

Current Comments

How It All Began — With a Loan from HFC

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I am frequently asked how ISI® started. But after I explain the intellectual origins of ISI, I find that what people really want to know is how it was financed. Starting a small business is commonplace in America, but keeping one alive is another matter.

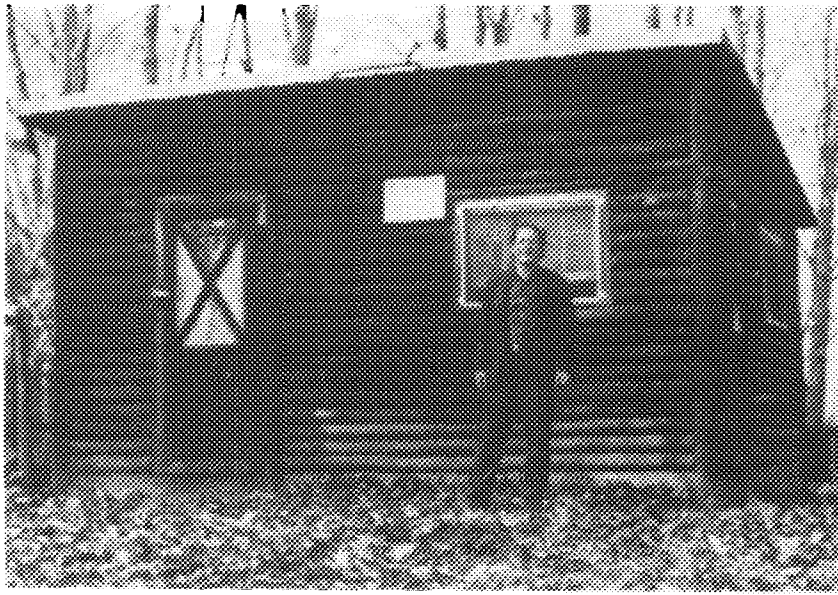
The Small Business Administration estimates that about one-third of *all* new businesses are discontinued within one year of their beginning, half after two years, and two-thirds by the end of five years.¹ The American Federation of Small Business estimates that about 500,000 small businesses start each year—and an equal number fail.²

The major difficulty in starting and continuing a business is financing. Entrepreneurs need capital to get started. They also need a flow of cash to pay for labor and materials while waiting for revenue to come in. Problems of “cash flow” arise when money isn’t coming in as fast as it is going out. This is a major cause of failure in small businesses.³ If it hadn’t been for Household Finance Corporation (HFC), it might also have caused ISI to fail many years ago.

I started *Current Contents*® (CC®) in 1955. Contrary to general belief, it was in the management and social sciences, not the life sciences.⁴ Having already started as a freelance documentation consultant, I incorporated under the name of DocuMation, Inc., in 1956 in New Jersey. The first CC edition, you should pardon the expression, was called *Management’s DocuMation*

Preview (MDP). Soon after beginning *MDP*, I met Richard Gremling of Bell Laboratories in Murray Hill, NJ. Bell Labs was interested in having a contents page service for management science. We negotiated and, after several months, I received a contract to produce a “custom” edition of *MDP* for them. Under the contract, I was to print 500 extra copies of *MDP* with a special cover and the title “Survey of Current Management Literature.” At the same time, I would continue to print and market *MDP* as a subscription service. The purchase order for that contract amounted to about \$15,000 a year. I remember the feeling of elation when it arrived.

However, the contract presented some serious problems. Until that time, I had been printing *MDP* on my own printing equipment — in a converted chicken coop in Thorofare, a small community on the outskirts of Woodbury, NJ. The floor was so damp that I had to buy a dehumidifier to get my Xerox platemaking machine to work properly! I printed two 5 x 8 inch contents pages on a single 8 x 10 inch sheet of paper, using a small Davidson offset press. But the Bell Labs order made printing, and especially collating and binding, too much for me. I was forced to go to an outside printer near Camden, NJ. The printer lived from one job to the next, and so he required payment in advance. I was doing some consulting work for Smithkline & French



The converted chicken coop in Thorofare, NJ, where ISI began.*

(SK&F) labs in Philadelphia, but I didn't have the \$500 to cover this sudden and unexpected cash requirement. Actually, I was flat broke.

I was not immediately upset by the need for advance capital because I naively assumed that the Bell Labs purchase order would make it a snap to borrow money from the local bank. So, purchase order in hand, I strode confidently into the Woodbury Trust Company in New Jersey. I told my story to Mr. Fowler, a gentleman in his late sixties. He asked if I had any collateral. Other than the purchase order, the only thing I owned at the time was my car, and I was paying for that on an installment plan. Unfortunately, Fowler explained, the Bell Labs purchase order wasn't considered collateral. I could walk out of the bank and be hit by a car or be struck by lightning — then what would the bank do with my purchase order?

This same story was repeated in several Philadelphia banks (including

one that recently loaned ISI a few million dollars to help construct its new headquarters). In desperation I went back to see the printer. This time he agreed to print the first issue if I could pay him about half the price. I went back to see Fowler, asking for only a \$300 loan. Again, he told me that it was impossible.

