

# Looking Back

## Portrait of the Young Diners Club as a Publicist's Dream

Matty Simmons' story about the origins of the charge card made great copy. Who cares if it didn't really happen?

By Thomas Forbes

There's an often-written tale about the genesis of the charge card that has all the serendipitous appeal of Issac Newton getting conked on the head by an apple. Citicorp, which has owned Diners Club since 1981, repeats the story at the beginning of a 24-page booklet that it issued this year in commemoration of the 40th anniversary of the charge card.

*"The businessman and his guests entered a popular New York restaurant, which was bustling with the evening trade. Their conversation was lively and the meals were satisfying. Eventually the check was presented, and the businessman reached for his wallet. His lips suddenly thinned. Frank McNamara realized that he had no cash. It was 1950. There were no charge cards. After some discussion, the restaurant agreed to let Mr. McNamara pay later. But he resolved never to be put in this position again. . . . Over lunch with an*

*attorney, McNamara conceived the idea of a charge card."*

Matty Simmons, who oversaw Diners Club marketing efforts for its first 17 years, thinks it's quite a compelling story. But Matty Simmons should. He says he made it up. That's the way hustling press agents used to get newspaper ink—which proved vital for Diners Club in the early 1950s, when the multi-use charge card was unheard of.

"In 1950, press agents had very colorful imaginations," says Simmons.

Simmons was working the Broadway beat as a young publicity man when McNamara asked him to come up to the offices of his credit company in the Empire State Building. When he arrived, McNamara and his lawyer, Ralph E. Schneider, pulled out a piece of cardboard with "The Diners Club" hand-lettered in scroll. McNamara told Simmons of their plan to issue cards that would allow businessmen to charge their meals at

restaurants all over New York and receive one monthly bill. The only hitch, they told Simmons, was that they knew nothing about the restaurant business or publicity.

"I told them I thought it was the worst idea I'd ever heard," Simmons recalls today. "I never charged anything. In those days, most people didn't."

Simmons walked out, turning down McNamara and Schneider's proposal to join their venture. At the time Simmons was 23 and one of the hottest press agents in town.

He felt he didn't need to get involved in a harebrained scheme.

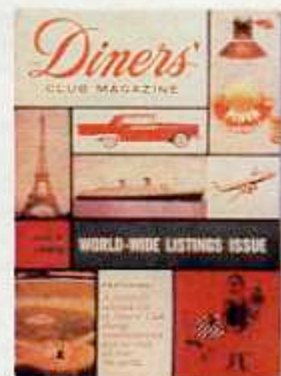
Simmons was content with writing items for Broadway columnists like Walter Winchell, whose New York *Daily Mirror* column was syndicated in about 1,000 papers nationally and whose Sunday evening radio broadcast was often the top-rated program in the country. Press agents provided much of the material for Winchell and his brethren. In return, their clients got free plugs.

"Half of the news in Walter Winchell's column was false," says Simmons. But until television brought stars into our living rooms and killed the Broadway nightlife, a mention by Winchell could make or break a career.

Simmons was a smooth-talking, glib-writing Brooklyn kid who did a short stint as a reporter for the New York *World Telegram & Sun* before being drafted at 18. He served as a non-com, handling entertainment at Fort Monmouth, N.J., where he became friendly

with a young singer, Vic Damone. When Simmons was released from the Army, he went to work for Damone's press agent. After about five weeks of banging out funny lines for the columnists, Simmons figured he had the game down pat and set out on his own. His first account, El Borracho restaurant, nearly doubled his income: 50 bucks a week plus dinner.

But the Diners



Matty Simmons worked the Broadway publicity beat before joining Diners Club in the 1950s. The early card—America's first multi-use credit card—was made of pressed cardboard, and the Diners Club News was conceived as a marketing tool.





**Diners Club helped pioneer the tie-in ad with pitches for far-flung restaurants.**

Club founders kept calling. "Finally, really just to get rid of him," Simmons says he took the job.

It would be a few years before Simmons gave up his day job to join The Diners Club as executive vice president. But thanks to a marketing program that combined a press agent's stunts with direct marketing, the card caught on.

"We absolutely ad-libbed everything. None of us had ever done any of these things before, so we made things up as we went along," says Simmons.

The company now known as Diners Club was positioned as a prestige service for businessmen. Simmons says that a write-up in a business magazine in the first months resulted in 8,000 to 10,000 requests for membership.

"After that, the thing ballooned. We got so successful that after a year, we were about to go out of business," he says.

