

FOREIGN DEPARTMENT
OF THE

**NATIONAL PHONOGRAPH CO.
EDISON MANUFACTURING CO.
BATES MANUFACTURING CO.**

FACTORIES:
ORANGE, N. J., U. S. A.



EDISON PHONOGRAPHS
AND RECORDS.

EDISON PROJECTING KINETOSCOPES
AND ORIGINAL FILMS.

EDISON PRIMARY BATTERIES
AND FAN MOTOR OUTFITS.

BATES AND EDISON NUMBERING MACHINES.

83 CHAMBERS STREET,
NEW YORK, N. Y.

EUROPEAN OFFICE,
32 REMPART ST. GEORGES,
ANTWERP, BELGIUM.

New York, U.S.A.

Jan. 23, 1905.

Mr. Walter Stevens,

In pursuance of your instructions, I beg to report on the Phonograph business conditions in Mexico, as found on my recent trip there.

I believe my correspondence with reference to the Record Taking has kept you fully informed as to what was done in Mexico by us in this connection, and it will, therefore, not be necessary to further report on this part of my work to any extent. From the opinions expressed by our dealers and other parties whom I consulted in Mexico, as well as those I have heard here, these Mexican Records appear to be satisfactory and will no doubt find a ready market. I wish, however, to again call your attention to the fact that for the better class trade in Mexico (and I believe this condition obtains likewise in other Spanish-American countries) a selection of high class Italian vocal Records is necessary.

The Italian songs at present listed in our Foreign Record list is almost totally inadequate to fill this demand, owing largely to the inferiority of the Records and also in a measure to the fact that most of the singers are not very widely known. The present popularity enjoyed by the Victor machines and records in Mexico is undoubtedly due, I might say, wholly, to their fine Italian vocal repertoire. These Records sell very well, in spite of the very high prices charged (\$5.50 for 10" and \$7.50 for 12" discs, Mex. Cy.). Our Mexican Dealers, as I wrote you, were very anxious to have some Italian selections taken in Mexico, especially of the type. Tetrazzini, whose opera troupe was there at the time. I understand

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that Italian selections are being taken in Europe, and it would undoubtedly prove stimulating to our Spanish American trade if these could be supplied there at an early date. The Columbia people, who some months ago were taking Records in Italy, have seen the necessity of listing them for Spanish-American countries, and though I believe they have not as yet placed them on the Mexican market, shortly before leaving Mexico I was shown an advance list which had been sent to their Manager there.

COMPETITION:

Our principal competitors in Mexico are the Victor Talking Machine and the Columbia Graphophone. The Victor has been pushed actively by the General Agent, J. V. Schmill, for about three years. He advertises extensively and has dealers in all of the largest cities. A very good business has been established, especially with the higher classes, who, owing to the fine opera selections they list have begun to show a marked preference for the Victor over other machines. The Victor people list about fifty Mexican selections of 150 taken by them, most of the masters having been lost in the recent fire at their factory. This machine is very surely working it's way into the best homes.

The Columbia people are represented by Mr. Joaquin Espinosa, who was given the General Agency in Mexico the latter part of 1903. He has a very competent Manager at the head of the business, a Mr. Wilkinson, who, I understand was virtually appointed by the Representative of the Columbia Co. who made the necessary negotiations with Mr. Espinosa. They are advertising extensively and are pushing the business aggressively throughout the country, keeping men constantly on the road and going even to the extent of placing goods in consignment when found necessary to do so to get a Dealer started. They list at present about 250 Mexican selections in both disc and cylinder Records, and although these are extre-

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mely poor, they are selling well owing to the fact that there has been nothing else for the people to choose from.

There is some small competition from cheap German and French talking machines, but this amounts to very little. Italian and Spanish soft wax Records have been sold there extensively, owing to there having been nothing in the moulded form to fill this requirement. Generally speaking, Edison Phonographs and Records are thought of more highly than any others, but this prestige is rapidly being overcome by the efforts of the other companies.

PRICE CUTTING:

Upon my arrival in Mexico City I found the price conditions in rather a chaotic state. Price cutting was indulged in to a ruinous extent, and prices were consequently down to ridiculously low figures. Our goods got the brunt of this price situation because the representatives of competing goods naturally did what was possible to protect themselves. Although not entirely improved, the present conditions are not quite so bad, owing to the Dealers having agreed among themselves to uphold prices. However, there appears to be some bad faith shown in living up to this agreement.

The development of our business is undoubtedly severely handicapped by existing conditions, and it would appear advisable to correct ~~them~~ at as early a date as possible. This I believe would not be a difficult matter, especially now, when our business in Mexico is only in its infancy. The fact that the Mexican Dollar is practically standardized, thus eliminating the uncertain factor of a constantly fluctuating exchange with which it has been necessary to contend in the past, makes it a relatively easy matter to establish prices in Mexican currency to correspond with the Domestic prices. The next step I understand would

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be the establishment of agreements similar to those existing here, and this could be more easily and satisfactorily accomplished at the present time, than later on, when the business will be larger and more difficult to straighten out; in fact, all the present Dealers with whom I spoke seemed anxious that steps be taken to have such agreements made and enforced by the company. As per report of Mr. C.H.M. y Agramonte sent you from Mexico City, some changes would have to be made in the wording of the American agreement to conform to the Mexican laws, steps taken to protect Edison patents, etc.; but once these conditions are fulfilled, the agreement will be as binding as it is here. Owing to the commercial customs of the country it might be well to start with a slightly less exacting agreement than the Domestic one; but, undoubtedly, Dealers should be made to sign some sort of an agreement which will compel them to maintain an equal footing with regard to prices.