But then he made the suggestion that was to change my business career dramatically. He advised me to borrow from a personal finance company. At first I didn't know what he was talking about. Even through the worst years of the depression, my family had never actually borrowed money. The only experience with credit buying I could remember in my family was when my sister and I paid 25 cents a week (for what seemed like forever) in order to buy a \$12.75 radio-phonograph. Of course, we always had credit at the grocery store, but that arrangement was the usual way of life during the depression. Acting on Fowler's advice, I went

around the corner to HFC where I told the manager my story.

Within five minutes, I was signing an agreement to pay interest on a \$500 loan, at the rate of 18% per annum on the unpaid balance. He wrote me a check for the \$500, which I immediately deposited at the bank. I got a certified check for the printer, and kept \$200 to cover other expenses. That night I celebrated by buying a take-out Chinese dinner.

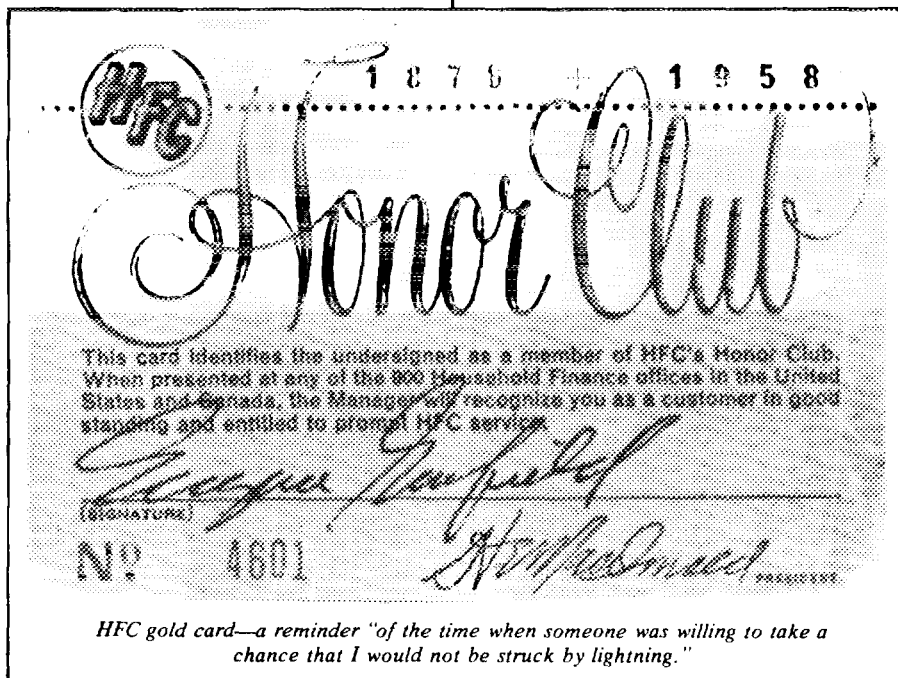
About a week later I personally delivered the first issue to Bell Labs in Murray Hill. But I didn't have the sense to bring an invoice to cover the first payment. So, I went home and put one in the mail. Then I waited—and waited. I phoned several times, still without result. In the meantime, I had to get out a second issue. I still owed the printer money on the first issue, so this time he wanted full payment on delivery. Since I still didn't have any money, I naively went back to the bank. After all, now I had a "receivable." But I got a similar

story—if I dropped dead, how could they get their money?

So then I went back to HFC. The manager told me that \$500 was the legal limit in New Jersey. But he hinted that if I went to *another* branch, I could borrow another \$500 from them. Without computers they couldn't keep track of all their loans in those days. I went to Camden, NJ, and in five minutes I had another \$500. The manager there didn't ask me if I had borrowed from another branch, so I didn't tell him.

Ten days later the check from Bell Labs finally arrived. Elated, I went back to the HFC branch in Woodbury. The manager calculated that I owed about \$6.50 in interest. He said that wasn't even enough to cover his paperwork. When I went back to the Camden HFC, the manager there was even more unhappy—I only owed him about \$2.50. I felt sorry for him, so I decided to keep the money a while longer.

I learned a very important financial lesson from those transactions. Had I



been successful in borrowing the \$500 from the bank, although the interest would have been only 6% per annum, I would have had to hold the money for 30 days and pay a "service" charge. At HFC, I could borrow money for a few days, or a week or two, and pay it back without penalty or service charge. More importantly, I could get the money I needed, when I needed it, without any collateral.

I used HFC so many times after that that I received a gold card which enabled me to borrow money anywhere in the US. I can't remember how many times I used it, but I never went back to a bank to borrow money again to finance our production operations.

I was recently pleased to be able to send HFC a copy of an article which ap-

peared in *Focus* magazine,⁵ a Philadelphia publication, telling much of this story. In fact, they used the article in their employee magazine, *HFC News*.⁶

The banks gladly loan ISI money now. But I still remember the days when I couldn't even borrow \$500. I still keep my HFC gold card, as a memento of the time when someone was willing to take a chance that I would not be struck by lightning.

While I would urge anyone to use caution in borrowing money for any purpose, for the starting entrepreneur without capital the personal finance company is about the best place to go for short-term loans. It's a risk both for you and for them. But that's the name of the game, and that's how ISI began.

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