of sons of wealthy parents and others brought into the whirlpool of distributing a commodity that every man, woman and child wanted above all else. Manufacturers have not paid proper attention to this important branch of the industry. When one dealer succumbed, another was there to take his place. But as the changing conditions have developed, the manufacturer has taken heed of his danger and is cooperating more closely with his dealer and devising methods to put him on a sounder business basis.

There are many methods used in distribution. Some manufacturers distribute solely through a dealer with small territory, others through branches and distributors of varying sized territories. All methods may be successful—it depends really on the quality of the representation. However, the tendency is to give smaller territory and have closer supervision over the dealer. The average automobile dealer is a poor business man. I might say the same of any industry. The automobile manufacturer must teach him better business methods.

Some years ago, appreciating this fact, I had an accounting system developed by one of the best accounting companies in the country and put an auditor on the road to try it out. I soon found out I had a difficult task, as no dealer wishes to acknowledge he is not an efficient business man. However, I did find that one of our largest distributors had not closed their books in eighteen months. They knew they were not broke as they had in the banks a balance sufficient to pay all debts. After some persuasion we installed the system, and today they are one of our most successful distributors—a splendidly conducted establishment.

We are now installing the system as rapidly as possible in our distributing organizations. We have a system adaptable to any size business, and trained auditors to install it. The auditors, by comparison between dealers with practically the same volume, can advise with them how each department of their business should be conducted. One manufacturer has spent over $250,000 on a like system and finds it money well spent. The wise manufacturer will be very careful in the future how he forces out cars beyond the dealer's capacity to absorb, for this weakens the dealer and forces him to take long trades on second-hand cars with corresponding losses.

Producers are also helping distributors by analysis of the market. By keeping track of registrations of automobiles in each country in the United States each month, which can readily be done, each manufacturer can define the opportunity and determine the quality of each of his representatives, and thus develop distribution on a sound basis.

The automobile industry is settling down. Production methods have been brought to a high state of efficiency. In the future the manufacturers must devote more attention to distribution. He must improve his selling methods, and especially he must help his dealers to improve their selling methods. We think our biggest job is to help our dealers be more successful business men.

II. By JAMES H. COLLINS

PROBABLY no industry has passed through so many phases of business evolution in so short a time as has the automobile industry. A normal history of fifty years has been crowded into a short decade, in fact, into little more than half a decade.

No other great industry has built up so universal a public demand in so short a time. Few if any other industries have witnessed so many engineering and style changes in the span of a few brief years. No comparable national sales organization has been established in so short a time for any other industrial enterprise. No other business has had to develop such nation-wide service machinery to insure continued public interest in the product. The automobile business from the outset has been described and discussed in superlatives, and consequently its history is more highly colored, and its current problems of management and administration more varied and more complex, than is the case with industries whose commercial development has been more gradual.

For ten years, with the exception of a few brief interludes of minor depression, the automobile industry has been building cars to meet an increasing and practically a spontaneous public demand. This public demand has been so well sustained that the need for a more intensive form of selling has not manifested itself until quite recently. Therefore, the change from a seller's market to a buyer's market finds the automobile business with a whole new set of problems to face and little experience to serve as a guide.

The subject for today's discussion can be approached from a number of angles. Production methods will assuredly be influenced by changing market conditions. Buying practices will be adjusted to meet new competitive factors. But more important than both of these, and of more vital significance to the industry as a whole, will be the problems of management as they relate to the development of retail sales.

Perhaps it might be well at this point to cover certain basic facts that must be considered by executives who are today preparing plans that will suffice, not only for tomorrow but for next year—in fact, for the next five or ten years. The automobile industry is America's greatest manufacturing enterprise, and a day-to-day system of planning will not permit past gains to be consolidated and advanced. Today's plans must be part of a permanent program, not designed merely to meet current conditions. The automobile executive, therefore, needs to marshal his facts more fully perhaps than does the management of almost any other business. The history of his industry is briefer and its rate of movement is more rapid.

Price Changes and Their Effect

The past five years have witnessed the advent of the era of real competition in the automobile business. The age-old struggle for the survival of the fittest began to be manifest as soon as the industry was established on a sound commercial basis, and has grown keener as the demands of the buying public have grown more exacting.

One of the most noteworthy features of the era of sharper competition has been the downward revision of all list prices. In this movement the stronger companies have taken the lead and the smaller companies have been forced to fall in line. Today we talk of the millions of cars made annually, but an overwhelming percentage go to the low price market.

In 1920 passenger car output totalled 1,883,158 units, and of these 59 per cent sold for $1,000 or less. Last year 3,243,285 passenger cars were built, and 78 per cent of these were in the class selling for $1,000 or less; only 22 per cent sold for over $1,000. During the present year the production of passenger cars should be about the same as for last year, and the percentage of cars selling in the lower price levels should exceed by a slight margin the percentage of these cars produced last year. The low priced car has acquired a permanent position of dominance in the industry insofar as volume of output is concerned.

As might be expected, constantly decreasing prices have greatly stimulated public demand, and production schedules have reached totals never dreamed of ten years ago. This great output in turn has been passed on to the national dealer organization for final sale, and it is this division of the automobile industry that now deserves the major part of the attention of the best executive minds in the business.

Some figures may visualize the problems which now engage the attention of the national dealer organization.

The number of car dealers has increased more than 45 per cent in five years. Likewise car production has climbed by leaps and bounds during the same period. At first glance it would appear that the great increase in car output would have resulted in a great increase in the business of the dealer organization, and in one sense of the word it has.

Considering the matter from the viewpoint of the number of cars sold, we find that Ford dealers sold an average of 108 cars each in 1920, dropped off a trifle in the low years of 1921-1922 and then climbed to an average of 130 cars per dealer in 1924 with prospects of an equal volume of sales this year. Other car dealers averaged 36 new car sales per dealer in 1920, and reached a total of 46 new car sales per dealer in 1924.

Turning now to sales in terms of dollars, we find conditions somewhat different. Over a five-year period car sales per Ford dealer have held to a fairly consistent level, ranging from a low mark of $57,360 in 1921 to a high mark of $76,718 in 1923, and maintaining a level of more than $75,000 per dealer for the past twelve months. Conditions, however, have not been so good in the case of the car sales of all other dealers. Such car sales per dealer in 1920 averaged $50,425. This figure dropped to $29,625 during the depression of 1921, climbed to an average of $51,344 in 1923, and for the past twelve months was only a trifle over $40,000.

The prosperity of the car maker is tied up permanently with the success or failure of the retail dealer organization. The above figures suggest the car dealer's problem—to handle a greater number of units, bringing in a smaller gross income. How can this be done? By cutting needless sales costs. By adding supplementary lines of parts and accessories to bring up the gross revenue. By canvassing local markets more effectively. By checking trade allowances carefully.

These problems, you say, are dealer problems. But if the dealer fails to make his profit, he becomes a