemarketing magazine. Eighteen states introduced nearly 50 bills in the 1985-1986 year, ranging from outright bans on the automatic dialers to the requirement that they disconnect as soon as the called party hangs up.

Legislatures are seeking to control the more annoying aspects of telemarketing, while cracking down hard on outright fraud. California recently passed a law aimed at "boiler room scams," or con jobs in which phony telemarketers bilk consumers and businesses out of billions by selling advertising space in nonexistent directories, and bogus investment opportunities in metals and real estate.

Although the telemarketing industry supports controls that will curb these abuses, it objects to legislation that will hinder the industry's growth. "Telemarketing is big business," notes CCI's Kizlik. "It is a productive marketing medium and as such should not be curtailed out of hand. There's got to be a serious examination regarding which things are appropriate and which things are not."

Industry Outlook

Electronics, computers and automation will play increasingly important roles in telemarketing's future. Already being used on a limited basis are pre-screen dialers, computers which automatically dial and, following connection, channel the call to the next available representative. This allows TSRs "to maximize their time interacting with prospects while unproductive dialing connection time is handled electronically," according to the DMA Fact Book. Several other technologically advanced telemarketing concepts are already in use. Integrated Direct Marketing (IDM) combines mailings, broadcast and telephone operations to insure more effective campaigns. Luma, the first picture-transmission phone to fit easily on a desk, uses a regular telephone connection and gives telemarketers the advantage of displaying their product as they pitch its benefits to the customer. The Mobile Data Link combines a mobile cellular phone with a portable computer terminal to access a consumer in motion.

Accessing a consumer at home is the object of the hottest teletrend. Telephones and television are integral ingredients of the home-shopping revolution, a cross between an endless commercial and a fund-raising marathon.

Some analysts predict that home-shopping sales could pass $2 billion in 1987, a hefty jump from the already impressive $450 million sales in 1986. The announcement that the world's largest retailer, Sears Roebuck & Co., will sell its products on the QVC Network, reaching 7.6 million cable subscribers, seems to support this prediction. Stock values for Home Shopping Network and Volume in Home Shopping doubled and tripled in 1986.

Value Television, a joint venture of Rupert Murdoch's Fox Television, Lorimar-Telepictures, and Horn & Hardart, will broadcast a home-shopping show in 1987. The show's hosts will mix interviews with a soft-sell sales pitch on merchandise displayed in natural settings.

Specialty channels are also setting their sights on the home-shopping business. Crazy Eddie World of Entertainment Shopping Network will be beamed to 1.6 million satellite-dish owners. The American Catalog Shopper Network (ACSN) will be selling top-of-the-line merchandise for a co-op of more than 100 catalog sales merchants.

Evidently, everyone wants in on the shop-at-home market, whether it be by pitching products on television or selling goods, services and subscriptions over the phone.

Telemarketing has even gone global, with toll-free numbers available in some European countries, the Middle and Far East, Australia and New Zealand. From the comfort of their own homes, and with the convenience of catalogs, New Yorkers can shop at Harrod's in London. "Every year we're gaining more capabilities to set up service in foreign countries," says Gregory Boone, sales representative at AT&T, whose 800 International Service is available in 19 countries. "Telemarketing is becoming very popular internationally, and we expect it will become as big internationally as it has domestically."
Entering the Lists

by Mary Waters

What's in a name? Sex almost always, nationality often, and every time, opportunity for the marketer who can describe his target customer.

That's why list building is a crucial, although not terribly glamorous, aspect of the direct marketing business. Lists receive none of the glory that goes into inspired copy writing or creative art design. But lists are vital. Sending a message to the right prospect increases the chances that a mailing package will be opened and read. In fact, the best mailings will be read by 75 percent of their audience.

A customer profile is essential for any direct marketing campaign. For direct marketers, insight into a potential customer's behavior is crucial. A knowledge of buying habits, preferences, financial status, and other demographic data is necessary to build customer profiles. Proper research enables direct marketers to target their message accurately.

"The two major sources for rented lists are the white pages and the yellow pages, but these are not unduplicated lists," says Mary O’Gara, account executive for Hugo Dunhill Mailing Lists Inc., maker of over 8,000 mailing lists. An unduplicated list is a list where each name appears only once. Other more precise lists break the total population into segments or "clusters" on the basis of geographic, demographic, and/or behavioral determinants.

List brokers rent mailing lists of future prospects likely to be interested in what the advertiser is selling. There is little sense in mailing a farm equipment catalog to an architect living on Manhattan's Upper West Side. Industry observers claim that people don't object to getting mail that is properly targeted. What people don't like is getting mail they aren't interested in.

Direct mail lists fall into four categories: mail order response lists, in-house lists of mail order buyers, lists of mail order buyers from other firms, and compiled lists.

A mail order response list names and locates people who have previously responded to mail order advertising. Inquiry lists, though neither as valuable nor as costly as records of actual orders, at least assure the purchaser that these targets are willing to pick up the phone, or will take the time to mail an envelope or coupon. Most valuable, and therefore closely guarded, are marketer's internal lists of customers. Consumers are more likely to trust a company they've dealt with.

There are two types of list compilers; those who specialize in business and professional markets and those who concentrate on the consumer market. Compiled business and professional lists are derived from a variety of printed sources: the telephone directory, the classified telephone directory (yellow pages), business and industrial directories, and member rosters of professional associations. Consumer lists are compiled from sources such as census information, auto registrations, surveys, questionnaires, and telephone directories. Selection can be based on such criteria as a person's occupation and income and on whether a person is the head of a household or lives in a single family dwelling.

"It is the demographic data that is paramount here, helping to define clusters by age, education, average estimated income and family structure," says Jim Mammarella of the Direct Marketing Club of New York, and associate editor of Direct Marketing Magazine. Mammarella adds that "Clustering can form the basis for predicting the behavior, or psychographics, of dwellers in particular types of neighborhoods." Psychographics are measurable statistics of how members of a population behave. If one can work out a mental picture of what a potential customer looks like, then constructing the mailing list is child's play. "Today, most lists are rented for one shot only instead of bought outright," says Mammarella. The only names a renter may retain are those of respondents.

Pricing requires a good deal of thought. How much a list costs rises with the amount of research required to gather it, and with the specificity of the demographics. According to O'Gara of Dunhill mailing lists, "The price of an average list is $60 per 1,000 names, with a 3,000 name minimum." Specialized lists can run as high as $500 per 1,000 names if the list represents a well-defined market, such as college students or affluent investors. Specialized lists require abundant research; their users are exacting about the names they want.

Direct marketers generally use several lists concurrently. Overlapping names are the bane of the industry, but the problem is not nearly as severe as it was prior to 1968. Until then, it was either impossible or impractical to remove duplicate names from mass mailing programs. Today, there is "merge/purge," a technique whereby a computer combines (merges) all names from the lists being rented, and
then eliminates (purges) the duplicate names, leaving one list. The hitch: someone has to enter all those names if a list originated on a non-compatible computer, or if it is only available on pre-gummed labels.

Lists age rapidly because we live in a mobile society. Consumers move at a fantastic rate. While no list is 100 percent accurate and therefore never guaranteed, "they are 90-96 percent deliverable," says O'Gara. On some lists, as many as 25 percent of the addresses change each year. Every list is a moving target. To preserve its value, a list must be kept "clean" and maintained constantly—most are updated quarterly.

There are certain unwritten rules that list users, brokers, managers, and mailers follow but they are sometimes ignored. Abuses include: multiple usage, theft and resale, mailing of non-approved packages and straying from approved mailing schedules. When a list is rented for a one-mail shot, it means it can only be used once. List owners protect themselves from potential cheats by planting "seed" names in every list. A seed is an imaginary customer. When extra mailings from the renter show up at these addresses, the list owner is tipped off. Such self-policing is a form of control for the whole list industry.

It's standard practice in the list industry for mailers to follow approved mailing schedules. If competitors want the same list, they are generally required to mail three weeks apart. Violation results in a low response for at least one list user. To prevent a smudged reputation and devalued product, list owners enforce the mailing schedules.

Many consumers feel that having their name on lists is an invasion of privacy, while direct marketers assert their right to pursue business in an unrestricted environment. "The privacy issue is the Achilles' heel, the sword of Damocles of the growing direct marketing industry," says Nat Ross, adjunct professor of marketing at New York University.

Direct marketers claim they make it possible for consumers to shop in the convenience of their own homes. But some consumers say that they prefer to forgo this convenience to keep their mailboxes manageable. "You have to be a hermit not to receive any mail," says Sandy Campbell, a college student and a recipient of much unwanted mail. "I sometimes consider giving up my hobbies so I won't get all this annoying junk. My garbage can barely hold it all."

According to one popular horror story, the Internal Revenue Service recently wanted to purchase direct marketing lists to identify high-income households and to match those names against a list of taxpayers. This is the kind of misuse that consumers, and the industry, fear.

For folks fed up with junk mail, the Direct Marketing Association offers a way to have names deleted from national mailing lists. It is called the Mail Preference Service (MPS) and it was established in 1971. The MPS "do not mail list" is sent to direct marketers on a quarterly basis. It provides individuals with an opportunity to reduce their flow of junk mail, if not stop it completely.

