

largely confined to groups of manufacturing interests which are directed and controlled by financial groups. In a sense they compete strictly with each other, but in a larger sense their combined operations would tend to smother the other manufacturers, were it not for their enormous sales costs.

#### *The Cost of Paternalism*

When we analyze the effects of this type of forced selling, the first thing that comes to our attention is the deadly effect it is having on the retailer. Today, any druggist and most specialty shops can have the following things done to help them sell goods: national advertising, newspaper advertising, window displays, car cards, movie slides, folders and booklets. These we may define as "direct sales helps." The indirect sales helps are legion. Starting with fixtures and painting, they proceed through merchandising charts, sales contests for clerks, accounting systems for stores and model store layouts, to printed turnover tables and personal letters to the wives of the merchants and salesmen! Why should the retailer bother to sell goods? Why should he even attempt to again become a personal merchant? Everything is done for him. His initiative is gone, his store becomes simply the last stopping place for whatever merchandise is being pushed at the moment. When we find costs of distributing a dollar's worth of commodity merchandise mounting to sixty-eight cents because of these methods, we come to the conclusion that this form of paternalism ought to cease. Better by all odds the owned and operated chain store, with its resulting economies to manufacturer and public alike.

#### *Buyers' Strikes*

The second effect is beginning to appear in scattered buyers' strikes. Of course, these additional costs have helped swell the rising price level. But, of course, that didn't matter because the increased production meant more people working, working meant wages and wages represented increased buying power. The "Full Dinner Pail" slogan was again heard and then—the merchandise remained on the shelves! Our general buyers' strike is too recent. People haven't forgotten. The cut-price sales of 1921 are still fresh in the minds of the public. As a matter of fact, merchandise bought in those sales is still being worn and there is a lot more of it to be worn now on the closet shelves of thousands of homes. The over-production of 1921 is still with us.

The over-production of late 1922 and early 1923 will be with us until cut-price sales again clear the shelves. The sugar strike, the drop in the price of cotton goods,

the slow shoe sales, the beginning of "cut-price sales" of spring merchandise in April all emphasize facts that ought not need to be emphasized. We have neither the public nor the buying power for sales and production schedules based on the years 1916 to 1920. In various over-produced lines, manufacturers are trying to hold the market. It cannot be done. The one universal economic law of supply and demand cannot be artificially directed any longer. We are in the position today of paternalism holding the bag with finance driving for the last \$100,000! And at this moment some empty-headed politician jumps up and settles it all with "The Full Dinner Pail," entirely disregarding the fact that there are not nearly as many dinner pails, that the food in the pail costs more, and that the public will not stand for inflated prices.

#### *Advertising Costs*

The third effect that becomes apparent is the increasing cost of advertising. Perhaps it would be better to say, the increased cost of using more advertising. In the year 1923 it would seem to be impossible to sell any manufacturer any advertising unless he knew where, how and why he is using it. Nevertheless, it is being done. Bright pictures are painted, wonderful plans are evolved, complete schedules are presented, and before he comes out of the haze, the manufacturer has signed on the dotted line and another bark is headed for the Sargasso Sea of advertising hopes! This is not the fault of advertising. It is just the actual expression of the financial urge for the last \$100,000, plus a complete misunderstanding of what advertising really is and what it can reasonably be expected to accomplish. It looks like an easy way to beat out competition, to capture the market and to satisfy the retailer after he has been stocked.

#### *Advertising as an Art!*

Perhaps the chief reason for this continuing waste of money in advertising is the manufacturer's absolute lack of knowledge of advertising. He usually regards advertising either as being nearly omnipotent or as so much bunk. Until he regards advertising as sales effort and applies it when and as he would use regular sales effort, this waste will continue. No sane manufacturer would tie up his sales money in an unbreakable schedule. No sane manufacturer would allow other people to pay his salesmen. The only reason he handles his advertising expenditure in this way is because he has always regarded advertising as an art and since it was an art, he didn't know anything about it and didn't want to. When business is bad, he

expresses his absolute faith by cutting out the advertising appropriation!

#### *The Flat Tire*

These effects and many others of less importance would seem to indicate clearly that the underlying causes should be corrected and corrected speedily. Briefly, the situation can be summarized as follows: There are three major divisions of business, finance, production and distribution. Successful business depends upon these three departments working in harmony. They are indeed the great trinity of business. They cannot operate profitably if operated independently. Unconsciously perhaps, we have thrown the machine out of alignment. We have made wonderful progress in methods of production. We are making progress in sales planning. All of these improvements are worth while in themselves, but are actually harmful to business generally unless the same advance or adjustment is made in finance. While sales planning is reaching the production level, finance should be brought to understand the absolute necessity of working intelligently with the other departments. In brief, it should learn merchandising. In the old days finance could estimate possibilities in terms of plant production. Today it must estimate probabilities in terms of sales as well as production.

#### *Stopping the Leak*

Granted that we have made all possible production economies, granted that we are now making reasonable progress in sales planning, finance must recognize the present distribution situation by insisting that sales and production must be scientifically determined; that planned sales must have a reasonable basis of probability determined by careful research and analysis; that the cost of selling for volume only must be carefully scrutinized in terms of percentage of profitable sales. Unless this is done, finance ought not to furnish the money that makes bad merchandising possible. The best way to stop a leak is at the source. The source of all the wastes discussed thus far is largely unintelligent financial policies. Stop the funds and you stop their misuse. Finance must recognize that money alone will neither secure nor hold business. Finance must understand that profitable merchandising means just money enough to secure just enough production to fill profitable orders.

#### *Effects of Sane Merchandising*

If this improvement can be made, paternalism will cease. Money will not be forthcoming to endow the jobber, the retailer, and by the indirection of cut-price sales, the public. The percentage of unprofitable sales

will be reduced to an irreducible minimum. Advertising wastes will be stopped at the source. Probably we would all progress faster in our use and knowledge of advertising, if we abolished the very idea of an "appropriation" and figured our advertising as a real part of sales costs. When this had been done, the elimination of the yearly schedule would change advertising expenditure to sales effort to be used as needed. And while we are at it, we might as well make a clean sweep by paying the advertising agency for its exact service. In other words, pay your advertising salesman to carry out your plans and policies, to spend your money in intelligent sales effort when and as needed, just as you would reward any other salesman in your employ. Sane advertising is, in my opinion, the greatest sales weapon we have today. Used intelligently, it will reduce selling costs.

#### *The 1923 Model Sales Machine*

And so with these fundamental adjustments and improvements in process, we come to the 1923 Model Sales Machine, the organization that is to operate successfully from now on. This new machine will deal with facts, not theories. This machine will forget before the war, the war itself, and will operate on *now* statistics. It will accept sales planning after research and analysis, not as an experiment but as the most essential part of the organization. It will place the results of its planning before the financial and production divisions. It will then work in harmony with the budgeted plan of the three divisions and base its sales-operating plans upon the facts as established.

If the driver of this machine, the sales manager, finds that the field he formerly occupied is now overcrowded as a result of war and post-war expansion, he will do one or more of these things: improve his product so that it will make a new and open market; devise new uses for his product for the same purpose; or make a new product that his analysis shows is needed. If the market analysis indicates that he should do so, he will even recommend to his associates that they reduce their capitalization by liquidation until a point has been reached where profitable sales can be made, or that they increase their capital and fight to the finish to eliminate this new competition.

#### *The Changed Signals*

When it has set its house in order, the 1923 Model Sales Machine will then begin its real test, the task of merchandising successfully in a world of changed and changing conditions. It will find new barometers of more importance than cycles, steel and building opera-