ADVERTISING:

Although our Dealers in Mexico City have lately started to advertise our goods more extensively, the advertising done by our competitors is greatly in excess of this. As you know, the only advertising we have done is on the Principal Theatre drop curtain, and this has undoubtedly been of benefit. Advertising in a few of the principal newspapers would show results, and if this could be started soon after our Mexican selections are all ready for the market, it would of course be advantageous. I have already written you as to the best advertising mediums, arrangements, etc.

NEW BUSINESS:

There is not the slightest doubt that Mexico offers an exceptionally good field for the sale of our goods, but it will require active steps not only to develop it, but to hold our own against competitors

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already aggressively at work there. The greater part of the business has been confined to the Mexico City Dealers, whose business is of course not limited to the local trade in that city, as they have clients throughout the whole country, but they have pushed it to such poor advantage and by such crude business methods that they have succeeded in doing a very limited business, considering the large possibilities the country offers. We have now at least one Dealer in most of the largest cities, and no doubt these will materially increase our Mexican business, although, as they are just starting out, with practically no knowledge of the line, they may not show immediate results. At the present time it is somewhat difficult to interest business houses, owing to there being very little confidence; the ~~business~~ ^{Phonograph} being, from a business standpoint, practically unknown. Therefore, before it can be expected to secure a large number of Dealers, it will be necessary to create a demand among the people, by advertising, judicious circularizing, etc.

As to the best means for developing the trade in Mexico, my trip through the country has fully confirmed my opinion as expressed in letter of Sept. 10th written you from Mexico City; namely, that to obtain the best results it will be necessary to be on the ground, as our competitors are. The two competitors mentioned have adopted the policy of appointing a General Agent, and this is the manner in which almost all foreign products are handled in Mexico. The Columbia people looked into the field very thoroughly, their Representative having made four trips through the country within two years, accompanied once by their Vice-President, and I was informed on good authority that if they had not given the General Agency to Mr. Espinosa, they would have opened an office there themselves. They fully appreciate the possibilities of this market, and are doing their best to introduce their goods.

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The establishment of an office and base of supplies in Mexico would, I believe, be the quickest and most satisfactory manner in which to adjust the conditions already referred to. The business could be placed on a sounder basis than it is at present for the reason that the agreement policy could be adopted and carried out effectively, which it would undoubtedly be more difficult to do from here. Advertising could be carried on to a great deal better advantage, especially from an economic standpoint, and the creation of a demand among the people by judicious circularizing and the prompt following up of inquiries would be greatly facilitated. It would enable the development of the retail trade, and consequent appointment of Dealers, to much better advantage than from here, as the distance, general lack of information amongst the public as to duties, exchange, freight, etc. etc., make it practically impossible to obtain much of a retail trade from here.

The outlay incident to establishing a base of supplies in Mexico would not be large, as it would be entirely unnecessary to carry a heavy stock of goods. All that would be required is a stock sufficient to promptly fill orders, which, at the present time, would be relatively small, and this stock could be carefully replenished as required, and increased as justified by the development of the business.

I brought with me from Mexico ample information relative to the local expenses in connection with an office there, freight rates throughout the country, and, in fact, as complete data as I believed would be of interest in this connection, on which I can report more in detail if you so desire. The same applies to the matters of Advertising and Price-Cutting, in regard to which I can give you precise detailed information.

While in the foregoing I have referred particularly to the Phonograph business, there is undoubtedly also a good field in Mexico for the other Edison laboratory products. These are especially the Gram

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market. Projecting machines and films of European manufacture are sold extensively there, whereas ours are only imported to a limited extent, and this is due entirely to the fact that the former have direct representation in the country. While speaking of this class of apparatus I might mention that the fact that such concerns as T. H. McAllister quote our trade discounts to the retail trade, makes it very difficult for us to secure any of this business through our regular Jobbers and Dealers.

The fact that last year our Mexican business showed an increase of over one hundred percent over the previous year, in spite of the steady decline that had been shown the three years prior to last, demonstrates beyond a doubt what can be accomplished there by even a small amount of circularizing, advertising and canvassing, and if more energetic and thorough steps were taken to secure this trade, I am perfectly certain that satisfactory results would be obtained.

If, owing to the fear of making this report too lengthy, I have omitted any details which you require, I shall be glad to report more minutely on any of the points you may indicate. As already mentioned, I believe I have supplied myself with all necessary information, but should this not be the case, I can easily obtain same.

Yours respectfully,

W. S. Babcock