In the expanding direct marketing industry, it is projected that by 1990 a vast quantity of consumer goods will be purchased from the home. Companies must learn to promote their products and services to those who are most likely to respond. Advertisers who don't master direct mail techniques will find themselves in the dead letter office.  

DOLLARS and SENSE, May, 1987
Wheels of Fortune 500

by Bernie Rosenbloom

When Alan Prost wheeled his Marlboro Cigarettes-livered Team McLaren racing car into the victory circle at the Australian Grand Prix last October, the win clinched Prost’s second consecutive world driving championship, the third straight for Marlboro McLaren as the team is known. An estimated 750 million viewers in 40 countries watched the race on television according to the Federation Internationale du Sport Auto (FISA), the sanctioning organization for international racing. Broadcast rights for the race brought FISA $2.5 million in 1986.

McLaren made $7 million by selling rights to the car’s body to Marlboro for the 16-race world championship series. Marlboro’s finished paint job made the winged, open-cockpit McLaren car look like a red-and-white pack of cigarettes. Two Marlboro McLarens competed before 1.5 million spectators during the 1986 season. Even in Great Britain and West Germany, where “Marlboro” is replaced by “McLaren” on the bodywork due to tobacco advertising laws, “virtually every spectator surveyed,” according to Marlboro’s European spokesman, “identified these cars with Marlboro.”

Auto racing is not the only sport that offers product exposure to both a live and a TV audience. Boxers’ trunks have displayed “Everlast” for years. The Goodyear Blimp is ever present at major sporting events, as well as at parades and air shows. In 1985, the Chicago Bears’ quarterback Jim McMahon wore an “Adidas” headband, but National Football League Commissioner Pete Rozelle quickly ruled this and any other on-field advertising illegal. Apparently a “Gatorade” cup visible in McMahon’s hand during the game was not considered an endorsement.

Picture a world where all professional sports are sponsored by large corporations. The Houston Exons could play the Detroit Fords in the Superbowl. Helmets, uniforms, and end zones would all bear the sponsor’s logo.

As yet, most sports have avoided outright sellout or exploitation. Generally, sponsorships are handled discreetly. Advertisers rent billboard space in stadiums and arenas, or purchase air time for commercials during broadcast events. Tennis players, golfers, and bowlers have corporate sponsors too. But product names and logos are emblazoned only on equipment bags, not on their chests.

Not so with auto racing. A driver’s suit is a cornucopia of sponsors’ patches. So too with the cars. The Marlboro McLaren is joined in the Formula One World Championship by the Canon Williams/Honda, the Benetton Formula, and the John Player Special/Team Lotus. The Championship Auto Racing Teams (CART) Indycar series includes the Miller American Special, the Valvoline Spirit, and Domino’s Pizza’s “Hot One.”

Big Bucks

Racing has gone this route, quite simply, because of financial necessity. “Every year I spend about $16 to $19 million on Formula One, without counting the Honda engines which I don’t pay for,” says the team owner Frank Williams. Williams currently has a staff of 95, including eight engineers. His cars finished second and third in the 1986 World Championship. The team’s effort was underwritten by Honda, ICI, Mobil, Canon, Melinex, Goodyear, and Austin Rover. “I would say you need a minimum of $5 million to succeed in Formula One, more if you want to win,” says Williams.

“Racing has gone this route, quite simply, because of financial necessity.”

Williams and other Formula One teams gain revenue from sources in addition to sponsorships. Apart from the driver who is salaried, a team can win up to $95,000 per car, per race. The prize money comes from the $1 million that Formula One charges the host country for each event. The leftovers are added to the sale of the TV-right and disbursed to the teams via a complicated formula. Some advertisers will pay the driver’s salary in exchange for certain sponsorship privileges. Some drivers are paid over $3 million a year.

Football and baseball, however, operate quite differently. For example, in 1986 the Los Angeles Raiders took in an estimated $40 million in revenue, $17 million of which came from their share of the NFL’s 5-year, $2.1 billion network TV contract. The rest came mainly from the sale of

DOLLARS and SENSE, May, 1987
tickets and souvenir rights. The credit side shows $15 million in players’ salaries plus stadium rental, salaries of other personnel, and equipment. The bottom line reveals a $5 million profit. Similarly, the 1986 Mets showed a $9 million profit from $44 million in revenue. There is no need for either to seek alternative revenue sources.

But need and want are two different things, and Raider owner, Al Davis, is proposing that teams should have the right to negotiate their own TV contracts. Television needs football and its ratings to attract commercial sponsors.

On the other hand, racing needs TV to attract corporate sponsors. National and international television exposure plays an important role in attracting the corporate millions. Why buy commercials when you can be the center of the show? In 1987, every Formula One and IndyCar race will be telecast in the United States by ABC, NBC, ESPN, and even SIN, the Spanish Independent Network.

**Domino’s Dash for Dough**

Thomas Monaghan, owner of Domino’s Pizza, fit television racing into his national marketing strategy with great results. “When we got into racing five years ago, we had about 500 outlets scattered across the country. Now we have 3,000, partly because of racing,” says Monaghan. “Instead of spreading out from Michigan to nearby areas, we jumped out to campuses and military bases all over the country. That’s why we needed some kind of national advertising. It was difficult to advertise our product before, but the races are telecast all over the country. It was racing that took our message across on a national basis.”

However, sponsoring an IndyCar doesn’t guarantee TV exposure. “The first couple of years, we weren’t getting much attention because we weren’t winning,” says Monaghan. “Now, we feel we can win any time we go out, and we’re getting much more attention.”

Domino’s driver, Al Unser Jr., won NBC’s nationally televised CART finale in Miami and finished fourth in the 1986 championship. An in-car camera was mounted on the “Hot One” in Miami providing home viewers with a dramatic backseat view from the winning car that included Domino’s logo clearly displayed on the dash. It will be a long time before these TV passengers will forget their winning ride in the ‘Hot One.’

**Bud’s Not Lite on Racing**

While Unser and Domino’s may have won the Miami race, the biggest winner there, and all year, was Bobby Rahal with Budweiser, his team’s sponsor who spends $30 million a year in sports marketing, most of it on racing. Rahal’s eighth place in Miami was good enough to clinch the 1986 CART Championship in which he picked up six wins including the prestigious Indianapolis 500.

The instant Rahal took the checkered flag at Indy, Budweiser began cashing in. The photos, films, tapes, and live ABC coverage show the “Budweiser” car winning the world’s largest one-day sporting event in front of over 350,000 fans. The victory circle celebration focused in on the “Budweiser” car with Rahal and the “Budweiser” crew wearing “Budweiser” patches and hats in a commercial that money can’t buy.

Budweiser did buy the victory circle in the International Race of Champions (IROC). They sponsor all the cars. The 4-race IROC series features the world’s best drivers competing in identically-prepared Chevrolet Z-28 Camaros live on CBS. Every car the camera zooms in on and every driver interviewed, conveniently displays “Budweiser” in some form. As a bonus, Chevrolet has used the IROC Budweiser cars in ads selling the Z-28 Camaro.

“The instant Rahal took the checkered flag at Indy, Budweiser began cashing in.”

Some of the IROC drivers come from the Winston Cup Series. The Winston Cup is sanctioned by North American Stock Car Auto Racing (NASCAR) in the same way CART sanctions the IndyCar series and FISA, the Formula One. Winston Cup cars are the Fords and Chevys that the “good old boys” drive on the high-banked oval at the Daytona 500. One driver is Darrell Waltrip whose 1986 Winston Cup car was sponsored by none other than Budweiser.

Budweiser also promotes individual race weekends like Manufacturer’s Hanover sponsors golf’s Westchester Classic. The “Budweiser at the Glen” in August 1986 at the Watkins Glen, N.Y., racetrack was one such race which featured both IROC and Winston Cup races. Waltrip finished third in the Budweiser IROC race, and he drove the Budweiser Chevy to second place in the Winston Cup race. With live TV coverage of both events and a crowd estimated at 80,000, it seems certain that the target market got their fill of Budweiser that weekend. One “sobering”
fact, however, is that the Winston Cup winner was sponsored by Folger's Coffee.

Smokin' on the Track

ESPN's live telecast of the Winston Cup race at Watkins Glen was viewed by 1.55 million households says Neilsen, making it the most watched motor sports broadcast in the network's history. According to Sponsor Report, major network coverage of a single Winston Cup race can provide sponsors with over $15 million worth of TV exposure. Not bad, considering all 29 Winston Cup races are televised. This is even better for companies like Winston since tobacco advertising is banned from American television.

"When it comes to sports sponsorships, there are very few corporations that can rival R.J. Reynolds Tobacco Co., Winston's parent," according to Bob Moore, Reynolds' national media coordinator. "Since 1971, the company has used the world of sports—with special emphasis on motor sports—to help increase its sales by gaining more national exposure for its cigarette brands.

Camel, another R.J. Reynolds division, sponsors IMSA's (International Motor Sports Association) GT series which is similar to Le Mans-type endurance racing in Europe. Camel GT and Camel Light racing feature Porsche, Jaguar, BMW and other exotic prototypes which compete in Miami, Portland, Columbus, and 13 other U.S. market areas. The Winston Cup is confined mostly to the South. The folks in towns like Rockingham, N.C., Darlington, S.C., and Martinsville, Va. and their urban counterparts in Atlanta, Richmond, and Charlotte host most of the Winston Cup races.

