

by the hour and listen to your talk about profits; you may even be able to enlist a certain amount of co-operation from him; but he is not going to fully understand your profit objective unless he is directly and personally concerned.

I have seen the following plan used with some success. It consists of giving the sales manager a reasonable salary, and a bonus that is broken into two parts. One-half of the bonus is based upon sales increase, for it is not fair, of course, to ask the sales manager to accept bonus compensation based entirely on profits, inasmuch as too many elements over which he has no control determine the amount of profits. Therefore, no sales manager's bonus is a proper one unless it has some direct tie-up with sales increase.

The other half of the bonus may be provided by issuing a certain amount of fictitious stock to the sales manager. I say "fictitious" because the stock does not actually pass into his hands. He should have this stock in his name during the period of his employment with the company, and the dividends paid should be at the same rate as those paid on the standard stock. By this method emphasis is placed on profits in a way that the man can never forget. If he wants an extra income of \$2500 a year, he knows that one sure way to get it is to help in expanding the profit side of the company's business. I mention this in passing merely because I feel that it has a very direct bearing on the whole proposition of unprofitable selling. We have been making deals with the directing heads of our sales work which did not contemplate at the time we made them, or at any other time, what we primarily wished to achieve, namely, profitable selling.

The topic assigned to me was "The Marketing Problems of a Manufacturer of Equipment." Mr. Freeland has very ably covered many of the principal elements that enter into the problems of any manufacturer, such as compensation, quotas, mergers, and other problems common to all types of manufacturers. In my opinion there are, however, three fundamental differences between the type of manufacturer that Mr. Freeland has been discussing and the manufacturer of equipment or of other items sold direct to industry.

First, the buyer of equipment is usually an able, technically-minded, exacting type, ordinarily not found in the retail trade. He may be the president

of the concern, the works manager, the superintendent, the chief engineer, or a combination of them all. Such an individual demands much logic and very little "conversation" in the sales presentation. Second, the fact that equipment is used as an aid to further production means that particular emphasis is placed on its money-making and economy features. This must be borne in mind very strongly by anyone selling equipment to industry. Third, there is the danger—and it is a very real one—that the buyer, if he is a large buyer, will think that he can make the equipment himself, or that he can use a partially "home made" substitute for it. This is frequently a very serious matter.

If these are the three problems, what are we going to do about them? The fact that I have been asked to speak to you this morning on this subject does not give me any special privilege to reel off answers to these problems. Certainly I cannot do this, and I cannot imagine that I was expected to do it. I can only give you the benefit of my own experience which, after all, is simply one individual's personal experience plus observation and study.

It is my opinion that we have in these three problems really only one problem. These three factors conspire to make of a sale to industry a highly specialized business transaction, and if we equip ourselves to meet this condition we shall have solved the problem.

I cannot think that any seller of equipment will be able to compete successfully with others in the same field if he does not surround his product with some honest, demonstrable "scenery." To put the matter in another way, a machine tool, a piece of conveying equipment, or an electric welder is not like a package of chewing gum or a fur coat. A package of chewing gum or a fur coat has a very definite and obvious function—or it is presumed to have. A piece of equipment sold by a manufacturer has a very definite function also, but it is not always so fully and readily demonstrable. If the real and potential function of that equipment is not constantly borne in mind by the maker or seller, he is likely to sell it as a "package of chewing gum" and thus be subjected to every element of price competition that naturally creeps into such a sale. This type of product is not a bare product. It is a combination of product plus engineering service, and I have never seen a suc-

cessful maker of equipment who did not take complete cognizance of this fact. He regards his product as a *combination*, a hyphenated thing combining both product and service. The maker of, let us say, a machine tool, has a laboratory, the functions of which are to improve his product, to look ahead and see the uses to which it may be put and to synchronize the product to these uses. If the laboratory is truly doing its work well it will thus provide the salesman with something that they can properly enthuse about, and with the requisite "scenery."

And this leads us at once to the second part of a possible answer to this problem. The maker of equipment must bear in mind constantly that he is sending out *negotiators* to effect *business deals*, and he must expect that a mere salesman, when he comes in contact with the superintendent or chief engineer in the buyer's plant, will be "tied into knots" on technical matters in fifteen minutes or less. He should therefore send out only those men who can talk the language of the people they meet, when technical matters are to be discussed. Now there may be a few cases of successful engineers and highly capable salesmen merged into one person. They are very rare, however; as a class they do not exist. The manufacturer of equipment frequently makes the mistake of thinking that the combination *does* exist. He realizes the problem, but he tries to straddle it; he tries to get a man who can talk a smattering of engineering to the buyer and who is at the same time a good enough salesman to get an order. He is asking too much. A division of tasks is necessary if he is to properly capitalize on the possibilities that his laboratory holds for the trade, and if he is to effect promptly the sales that he wishes to make.

The first man to approach the customer should be a propaganda or missionary man. If this man does nothing but establish confidence in his company and in the services of its laboratory and engineering staff, he has done a big piece of work. The value of his work will be dissipated rapidly, however, if he attempts, after he has established initial interest, to discuss mechanical problems, with which he is only partly familiar, with technical people. On the other hand, he should endeavor to build up so much respect for his company's laboratory that, when the second man calls (who is 75 or 80 per cent engineer and 20 per cent sales-

man, or even 100 per cent engineer with a good personality) the element that gives the equipment maker more than a "fighting chance" to come through with a better price than the competitor's is put into the sale.

I am not talking theory; I have seen this plan work, many times. I have known companies that were able to get as high as 33⅓ per cent more money for what *appeared* to be the same product. Of course it was not the same product. The manufacturer who received the 33⅓ per cent increase in price had a product that was a bit better in labor and material, in general workmanship and in "put-together"; but the principal reason for the extra price was the confidence the customer had in the service he was to receive from the manufacturer of that piece of equipment.

If the manufacturer who contemplates buying a piece of equipment, because he sees the needs changing in his plant, has to go to the manufacturers of equipment, or ask them to come to him, and force his needs upon them, he is not going to pay a nickel more than he *has* to pay when the time comes to effect a purchase. On the other hand, if the manufacturer of equipment has a laboratory, if he thinks and builds ahead sufficiently, to take to industry that equipment which is just a little ahead of the times, just a jump ahead of what the trade is actually asking for, he has some "scenery" that he can properly ask real money for.

A manufacturer of conveying equipment whom I am acquainted thought he had an answer to the problem I have just stated. He conceived that it was absolutely necessary, if he wanted to keep out of the muck of competition, that he have a real engineering service for which he could charge. As a result he hoped to get a 20 per cent better price than his competitors. His fundamental idea was all right, but he fell down in the execution of it; his service was not good enough. He found it very difficult to get the 20 per cent advance, and at times had to accept even 5 per cent less than his competitors. The trouble was that his missionary men sold something that his engineering department was not trained to deliver. In that case it was the service and not the selling that needed renovation.

It would be profitless to attempt to discuss individual applications. Each company differs from every other one. Answers that are sound for one