The problem was one common to entrepreneurial ventures: cash flow. Cardmembers' payments lagged behind restaurants' demands to settle their accounts. Diners Club paid East Coast restaurants out of a West Coast bank—and vice-versa—but that only bought a few days' time. The decision was made to charge a \$3 up-front membership fee, plus an extra dollar for a publication then named *Diners Club News*. Besides boosting capital, the fee eliminated the deadwood who weren't using the card anyway. The fee also, in Simmons' words, "added a little gloss to

membership."

The publication, which was later renamed *The Diners Club Magazine* before becoming *Signature*, became one of the company's main marketing tools.

Under Simmons' editorship, *Signature* ran general interest articles and humor as well as travel pieces and restaurant reviews. But as effective as *Signature* may have been in creating good will with its cardmembers, its ad pages were even more effective in wooing new clients—such as the Hilton Hotel chain—or in retaining disgruntled ones.

"Say somebody wanted to drop out. I'd give them pages in the magazine, and a page was worth five or six thousand dollars," says Simmons. "I used it as a pacifier and as a reward. Then it became a big money maker, too."

Key to the card's growth—and by 1960 it had 1.25 million members worldwide—was attracting new businesses and services that would accept it. Never formally trained as a salesman, Simmons quickly learned the practical use of the domino theory.

"The major thing was breaking the airlines," Simmons recalls. "They didn't want to talk. In the late 1950s, I got a lead into Jim Austin at Northeast. I sold him. I walked out and went to a phone booth in the lobby. I called a guy at Eastern and told him that I'd just signed Northeast. He said, 'So when do you want to come up to see me?'"

National followed Eastern, and so on. Simmons was to use the technique for rental cars—Budget broke first—as effectively as with the reluctant owners of restaurants.

Simmons recalls the day in 1963 that Diners Club issued cards to all the residents of Winsted, Conn., pop. 12,000. The idea was that no cash would be used in the town for 24 hours. Diners Club today refers to it as a market test; Simmons wistfully calls it a publicity stunt.

It didn't hurt that the world premiere of a slapstick comedy called *The Man From Diners Club* (starring Danny Kaye and Telly Savalas) was being staged at the time in Winsted. It didn't help that the New York newspapers—seven strong and still a major publicity outlet—weren't publishing because of a strike.

Simmons, ever-obliging to a journalist looking for copy, wrote a front-page editorial for the overwhelmed editor of the local newspaper. "CASH DIED TODAY!" the headline screamed. The gist of the prose was that cash—"the son of Barter, the adopted child of Trade"—just wasn't hip enough for the modern world. The down-home flavor of the editorial proved to be the right hook for national press coverage. ■

## Those Magnificent Men and Their Card

Frank McNamara unquestionably conceived the idea for the multi-use charge card, even if the inspiration came to him less dramatically than in the version that Matty Simmons concocted for the press. He cashed out of The Diners Club in 1952, when the company was billing \$6 million, and died in 1957 at age 40.

Department store heir Alfred Bloomingdale bought in as McNamara exited, bringing along the members of Dine and Sign, a credit-card business he had started in Los Angeles. Ralph E. Schneider, who Simmons says was the "steadying hand" of the company until his death in 1964, was chairman. ("Who do you think you are, God?" Simmons once asked Schneider. "In this company, I am God," Schneider replied.) Schneider died in 1964, and Bloomingdale, who had been president, succeeded him as chairman.

Simmons left The Diners Club in 1967 and the next year launched *Weight Watchers Magazine*. For a time he was the principle owner of the NBA's San Francisco Warriors. In 1970, Putnam published his roman à clef on the charge-card business, *The Card Castle*, and Simmons brought out the first issue of *National Lampoon* magazine. He went on to produce movies such as *Animal House* and the *Vacation* series starring Chevy Chase.

American Express, which entered the charge-card business in 1958, provided the most formidable competition to The Diners Club in the early 1960s. Bank-issued credit cards with interchange arrangements broke the category wide open in the late 1960s. During the decade, the company name was shortened to Diners Club, and in 1970 it was sold to Continental Corp. The card's luster faded through the 1970s until it was sold to Citicorp in 1981.

Citicorp has aggressively positioned the card as the best friend of the business traveler—and the corporations that foot their bills. The \$10-million "We Take Care of Business" campaign that broke last October features Diners Club employees extolling the ancillary benefits of the card. Last month, Citibank rolled out its Corporate Club Rewards program, the first card offering incentives to executives who use employer-issued cards.—T.F.