"When we got involved in racing, our market research showed us that racing fans fit the demographic profile that
Winston and Camel cigarettes were trying to reach, and we were convinced that these people would purchase a product that was instrumental in supporting their favorite sport,” says Wayne Robertson, director of special events operations for R.J. Reynolds. “We believed that high visibility for our sports sponsorships would translate into additional sales dollars. And that has been the case.”

Gerald H. Long, president and chief executive officer for Reynolds explains the appeal of racing sponsorships. “As one of the strategies to enhance our brands with the public, we wanted to identify a program which enabled the individual brand to reach its target audience in an impactful and relevant manner.”

“Our marketing posture at R.J. Reynolds is to aggressively exploit every marketing opportunity available to us. And we found that sports, and motor sports in particular, is one of the best ways to reach the public beyond the normal avenues,” adds Long. Indeed, the Winston Cup series is the world’s leader in motor sports attendance attracting more than two million spectators a year.

Racing Comes to Town

Like Ringling Brothers or Barnum and Bailey, when the Winston Cup or Camel GT show comes to town, it’s a circus. There are public appearances by drivers to shake hands and sign autographs. Shopping malls, beer distributors, and auto dealers have the race cars on display, surrounded by sponsors handing out team hats, T-shirts, and photos. Posters, and stickers are everywhere. Sports sections suddenly become filled with features on the drivers, teams, and cars. In Columbus, Miami, Detroit, and the New Jersey Meadowlands, whole streets and sections of highways are blocked off for days and transformed into banner-and-billboard-lined racetracks.

Why should a city do this to itself? According to Max Fisher, Detroit Renaissance chairman, “the Detroit Grand Prix is much more than just an automobile race. Each June, the race provides Detroit with an opportunity to show the world what it is, a thriving city with a beautiful waterfront. The excitement and glamour that Formula One is known for has become part of our city, and more than 80 million people in the U.S. and other countries see it via television. Add to that a $15 million annual economic impact, and the benefits from the Detroit Grand Prix speak for themselves.”

Speed Sells

“Formula One racing is the ultimate test for the automotive industry,” says John Kernick, president of Olivetti Canada. “For us, it’s also the ultimate test for our personal computers.” Every F1 car carries an on-board transmitter or coder which produces its own ‘signature.’ Each time the car crosses the start/finish line, it breaks a light beam that is timed to the .001 second. This information is instantly relayed from the Olivetti computers to the TV broadcasting center (with “Olivetti Timing” on the screen) for transmission around the world.

Olivetti enhances its association with Formula One’s ultra high-tech image while gaining added international exposure by sponsoring the two-car Brabham Formula One team. Olivetti then assimilates the entire racing package into their advertising campaign. “Olivetti Brings Formula One Race Performance To Your Business,” reads the headline over a half-page shot of the Olivetti Brabham throwing flames from the exhaust. Pictured under this is an Olivetti PC with buzzwords like “speed and accuracy,” “meeting the challenge,” “advanced technology,” and “winning results.”

“Formula One racing is the ultimate test for the automotive industry.”

Promotional opportunities abound for makers of cars and related products. “No other sport visually demonstrates and promotes the quality of our products to such a large and receptive audience,” says Ted Moore, Quaker State’s vice president of marketing. “Here, Quaker State is not just a sponsor but an integral part of the success of the race team. Our motor oil protects the car’s high-performance engines, and people recognize that contribution.”

People also recognize Quaker State’s checkered flag logo, a testimonial to their 20-year involvement in racing. They provide prize money and sponsorships on virtually every level of the sport. In 1986, Quaker State developed an advertising package around its racing program that stressed the theme of “quality.” “The Big Q Also Stands for Quick” is superimposed over Ruttman’s racing Buick with copy claiming Quaker State products meet the “triple test of NASCAR racing: Speed. Heat. Endurance.”

Mazda also entered racing to display the quality of their cars in head-on competition. Named for Ormazd, a Persian
God who exemplifies the struggle between the forces of light and darkness, Mazda dominated ISMA’s Camel GTU competition. “Mazda RX-7. First car ever to win six straight (now seven) IMSA GTU Championships—a feat no other manufacturer has ever accomplished. Not Toyota. Not Nissan. Not even Porsche,” reads the company’s advertising. In fact, Mazda has more victories than any other manufacturer in any level of IMSA competition.

Their track record has paid off in another way. In the Sept. 1, 1986 issue of On Track, a racing news magazine, Mazda’s rivals, Toyota Celica and Pontiac Fiero, took out two of only eight full-page color ads at a cost of $2,800. At no charge, the color cover (usually reserved for Formula One, Indy cars, or Camel GT Prototypes) shows three Mazda RX-7s leading a non-descript field of Celicas, Fieros, Nissans, and even Porsches.

Winning, although it helps, is not necessary to reap the marketing benefits of racing. Toyota has used the racing arena to develop technology that has been incorporated into their street cars and marketing strategy. The Toyota Celica GT-S Turbo which is aimed at the Ford Mustang/Chevrolet Camaro and Corvette market is the result.

Toyota’s racing program began in 1982 when they contracted three-time Indy 500 winning car builder Dan Gurney to develop and race the Celica in the Camel GTU (Grand Touring Under Two Liters). “Racing people work day and night. They are possessed by the desire to beat the competition,” says Gurney. “As a result, there’s rapid technological progress. The car makers incorporate a lot of these changes into their street cars.” Indeed, Toyota has built much of what Gurney has learned about suspension and engine technology into customer Celicas.

In 1985, after limited success in GTU against Mazda, Toyota began its assault on the Mustang/Camaro/Corvette market. Gurney developed a turbo-charged version of the Celica’s two-liter engine that was used in the GTU. The upgraded Celica Turbo was entered in “the tough (IMSA Camel) GTO (Grand Touring Over Two Liters) world where the heavyweight Fords and Chevrolets have slugged things out between themselves for a number of years,” according to Toyota. The turbo-charged Celica GT-S model won in only its second Camel GTO race.

“Celica. A New Face To Be Reckoned With,” reads the headline born from Toyota’s marketing and racing marriage. The hard-sell copy continues, “The Celica GT-S extends racing technology to the streets. The same features that boost performance and handling at the track—enhance the street performance of the Celica GT-S.” The power pitch goes on with “Celica’s challenged the dominance of the current muscle cars. The new Celica GTO packs enough power to make the big V-8s sweat.”

**Burning Rubber**

Regardless of who wins, competition leads to rapid technological progress. “But the real winners in racing are the buyers of everyday street cars,” says the head of Toyota’s competition department, Les Unger.

The same can be said of Goodyear Tire and Rubber Co.’s racing involvement, from Camel GTU to Formula One. “The real payoff in advanced technology Formula One tires is the better performing street tires we supply to BMW, Ferrari, Ford, Renault, Porsche, Honda, and all our other automotive customers,” says Leo Mehl, Goodyear’s racing director. “The Eagle GT+4, for instance, could not have
become the true high-performance tire with all-season capabilities it is without the improvements provided by the Formula One-derived mold shape," adds Mehl.

If it's good enough for Ferrari and Formula One, it is good enough for thousands of customers who can choose from Goodyear's full line of racing tires. Goodyear estimates that during the racing season, their tires are used at over 500 events per week, making racing itself a viable market. Multiply all these race cars by the number of compounds of qualifying and racing slicks as well as rain tires, times four per car, at $150 to $500 (or more for special orders) per tire and you come up with a lot of rubber.

Just as car manufacturers compete on and off the track, tire manufacturers battle too. Tires can be just as important as the engine in terms of performance during the race. Nigel Mansell had the 1986 Formula One Championship sewn up until a tire blew in the final race. Broadcast and print coverage of racing, as well as driver interviews, spend considerable time discussing the "tire situation." Goodyear dominates virtually every series it enters. In 1986, Goodyear-shod cars won the Formula One, the Indycar, IMSA's GT, the Lite, GTO and the Winston Cup Championships. Of the top 10 cars in these series, 92 percent used Goodyears as did everyone in the Indy car and Winston Cup competitions.

Goodyear provides many top teams with free tires in exchange for sponsorship and testing privileges. However, most teams, particularly those in the other 494 events, pay for their tires.

Goodyear enjoys all the marketing benefits of Budweiser; Winston, and Camel's quality demographic exposure; Quaker State and Olivetti's visual demonstration of quality; Domino's national (and through the F-1, international) exposure; Mazda's domination; and Toyota's development program—all in one fell swoop. And they get paid, too.

Racing Over Rocky Roads

On Nov. 12, 1986, Goodyear shocked the racing community by announcing the withdrawal of their Formula One sponsorship and development program. This was a step in Goodyear's cost-reduction strategy taken to evade a hostile takeover threat by financier, Sir James Goldsmith. Although Goodyear never announced their Formula One budget, insiders place the figure between $10 and $15 million a year. Goodyear won the war with Goldsmith and subsequently scaled down their racing program. Now, Goodyear sells a "control tire" with the same construction, size and compound to all but the top four Formula One teams who still get their tires gratis.

Also restructured into extinction was the Beatrice Companies' racing program. $80 million that would have been the largest racing sponsorship package in history became victim to 1986's largest leveraged buyout—Kohlberg, Kravis, and Roberts' $6.2 billion takeover of Beatrice. "We do not believe it is appropriate to spend millions of dollars selling the corporate name when our real job is to sell products," Beatrice's chief executive designate Donald Kelly told The New York Times.

The Beatrice deal originated in 1985 under then Chairman Jim Dutt, and it called for a five-year Formula One and three-year Indy car commitment to Team Haas. In March 1986, just weeks after the takeover, Beatrice bought out their contract in a bargain that provided for a limited sponsorship in 1986 and none in 1987.

"I neither drink nor smoke and my cars won't either."

What appeared to be a shunning of racing's value as a marketing tool was explained by team owner, Carl Haas. "A lot of people at Beatrice were happy about the racing program, and this decision [Beatrice's pullout] has nothing to do with good or bad. It was a business decision," said Haas. Although the financial terms of Beatrice's contract were never publicly disclosed, Haas was left with enough to run a 2-car Formula One team and Mario Andretti's Indycar in 1986.

Apparently, racing has changed significantly since 1968 when Team Lotus of Formula One appeared sporting the colors and stickers of Gold Leaf Tobacco. Prior to this, sponsorship came in the form of tires, fuel, sparkplugs and the like. The Gold Leaf/Team Lotus deal created quite a stir at the time.

To the purists, this new corporate sponsorship degraded racing. Now, however, everyone seems to be joining the sponsorship race as the injections of big bucks relate directly to the degree of competition. Everyone, that is, except the immortal Enzo Ferrari. Will he also fall in line? "Never in this world," Ferrari said a few years ago. "I neither drink nor smoke and my cars won't either."
Creating Creativity

by Abbe Goldfarb

Until 20 or 30 years ago, creativity was a concept given at best a chapter or two in the back of a psychology book. Indeed, before the 1950s, most people believed that only a fortunate few were born with natural creative ability, and that these gifted few were well-read, sophisticated, and snobbish.

"In the beginning, everyone thought I was out of my mind," says Eugene Raudsepp, president of Princeton Creative Research, Inc., who embarked on researching creativity in the early 1950s. "People believed it was a special talent; either you had it or you didn't."

Today, thanks to the pioneering efforts of men like Eugene Raudsepp, and Dr. Alex Osborne and Dr. Sidney Parnes of the Creative Education Foundation in Buffalo, creativity is not only recognized, but acknowledged as a science. Hundreds of books and articles on the subject are readily available. And at a time when American businesses are struggling to stay ahead of their competitors, many corporations are finally welcoming the new gospel of creativity as a way to develop new products, services, and even organizational structures.

Actually, the concept of creativity in business has been around for a long time, although full-scale recognition of its importance has been slow in coming.

According to Gray McMonigle, vice president of operations at Hallmark Cards' Rice Innovation Center, today's so-called "innovation recession" is partly based on American corporations' reluctance to worry more about the future. But now, because of generally slower growth in the economy and tougher business conditions, there is a focus on long-term results and future success, he says. "Corporations are beginning to stress concern about improving business, and a lot of consultants are jumping in," McMonigle says. "A lot of it isn't new—creativity was talked about a long time ago—but now American corporations are willing to pay consultants for help."

Corporations are flocking to creativity gurus whose ideas come packaged in workshops, seminars, video and audio tapes, and books. Feeding the growing demand for creating creativity, new books and articles offering ways to do it are flooding the market. Raudsepp himself is author of over 650 articles and 15 books, including How Creative Are You?, How To Create New Ideas, and most recently, The Creative Manager. He says attitudes toward creativity today are like "apple pie and motherhood—everybody is interested in it."

The Business of Creativity

From penicillin to light bulbs, telephones, robotics, computers and lasers, innovations in consumer, industrial, and technological markets have contributed to America's economic progress.

Major corporations such as Eastman Kodak, Hallmark Cards, Merrill Lynch, IBM, AT&T, and Johnson & Johnson are among those sensitive to the rewards of creativity and to the problems resulting from lack of it.

Bob Rosenfeld, creator of the Office of Innovation at Kodak, has helped his company recognize the importance of keeping individual creative ideas flowing within large organizations. "As our organizations get larger and larger," he says, "we're not utilizing the talents of the people that we have within them. What happens is that we wind up becoming more and more inefficient over time and the frustration level goes up; we're actually losing creative potential in people."

Squelching creativity occurs quite naturally in big business, he adds. "It's like a person getting older. As corporations grow, they get better at certain things and not as good at others. As they become larger and larger, they become less efficient. It is a people management issue, being sensitive that the old things don't work."

Creativity-squeuling starts at childhood, says Gordon MacKenzie of Hallmark Cards, Inc. "Children get the idea from parents and teachers that being creative is not okay," he says. "They give answers they are told to give. The message they're getting is don't be creative, that's not a good thing to do." According to MacKenzie, the damage that parents may do is not irreparable, but we need to realize when social mores and taboos are necessary and when they are not.

MacKenzie, who uses the phrase, "creative paradox," to describe his job at Hallmark Cards, works on diverse projects to create innovative ideas for the company. In addition, he makes presentations to grade schools and universities to "re-introduce common sense to our thinking, and to provoke thought," he says. "Everybody is creative," MacKenzie once told a young boy who asked where ideas came from. "All ideas in the universe are right there inside..."
Despite the work of these creative pioneers, the battle over creativity continues. Some experts, like Dr. Morris Stein, professor of psychology at New York University, believe that not everyone can be creative. “We are told we can be creative because we live in a democracy, so we can be what we want to be,” Stein says. “I think that’s ridiculous. Everybody is different.” Stein teaches corporate managers how to develop a productive team of individuals with diverse mental characteristics. He stresses the need for an integrated society. “Not everybody can be creative, and there are different styles of creativity. God made different kinds of people.”

At Hallmark Cards’ Creative Workshop, artists and technicians follow a similar philosophy, combining talents to develop new products and new ways to use the company’s manufacturing equipment. The concept goes back to 1968 when the workshop was called the Production Research Department. Three artists at a time would spend six months in the department using new techniques. Since 1981, groups of 10 artists spend four months in the workshop as part of the rotating artists program coordinated by Fayrol Unverferth, the design manager of the Innovation and Trends Department, who was an artist in the 1968 creative workshop group.

The Corporate Squelch

Unfortunately, many corporate innovation goals have been side tracked by management’s goal to produce efficiently, according to Rosenfeld. “As organizations get larger, we have to find new ways to structure and develop information flow,” he says. “It’s an issue of how do we tap our creative people: how do we encourage ideas to flow; are the inflows good ideas; how do we utilize the individuals we have to be innovative and more creative?”

Raudsepp of Princeton Creative Research agrees that organizations, especially larger ones, have become so overburdened with rules, procedures and policies that the possibility of real creativity is almost completely nixed out. “Most innovations are from small entrepreneurial corporations,” he says. “There are few from big corporations with cultural blocks and barriers.”

Large corporations are too lethargic, says Professor David Wilemon, founder and director of the Innovation Management MBA Program at Syracuse University. “They’re spending too much energy on internal politics and not enough on creativity,” he says.

An adequate investment in innovation during the last two decades has produced economic fallout. “People are beginning to feel competitive pressures of foreign competition, as well as competition within their own domestic industry,” says the president of The Whole Brain Corporation, Ned Herrmann, one of several creativity consultants cashing in on the creativity craze.

“They’re spending too much energy on internal politics, not enough on creativity.”

“The rate of change in American business has never been higher,” Wilemon says. “Companies need to be able to respond quickly to create new products.” He predicts a trend to change the climate of big corporations to break through the blocks and barriers confining creative employees. “If companies want to stay around they have to be more innovative, not only in the products they develop but in how they treat employees,” Wilemon says. Some corporations are turning to their employees for new ideas to cut costs and increase productivity.

Idea Connecting

In an effort to reopen communications with their 44,000 employees and generate new ideas to cut costs, Merrill Lynch has introduced a firm-wide employee suggestion program, according to John R. Birstler, vice president of employee relations. Because of the large number of employees, he says, “it’s impossible to touch everyone on a personal basis.” Although this is the first time that cash has been awarded for winning ideas, quality teams throughout the company for the past three years have concentrated on generating ideas for cutting costs and increasing productivity. Birstler says Merrill Lynch felt the need to get more employees involved in generating new ideas.

“Management has been successful in cutting costs, but one group that knows how to control costs is the people doing the actual jobs,” he says. “They’re an untapped resource.”

Kodak and Hallmark Cards are other major corporations that recognize the importance of creating a corporate climate conducive to new ideas. Rosenfeld says it is important, however, to invest in people, not their ideas. “When we invest in the people, that means we allow them to develop,
to grow, and to make mistakes—not to always have ideas that work. We reinforce them for their good stuff, for the ideas that are coming forward, and teach them how to handle their ideas and get connected in the company. By investing in the person, the company gains and the person gains, and eventually good ideas come.”

Rosenfeld, an inventor who holds several patents in the field of photographic technology, says he saw the need for a decentralized network to help employees get their ideas heard. As a result, seven years ago, he created the Office of Innovation at Kodak, an idea-connection system. “We all have our job to do, and we usually don’t have time to listen when someone has a new idea,” he says. “It’s a natural human quality in most people.” Rosenfeld stresses the importance of allowing the originator to comfortably expound his idea during the initial idea development stages. He feels management should not be involved in this stage of idea development, because criticism at this point could be discouraging to the creator’s flow of ideas.

The facilitator, a person who oversees this process, must ensure a positive atmosphere, as well as monitor the evaluation process. “Finding these people is not an easy task,” says Rosenfeld. He describes the unique qualities of these hard-to-find individuals as “people-oriented, creative in their own right, but very interested in other people succeeding.” These are “individuals who are technically astute, probably inventors themselves in some fashion.” He emphasizes the importance of trust between the originator and the facilitator, as well as the importance of a comfortable atmosphere in the office itself. There are no}

formal entrance requirements to the Office of Innovation, so anyone from the mail clerk to the vice president of operations can feel free to come to the office and informally discuss his idea. “The Office of Innovation doesn’t judge ideas, we advocate them,” Rosenfeld says.

The network at Kodak has grown from five offices in 1985 to 19 offices worldwide. Rosenfeld predicts, “Our growth is dependent on need. Ideas are not a problem; resources are a problem.”

Profitability remains a question, considering all the time and money spent on these systems, as well as the small percentage of ideas that actually become adopted in the corporation. According to Rosenfeld, only about 20 percent of these ideas will be championed: someone in the organization will pick them up, hold them under his wing, and run with them a little bit. Ten percent of the ideas will become “seed-granted”: $25,000 or more will be spent on these ideas to develop them. Around four percent will be adopted: the corporation will launch a new product or implement a new internal process. Rosenfeld has no doubts about the profitability of the system himself. “I would say it very, very easily pays for itself,” he says.

Hallmark Cards’ Rice Innovation Center is another sign that creativity is gaining corporate credibility. In January of 1986 in Kansas City, the two-story, 182,000 square foot building, filled with skylights and high ceilings, was officially opened on the 76th anniversary of the founding of Hallmark Cards. The center was designed to stimulate creativity and to promote cross-fertilization of ideas among artists, engineers, product managers and skilled craftsmen.
from many different areas of the company. "This environment has been designed with one objective in mind: to support and enhance innovation," says McMonigle.

Creativity has become a tradition at Hallmark Cards, which employs the world's largest creative staff of about 700 people including artists, designers, stylists, editors, and photographers. For more than 14 years Hallmark Cards has been encouraging employee suggestions through a creative thinking award system, giving individuals in the company the incentive to let their ideas flow.

In 1985, 104 of 437 ideas were implemented and in 1986, 188 of 477 ideas were put into action. "Innovation has always been the backbone of our success," says McMonigle. "People working together to accelerate the innovative process will be the key to business growth and development at Hallmark."

**Rewarding Good Ideas**

Although major corporations have come a long way in the battle of breaking down the barriers and getting ideas to flow, there are still more issues that need attention. Rewarding employees financially for innovative ideas that yield corporate profits is not yet part of the plan at Kodak's Office of Innovation. "I see it as a problem, but not presently," says Rosenfeld. "This year we had a 40 percent increase in the flow of ideas over last year—and we don't have a reward system," he says. Kodak currently has award lunches to honor those individuals whose ideas have received seed grants. "People need to feel appreciated; that's very important," Rosenfeld says. Although Kodak does not yet have a monetary reward system, he says that such a system is not always the most productive. "If you just gave monetary rewards and nothing else, people wouldn't be happy; you have to aim towards happiness and then develop the monetary reward system."

**Getting The Creative Juices Flowing**

Somewhat more pragmatic in their approach, companies like Merrill Lynch see monetary motivation as a means for getting their employees' creative juices flowing. In March 1986, to stimulate employee creativity, Merrill Lynch introduced the Breed Apart Ideas Campaign, an incentive program to encourage employees to submit ideas for cash rewards. Over 2,700 employees throughout the U.S. and Canada submitted their best ideas on official entry forms for a chance to win prizes totaling approximately $140,000. According to Birstler, the response from employees ranging from secretaries, clerks and cashiers to financial analysts and operations managers was very encouraging.

A financial consultant from Dallas, Texas and a senior cashier from Yakima, Wash. shared a $15,000 first prize award for their similar innovative ideas about ordering and distributing marketing and sales promotion material to branch offices. Their ideas, which could save Merrill Lynch hundreds of thousands of dollars in unneeded costs will be implemented within the next calendar year, Birstler says.

These awards, along with seven second and third prize cash awards were presented by Daniel P. Tully, president of Merrill Lynch, on Oct. 24, 1986 at a dinner at Hotel Intercontinental in New York City. The winners, along with their
spouses and office managers spent the weekend in the Big Apple, courtesy of Merrill Lynch.

According to Birstler, there is talk of a second Breed Apart Ideas Campaign, but with some changes. Although no new staff was hired for the first campaign, Merrill Lynch went over budget. The second program will have to be revamped to keep costs down.

Teaching Creativity

Along with the business world, colleges are recognizing the need to foster creativity. Some of America's top universities such as Harvard, Stanford, Syracuse, Buffalo, and M.I.T. are offering courses in creativity to undergraduate and graduate students.

Professor David Wilemon of Syracuse University's School of Management says that he found it relatively easy to convince the university of the need for its new Innovation Management MBA program. The program, started in 1982 to meet needs in the academic and business world, has already grown with demand. "MBA students today are deficient in terms of innovation and organization, in understanding complexities in change which is critical in today's environment," Wilemon says. According to Wilemon, the program's goal is for students to have a deeper appreciation for innovation and technology, to see the role of innovation in the organization, and to develop a good sense about theory.

Approximately 200 MBA students in other areas of concentration take one or more courses in innovation management each year at Syracuse, says Wilemon. The program has grown from a handful of students four years ago to almost 100 students, and approximately 150 have graduated with an MBA in innovation management since the program began. Many of the graduates go into technology-based companies like IBM, Texas Instruments, and AT&T, as marketing analysts or assistant product managers, he says. Others start their own businesses.

Dale Neiber, senior sales engineer at Corning Glass Works, graduated with an MBA in innovation management from Syracuse and says he uses what he has learned to help him open up his thoughts. "I don't know if I'm using the things I found most interesting," Neiber says, commenting that he would be using these skills more if he were in new product development. He says the Syracuse program will be around for a long time because there is a need to develop the creative side of business. "You need quantitative crunching, but there's something more to it than that," Neiber says.

Cathy Rushworth, assistant brand manager at Norwich Eaton Pharmaceuticals, also graduated from Syracuse with an MBA in innovation management. She says the program "helped me identify barriers and obstacles to creativity."

Another influential creativity pioneer Dr. Alex F. Osborn, author of Applied Imagination, founded the Creative Education Foundation in Buffalo in 1955. With the help of Dr. Sidney J. Parnes, current president of the Creative Education Foundation, Osborn began research programs to help people reach higher levels of thought, imagination and action. As a result of their efforts, today, at the State University College at Buffalo, the Center for Studies in Creativity (CSC) now offers a minor in creative studies to undergraduate students and a master of science degree in creative studies to graduate students. One graduate assistant, Mike Fox, gave up his career as a landscape artist and sold all he had to earn a master's degree there.

"Creativity squelching starts at childhood."

The minor in creative problem-solving techniques offered to undergraduates, has grown from six students in 1982 to over 50 students today, according to Scott G. Isaksen, director of CSC. At the CSC, where the fourth full-time staff member has just been hired, Isaksen says, "there is a waiting list of about twice the number of students that can get into the creativity courses." Edward P. Zilewicz, coordinator of the undergraduate program at Buffalo, says that the primary purpose of the minor is to help students interrelate knowledge from the diverse sources of their college experience.

"Businesses' increasing desire for creative problem-solving skills from their employees," says Isaksen, "is seeding the growth of demand for creativity courses across the country."

The proponents of creativity are increasing in strength and number, becoming stronger and more influential. What, if anything, should be their limitations? Dr. Morris Stein of New York University wonders, "With the encouragement of creativity, who knows, maybe someday some scientist will really create a Frankenstein robot. We need controls, limits. We create cars that go 120 mph, but we have speed limits!"
TO
OR
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IS
THE
Surviving the Death Game
by Cassimir Medford

Conspicuous in the unique array of inner-city businesses—the storefront churches, Korean fruit stands, liquor shops, numbers holes and Arab superettes—are the black funeral parlors. Their usually spacious and well-kept premises contrast sharply with the surrounding squalor. It is not unusual to find these homes of somber meditation and quiet commerce sandwiched between tacky bars and head shops. Here, in the inner city, the bereaved can only wince as the dearly departed is sent on his way to strains of Run DMC’s “Walk This Way” coming from a nearby bar.

But black funeral agents are no strangers to irony. From their inauspicious beginnings in the early nineteenth century to the present, irony has been part and parcel of this business. In those early days, white funeral agents refused black business, leaving this sizable segment of the market open to enterprising blacks. This heralded the birth of one of the first businesses where blacks stood on both sides of the counter.

The business seems to have come full circle with a New York Times editorial of August 19, 1985, documenting the complaints of a black Orlando funeral director that he was losing business to a white director across town.

This situation may have less to do with a change of attitude, as the New York Times hopes, and more to do with a 1984 Federal regulation which brought the wolf to the door of the nation’s small agents.

The 1984 Federal regulations came in response to what was seen as unfair pricing and billing practices by some agents. To protect the customer from hidden overcharges, agents are required to list individual prices for services and articles on their bills. They are also subject to periodic audits from the Federal Trade Commission, the supervisory agency. The effect of these regulations has been to force the nation’s small agents, who represent over half of the country’s 22,000 funeral homes, to tighten their belts.

The funeral lobby pulled out all the stops in its fight to defeat this legislation. They argued that the law was unnecessary since, according to them, most states already had similar statutes on the books. This was, for the most part, a fallacious argument, since at the time, according to Ruth Darmstadter, writing in the winter 1983 edition of the Business and Society Review, “Only eight states specifically prohibited misrepresentation of legal and cemetery requirements, and 12 states and the District of Columbia had no regulations at all governing the business practices of funeral home operators.” The regulations passed, despite the shrieks of the funeral lobby. Congress, in laying the funeral lobby to rest, may have inadvertently disposed of another body: the black funeral agent’s.

“White agents began to realize black people had green money.”

In the opinion of Eva Cranford, president of the National Funeral Directors and Morticians Association—a federation of black funeral agents—white agents discriminated against blacks for reasons that were more economic than social. They felt that having blacks as clients would scare off potential white clients and they knew that most blacks could not afford their prices. In this business, the stakes are surprisingly high. Americans spend well over $2.5 billion annually on funeral arrangements. The average cost of a funeral is $2,700. Black agents, faced with a poorer clientele and generally lower operating expenses, estimate their cost at about $1,500.

With the growth of the black middle class, according to Cranford, “white agents began to realize black people had green money.” Attitudes changed quickly. The FTC regulations were not the initial impetus for this change, but certified it as irrevocable. White agencies began to court black business. The National Funeral Directors Association, or what black agents call “the white association”, began “to entice black membership.” The courtship was consummated with the appointment of Jerome Primm, a black man, as president of “the white agency.”

According to Cranford, among blacks, there is a “kind of white-is-better mentality.” Many blacks take pride in saying, “I buried my mother at a white funeral home.” This view has put black agents behind the eight ball. Much of what they considered their exclusive market is being siphoned off by white agents. Since most black agents
operate near the margin, they see this as a major problem.

While white agents can cross the color line, black agents are not afforded that luxury. Karen Benta-Rodriguez of Benta's Funeral Home, a black agency, reveals that in "58 years of doing business, we have had one white burial." In that case, the white client picked Benta's out of the Yellow Pages. Black agents have gone from an inelastic to an eroding market.

Many black agents feel that blacks are willing to pay more at white agencies for services that are at best similar, and usually inferior to those they provide: "All we do are black people. We naturally know and care more about them," says Benta-Rodriguez. According to Robert Cranford, Eva's husband and also a mortician, black agents routinely provide some incidental services gratis, like the rental and transportation of chairs—services he believes they pay for at white agencies.

Most black agents can be more precisely described as funeral arrangers. Most of the work, other than the actual preparation of the body, is farmed out to specialists. The vehicles are rented, the caskets are bought from manufacturers, the flowers from middlemen, etc. So despite the fact that black agents handle big-ticket items, the profit margins are relatively small. Most black agencies are small, employing less than seven persons, and handling about 100 funerals a year—this averages out to about two per week. This is indeed a precarious situation in a business where volume is the ticket.

This does not mean that black agents are sitting in their offices hoping for an upturn in the death rate, or pointing their hearses in the direction of the bankruptcy attorney's office. They still get the majority of black business. Some
agents, like Eva Cranford, point to the large influx of young blacks into the business with some pride and a large measure of concern: “The business is being flooded by a lot of youngsters coming out of school, attracted by the money, but what they don’t realize is a lot of it does not stay with you.”

Black agents are forced into the unenviable and ironic position of defending a status quo that has its roots in racism. “This is a very ethnic business. Italians go to Italians, Irish go to Irish. That’s the case”, says Benta-Rodriguez. Cranford goes even further—“Economic survival can only be secured by blacks supporting blacks from the cradle to the grave.” She sees the problem as a crisis of black identity. “It angers me. This affiliation with the white association is retrogression.” Richard Ransone, a black Mt. Vernon mortician, disagrees: “I admit we are losing business, but we do face common problems with the white agencies.” He supports the affiliation.

Black agents have made what they consider to be unrecognized investments in the black community. Through their federation, they have set up scholarship funds that benefit minority students. “Unlike other black professionals, like doctors and lawyers, we live in the community. We make and spend our money in the black community,” Cranford says.

“The regulations were a blessing in disguise to black directors.”

While the funeral lobby dug in for pitched battle against the FTC regulations, black agents claim to be untroubled by them. “There was a lot of abuse,” charged Eva Cranford, “but not on the part of the black agents, not the way we served black folks.” According to Cranford, black agents learned to keep proper accounts: they found that they could charge for services that, in the past, they provided free. “The regulations were a blessing in disguise to black directors. We ended up getting a better price.” The only drawback, in Cranford’s assessment, is the “highbrowed manner in which the FTC executes its authority. They walk in and ask for records for the past twenty years. Many blacks have been keeping records for two.”

Benta-Rodriguez sees a new problem on the horizon: The creeping gentrification of black neighborhoods. Most of the newcomers don’t quite fit the demographics that would make them potential clients. “Black agents are going to have to consider relocation, to move with the market,” says Benta-Rodriguez. The Bentas have already bought property on Gun Hill Road in the Bronx to accommodate the “changing scene.”

In a world where the only sure things are death and taxes, black funeral agents are as unlikely candidates for burial as is the IRS. But with large ‘supermarket’ agencies breathing down their necks, black agents are learning to adjust. The ability to adapt comes in handy for these people in dark suits, as they take their place in the circus that’s the inner-city marketplace. Here, where free enterprise is stripped down to bare essentials, funeral services remain one of the few things not sold out of a suitcase.
Profits From the Past

by Judith Cavavaugh

Have you ever wanted to travel back through time? To leave behind the encumbrances of modern life and experience the simplicity of early America? Did you think it could be possible without leaving New York City?

Richmond, on Staten Island, lets it happen for 66,000 people a year. The historic restoration in the heart of New York’s least touched borough, brings alive three centuries of Staten Island life, five days a week.

The 100-acre living museum is the result of a nonprofit joint effort between the Staten Island Historical Society and the City of New York. Restorations don’t just happen with a little elbow grease and a lot of dedication. As in any business enterprise, it’s money that makes it work.

Even though Richmond is a nonprofit, subsidized organization, since 1958, the City of New York has owned the land and buildings that the Historical Society maintains and administers.

In exchange for operating support, the Historical Society opens the restoration to the public, offering arts and crafts workshops on quilting, nautical knot tying, spinning and holiday baking. “This is a service we perform for the City of New York,” says Barnett Sheperd, executive director.

Richmond, operating on a budget of $1,238,767 for fiscal year ’87, receives 50 percent of its support from the city, through the Department of Cultural Affairs (DCA). The other 50 percent is raised from public and private sources.

While the Department of Cultural Affairs does not get involved in the restoration’s daily operations, it is very interested and supportive, says Sheperd. Richmond submits applications, audits and financial statements to the DCA which is an ex officio member of the restoration’s board. Because of the DCA’s small staff, close interaction with the restoration project is difficult and Richmond is left to develop its programs alone.

Twenty-seven percent of public support comes from the New York State Council on the Arts and the Department of Education. Fiscal year ’86 also saw $13,000 of federal support granted by the Institute of Museum Services.

In all, public funds account for two-thirds of the restoration’s support. The remaining one-third is contributed by corporations, foundations, memberships and individuals. Richmond relies on the support of its members. “After all,” says Mabel MacDonal, assistant to Sheperd and curator of costumes, “that’s what restorations are all about—culture and members.”

Of the two-thirds—one-third split in support Sheperd says, “We would like it to be more private funding.” Total private support for last year amounted to $125,000, and Sheperd is hoping to do even better next year.

Progress is being made in this area. “We are proud that we now have 15 corporations contributing over $1,000 each. Four years ago, we had none.” The $50,000 in contributions from corporations was hard won for Sheperd. “There are really no big corporate dollars on Staten Island,” he says. The restoration must depend also on the local businesses. To this end, dinner dances are underwritten, tables at dinners and ads in journals are purchased and beauty queens are sponsored in the pageant held during the County Fair.

“The only county fair in New York City.”

The County Fair is the biggest of the network of events that provide revenue for Richmond. It is a festival held over Labor Day weekend, heralding the end of summer. The only county fair in New York City, this event boasts an annual attendance of 20,000.

For fiscal year ’86, revenue from admissions and sales made up 22 percent of the restoration’s total income. Admissions to the living museum totaled $57,500. These admissions are broken down into general admissions—$18,000, school tours—$28,000, and to a lesser extent, group tours and admissions to public programs. These programs are not offered to net a large profit. Sheperd says, “In order to get money, you have to show that you are offering citizens programs.”

Presently, admissions to special events bring in $61,800. “Special events—that’s our big one,” says Sheperd.

There are six major events including the fair, according to Judith McMillan, acting director of education. Old Home Day, a gathering of more than 50 traditional craftsmen from the area, attracts 3,000 people annually. Visitors get the chance to observe 18th and 19th century trades and
domestic practices once conducted on Staten Island.

For the holidays, the restoration presents Christmas in Richmondtown and candelight tours of the village. These tours, at $30 per couple, have been so popular that they have been expanded to two nights.

Militia Day, at the end of May, thrills visitors with reenactments of military drills, camp life and battle scenes.

During the summer months, the village hosts a series of 18th century dinners. Diners are treated to elaborate dinners of the period cooked and eaten outdoors with special entertainment setting the mood.

A source of revenue that is dependent on visitors and special events is the village’s gift shop.

Amy Salierno, manager of the gift shop, works hard preparing for the hectic Christmas season. “The more visitors we get, the better it is for the gift shop.”

Salierno takes advantage of the proximity of New York City to stock her shelves. Specialty stores, catalogs, and other museums provide her with a variety of items.

“I try to look for old-fashioned items,” she says, “things you can’t find on the Island.”

Merchandise ranges in price from $1 to $200 because customers range widely, from young school children to adults. The store’s biggest customers? “The children,” Salierno replies. “During the year, we get 90-100 per day. Flags go like mad.”

Items that cannot be found anywhere else are available through the gift shop. Pottery, baskets, tinware, leather goods and bonnets are only some of the handcrafted items made by the village craftspeople.

Both Salierno and Shepard feel that the gift shop should be closer to the visitor’s center. Shepard estimates that the store turns a profit of $3,000-$4,000 a year. He views the gift shop as a service to visitors. “They expect it.”

A newer source of revenue is the Bennet House food service. Offering a daily snack bar and Sunday brunch, Bennet House is entering its second year as a feature at Richmondtown. Susan Perosi, the proprietor, rents the Bennet House and, in exchange, pays the restoration 20 percent of the gross. During its first year of operation, M. Bennet Refreshments paid Richmondtown $8,000. Shepard says that he is working with Perosi to try and figure out ways to get more people through the door.

In the expense section of the budget, salaries and fringes make up 72 percent of the total expenses. The cost of materials needed to restore and maintain the restoration is small in comparison to the dollars needed to pay the salaries of the people responsible for the job.

The next largest expense is contractual services. These services are responsible for only nine percent of the total expenses. Contracted services range from exhibit designers to financial auditors.

Last year, 86,000 people toured Richmondtown. This figure is 14 percent higher than the previous year when 75,000 visitors passed through the village. According to McMillen. “There are three ways we see people: drop-in, scheduled groups and school tours.” All three have seen a rise in the past year, the most significant being general admissions which rose 32.5 percent in one year.

According to Shepard, Richmondtown’s market is basically composed of 50 percent Staten Island, 40 percent Brooklyn and 10 percent the surrounding boroughs and New Jersey with a “sprinkling of visitors from all around the world all the time.”

“\"How on earth does anybody find this place.\"”

Low rates of tourism to Staten Island remain a problem, yet Shepard explains that while he used to feel that a central Staten Island location was a major factor, he now feels “it is less significant.” He cites the Staten Island Zoo as reason for his change of heart. With over 250,000 visitors a year, “they now have more visitors than they can handle.”

McMillen acknowledges that location is important, however. “Many people say, ‘How on earth does anybody find this place,’ which is true.” She cites lack of clear marking signs and the appearance that the restoration is closed. Both she and Shepard agree that the public transportation system on the Island does not encourage visitation. A two hour trip, costing $3.40 round trip, is not a pleasant prospect. “So,” says Shepard, “you really have to be a pioneer, determined to put yourself through all that.”

The lure of Manhattan also helps to keep tourism down. McMillen points out that tourists with three days to spend in New York are not going to spend all day getting to Staten Island. Says Shepard, “Since we’re not in New York City, competing with world class organizations, most tourists don’t make it out to the suburbs.”

“We feel we can handle many more visitors,” he says,
“and we work very hard to get them to come.” Richmond-town’s budget for advertising in fiscal year ’87 is $9,400 and it is increasing every year. In the last two years, they have begun to do advertising in the Brooklyn papers and The New York Times. For Sheperd, the Times is just too expensive to sustain any ad campaign. Richmond-town has, in the past, tried to encourage tourism by advertising a bus to pick visitors up at the Staten Island ferry terminal during the summer. The first two weeks, the bus was filled to capacity. The remaining weeks, however, “literally no one” took advantage of it. The idea needed an advertising budget to sustain it, but says Sheperd, “We are simply not ready for it.”

Instead of paid advertising, the restoration looks for free publicity from a computer network of over 285 newspapers who run Richmond-town’s feature articles. “We get quite good coverage. We would like more—all the time.”

When asked to compare Richmond-town to Williamsburg, Sheperd immediately points out the difference in magnitude. He explains that Williamsburg was the colonial capital and of national importance while Richmond-town was a “sleepy little county seat.” Yet Richmond-town spans three centuries, while most living history museums are set in one period.

Sheperd also says that Williamsburg was the inspiration for Richmond-town. Both were begun in the 30’s and 40’s. “I guess,” he says, “there was something in the air.”

McMillen believes that Richmond-town can never equal the popularity of Williamsburg because there is no room for the support services that are such an integral part of the Williamsburg experience. Staten Island cannot accommodate a Busch Gardens or the quantity of “cute shopping” that surrounds Williamsburg. She also does not foresee Richmond-town ever having an enormous advertising budget. “You can’t come to Richmond-town and see much else.”

During the city’s financial crisis of the mid ’70s, a plan to fully enclose the restoration fell victim to a shortage of dollars and the opposition of Richmond-town’s neighbors. Recently resuscitated, the plan would result in the closing of sections of two main thoroughfares and the subsequent rerouting of traffic through newly expanded roads in the surrounding area.

Opponents of the road changes say that enclosing Richmond-town would benefit only Richmond-town and that the traffic problem would get worse instead of better. The plan would cause “gridlock worse than 42nd Street and 5th Ave.,” says Nicholas LaPorte, former city councilman, in an interview with the Staten Island Advance.
Supporters of the plan say that not only is the enclosure of the restoration vital to Richmond's future as a viable historic site, but that the community will benefit, as well. "It's an unfortunate communication problem," says Sheperd, "we feel the road is good for Staten Island and Richmondtown."

According to Sheperd, the plan will eliminate two traffic lights and a treacherous stretch of road, making life and driving easier for locals.

"This is the single most important project we have to accomplish," he continues. Until the living museum is totally enclosed, they cannot hope to truly re-create the past. "We cannot create an historic environment with the quantity of cars whizzing through the restoration," says Sheperd, "Until then, visitors won't be able to say, Wow, I'm really stepping back in time—this is the way it was 200 years ago."

"Time is on our side," Sheperd says, "because of the rapid increase in traffic congestion. Five years ago, there were two or three cars at the stop light, but now they're backed up two or three blocks and it has nothing to do with our programs."

When enclosed, Richmond will attempt to create the illusion of an authentic village complete with horse and buggies, carriages, live animals—all without an electric line in sight.

By the summer, the village also hopes to open its first full-scale restaurant. Housed in the parsonage, this restaurant will be "like visiting your grandmother's house 50 years ago," Sheperd says that the new eatery will evoke an old-time feeling. The restaurant will put the restoration in a better position to be more aggressive in developing an advertising budget.

"Having food is a very important component of the visit. It is the backbone of a visit to a restoration." He says that restaurants make the really important dollars. With the opening of the restaurant, Sheperd is hoping to clear $20,000-$30,000. The restaurant's presence will also make group tours more popular. Such tours, are essential to a restoration's financial survival.

Recently, the restoration has seen major improvements. Modern restrooms and better museum facilities have been added. The new restaurant looks to bring more dollars and visitors to the village. The staff is hopeful that a fully enclosed site lies within reach.

Richmond's progress, like the history it re-creates, has been slow, but steady. "But then," says Sheperd, "We're doing it rather slowly because that's the only way we can."
Scaling the Wall by Oswald Coombs

To an average reader The Wall Street Journal is simply the newspaper that reports what happened on the stock market the day before—which stocks went up and which went down.

He is not interested in what happens behind the scenes in the newsroom, in the printing plant, or the managing editor’s office. He doesn’t care if the Journal makes a profit, breaks even, or loses money.

But The Wall Street Journal is a business, just like General Motors, Procter & Gamble or Kraft Inc., and there are problems of staffing, policies, organization, and budget that are not obvious to the outsider.

Edward Scharff’s book, Worldly Power (Beaufort Books Publishers, New York, 1986), on the founding of The Wall Street Journal and Dow Jones and Company gives an insider’s view of what goes on in a major newspaper office like the Journal, how newspaper policies are set, how reporters and editors are hired—often at the whim of one editor, and fired—often at the whim of another.

Relying upon a mixture of personal anecdotes and historical research, Scharff’s chronological biography of The Wall Street Journal is written for people in the newspaper business or for those intensely curious about the paper’s inner workings.

The approach is thoroughly chronological. Scharff opens by linking the history of The Wall Street Journal to that of its parent, Dow Jones and Company. Here, once again, we read the well-known tale of Charles H. Dow and Edward D. Jones, two young New England reporters who, in 1882, broke away from the Kiernan News Agency, a Wall Street news service that used messengers to distribute handwritten news bulletins to subscribers along the street.

Dow and Jones, along with Charles M. Bergstresser, another Kiernan defector, began their rival news service, which they named Dow Jones and Company, in the basement of 15 Wall St. where Kiernan was also located.

Borrowing from Kiernan, they used the same method of copying and delivering news bulletins that Kiernan had originated. In addition, they began publishing a printed sheet called the Customers’ Afternoon Letter, for which subscribers paid $1.50 monthly.

Scharff identifies the precise moment of The Wall Street Journal’s birth: “On July 8, 1889, the Afternoon Letter was rechristened The Wall Street Journal, four pages measuring 20¾ by 15½ inches, and selling for two cents a copy.”

The little paper was not much to look at, Scharff says. It was simply typed news bulletins, arranged in chronological order, with some stock and bond listings, plus an occasional sports or political event.

“Two cents a copy.”

The heart of the Dow Jones news service was the telegraphic news ticker, a device which delivered bulletins to subscribers by wire. Those who wanted the combined ticker and messenger service paid $30 monthly.

In succeeding chapters, Scharff ticks off the people who helped make Dow Jones and the Journal the success that they are today: the eccentric Clarence Barron, Casey Hogate, William Grimes, Barney Kilgore, Larry O’Donnell and Norman Pearlstine, who took over as managing editor in 1983. Their stories and eccentricities contribute to the dense texture and color of Scharff’s tapestry.

First and foremost is Barron, the rotund Dow Jones Boston correspondent who bought the company from Jones in 1902 with $130,000 of his wife’s money. Scharff vividly describes Barron’s excesses which included multicoursed, Rabelaisian meals and the strange habit of dictating his thoughts to his male secretaries day and night.

Before he died in 1928, Barron had pushed the Journal’s circulation from about 7,000 in 1905 to 56,000, raised the paper’s price to seven cents, and increased the number of pages to about 24.

Then there was Casey Hogate, a DePauw University graduate, who, along with Jane Waldron Bancroft, by then the principal owner of Dow Jones, brought the company through the Great Depression of the 1930s “to the point of renaissance.” It was Hogate who asked William Grimes, the Journal’s Washington bureau chief until the early 1930s, to come to New York to save the now sinking paper.

He was the perfect person for the job. Known for his explosive temper, Grimes is reputed to have kicked typewriters and jumped up and down on his hat. He also fired reporters who were playing the stock market, separated the news and advertising departments, which

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Worldly Power
The Making of The Wall Street Journal
Edward E. Scharff
had operated as one since Dow Jones’ early days and ordered desk men to edit copy meticulously.

Another DePauw graduate, Barney Kilgore, who succeeded Grimes as managing editor in 1941, was also responsible for major changes at the Journal.

Kilgore was instrumental in transforming the Journal from a stocks and bonds paper to a general business paper, “about everything involved with earning a living and spending money, the things that preoccupied most people,” Scharff writes.

First on Kilgore’s agenda was the language of the newspaper. He ordered reporters to write in simple language, not the stocks and bonds jargon that they had become used to writing.

Recognizing that the same business stories were just as important to San Franciscans as they were to New Yorkers, Kilgore also decided that the Journal should become a national newspaper, with similar East and Pacific Coast editions. His next move, Scharff recalls, was to make the Journal “every businessman’s second newspaper.” Each story had to be distinctive, different from page one stories anywhere else.

Despite the increasing popularity of The Wall Street Journal, Scharff notes that the big moneymaker was still the ticker, and that Kilgore and Eddie Costenbader, the “ticker czar,” were on a collision course.

The reason for their conflict: important stories had to go on the ticker before they could be published in the Journal. Although the anticipated clash did not take place, the friction between the ticker and the newspaper has never quite disappeared.

There is much more in Scharff’s book: how the Journal got the better of the International Typographers Union in automating its printing plants; how the Journal resisted hiring women reporters as long as it could; the battle with Reuters news agency for ticker monopoly; the influence of Dan Dorfman, and even a reference to the R. Foster Winans case in the book’s Prologue and in the final chapter, “Creative Tension.”

Scharff shows his pro-Journal bias when discussing the Winans affair. He praises the paper for standing firm in court and on the front page, admires the paper’s courage in printing an expose of Winans that spared few details of his personal life, and in running an editorial, “Dirty Linen,” which apologized to Journal readers.

The personalities and technologies chronicled in Worldly Power do more than take one for a quick trip round the newsroom; they detail the molding of a monolith.

### Interviews Edward E. Scharff

Dollars and Sense Assistant Managing Editor Abbe Goldfarb recently interviewed author Edward E. Scharff about reactions to his new book, Worldly Power.

#### $4$: Why did you decide to write a book on the WSJ?

**Edward Scharff**: It was the major paper that hadn’t been done. In addition, it has always been my favorite—since I was a little cub reporter in Washington. The Journal did these wonderful things which were clearly the prototype for a paper that wants to be different than a paper of record.

#### $4$: How has the book sold?

**ES**: It was a pretty decent first printing, somewhere around 15,000. The books go out and nobody knows if they’re selling or they’re still in the bookstore—until a year or two later. That’s when you find out because what hasn’t been sold is returned. I’ll do all right on this book; it won’t be anything to retire on.

#### $4$: Is it going to come out in paperback?

**ES**: Yes, in the spring by New American Library. It’s going to be printed in Spanish and Japanese. I think the Japanese will basically print anything about American business.

#### $4$: How have the reviews been?

**ES**: The reviews have been very gentle for the most part. The people who have liked the book the best are not journalists, but business people, older business people. There seems to be something about the book that is true to the experience of older people in business. The best reviews have come from Business Week, the Journal and Forbes. Jim Michaels, the editor of Forbes, wrote a lovely little blurb in his editor’s letter one week.

Newspaper reviews were strange. The Times didn’t review it, which was really strange. I didn’t get terrible reviews from the Washington Post or the LA Times, but they were prickly. Part of the reason is daily newspaper reporters distrust the profit motive and that’s the premise on which the WSJ is built. They’re intrinsically uncomfortable with the notion that a newspaper about the economy could be as substantial as a newspaper that is fundamentally about politics.

#### $4$: Who was your audience?

**ES**: Everybody, as many people as possible. A dual au-
dience really—businessmen and journalists. I guess it’s not all that surprising that businessmen are more receptive to the book than journalists—it’s not every journalist’s newspaper, but it is every business person’s newspaper.

§C: Do you consider yourself to have a pro-Journal attitude?  
ES: I think I’m pretty objective. I certainly would have loved to produce a scandal. I found things about the Journal to really admire and things not to admire. It’s a pretty good product—which is not to say it’s perfect.

§C: How hard was it to get people to talk at the Journal?  
ES: Well, you’re touching on what my major anxiety was at the start of the book. One thing I knew was that reporters are incessant gossips and that it was going to be easy to get people in the newsroom to talk, as indeed it was. The danger with people lower down was that everything had to be checked, and double-checked. A lot of it was untrue and you had to go back to the principals involved. When I got to officialdom at the Journal, they all had to see me. It would’ve looked very bad to say no. That doesn’t mean they have to tell you anything. Some of them did and some of them didn’t. Some of the higher-ups talked to me for three or four hours and said nothing.

§C: Did you find yourself self-censoring?  
ES: I had to do a great deal of editing on anecdotes, leaving out the less good ones, making sure that they were really relevant. Then sometimes there are these wonderful anecdotes and you’re sure they’re true, but can you absolutely prove it? And are you going to get in trouble if it comes down to a lawsuit? I have no desire to bankrupt my publisher. It makes you extra, extra careful.

§C: Why didn’t you put more in about the Winans case?  
ES: Well, I didn’t feel that I had a hell of a lot to add. It was very recent and received ungodly press coverage. Even though I talked to Winans at some length, I had nothing new to say about it. Moreover, it was very difficult to determine what the Winans episode said about the paper. A big event that happened yesterday is very difficult to make sense of. It belongs in the book, you can’t ignore it, but what does it mean? Five or ten years from now you may be able to look back and say that was the beginning of a pattern, but you can’t really do that now.

§C: Do you think that Norman Pearlstine is on the right track in adding on a third section to the Journal, focusing more on markets and investors?  
ES: The gossip is that they’re going to add a third section. I think that’s completely advertising driven. It’s sort of too bad they have to add these extra pages basically for commercial reasons and they have to think up the best way to fill them up editorially. It’s a two-edged sword—the readers get some benefit out of it and they lose something. I think most readers of the Journal liked it better when it was one section. The Journal has always been very compact. The more sections they add, the more they lose that quality.

§C: Have you received reactions from the people at the Journal since the book’s publication?  
ES: Yes, I got a very nice note from Warren Phillips, and from former Journal people like Bill Kerby and Vermont Royster. I got notes correcting me on some points. You’re glad to get those. The rank and file basically did not respond.

§C: Are you currently working on any writing projects?  
ES: I’m about to start another book, but I haven’t told anyone what it’s about. It’s almost a superstition with nonfiction writers that you don’t tell anyone until you absolutely have to because there are all kinds of things the people you’re writing about can do if they don’t like the idea of being written about. This much I can tell you, it’s not a press book, it’s not about finance and it’s not about the media.

Edward E. Scharff is currently an assistant managing editor of Institutional Investor. Previously, he was a staff writer for Money and Time magazines and a reporter for The Washington Star.