

sonnel, including selection, allotment of tasks, compensation, training, inspiration and supervision; and proper understanding of and co-operation with the aims and activities of general management. The general management and the sales organization must understand each other, and each other's objectives, equally well.

The blimps in the illustration indicate the make-up of "research." One of them is searching for better financial policies and for better general management systems and methods of control. Another is searching for technical improvements to develop present products and production methods, and to work out new products and production methods. A third is studying trends in marketing; it is estimating the possible reception of new products in the third market; the possible saturation point and the stability of demand in any of the three markets; and it is analyzing the various moves that competitors are making.

Both technical and marketing research combine in the search for new products. The salesman in the field may come across the need for a new product. His report is analyzed and turned over to the technical staff, which in turn endeavors to make a practical thing of it. In the picture I have separated the functions of technical, market, and management research by showing three blimps, because their objectives are so different. Co-operation between them must, however, be very close.

I am calling this type of research, "applied" research to distinguish it from "pure" research (whether economic, technical or scientific) whose benefits should be for the community as a whole. Pure research might well have been represented in the illustration by two unattached blimps, having the same relation to each of the armies. The applied research departments (management, technical and marketing) should constantly be on the lookout for pure research findings that have a bearing on the problems of the industry they are serving. It is sometimes hard to draw the line between pure and applied research, since many technical laboratories attached to particular companies often do a good bit of pure research work, and all terms which I am using in this connection are admittedly rough and relative.

And "advertising" of course plays its part in the complete set-up. I have represented it in the

illustration as the artillery, or tanks. The purpose of this artillery is to shell the market, in advance of the attack, with propaganda, information and education, so that the desire to be conquered by your army, rather than that of the competitor, is engendered in the markets. The second function of advertising is to hearten and encourage the sales army, by paving the way for it. The third function of this artillery is to ward off the competitor's attack. And the competitor's army has its artillery, and can have its three blimps, just as you can have yours. Therefore, it behooves you to get yours in position and into operation first.

I was asked to suggest some fundamental approaches to the problems of the manufacturer of equipment. I believe that the fundamental approach to these and most other business problems lies in adopting the right *method* rather than questionable "specifics." Broad acceptance and full use of the research method will automatically provide proper and effective specific remedies. Without research, specifics are only too often mere illusions.

Discussion

Fred W. Shibley.¹ The first subject discussed here today, "The Marketing Problems of a Manufacturer of Resale Goods," is one of the most interesting problems in merchandising in this country today. It is one of the most difficult problems that manufacturers have to solve, and it has been solved in hardly any particular as yet. It is the problem that is pre-eminently confronting the textile industry. The manufacturer in this industry is unable to follow his goods through to the ultimate consumer. A middleman who purchases goods in the form of piece goods from him, remanufactures his goods into finished goods and sells them to the manufacturer of garments. The textile manufacturer never comes in contact with the ultimate consumer of his product. Therefore, he cannot, in the manufacture of his goods, think in terms of the ultimate consumer.

The success we are having in this country today is due to the fact that the manufacturer can get in touch with the ultimate consumer of his product, that he thinks in terms of the ultimate consumer and co-ordinates his mind and thought with the mind and thought of the consumer. True merchandising is the co-ordination of the minds of buyers

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and sellers, and we shall never have merchandising on a profitable and economic basis in this country until this is accomplished. In the industries in which it has been accomplished we in the banks are witnessing the making of tremendous profits. The manufacturer who is out of touch with consumer thought is at a disadvantage. He is manufacturing on an uneconomic basis because, if I understand economics at all, an economic basis in business means a steady flow of material from production through to consumption. Anything that is uneconomic will eventually destroy the business that is engaging in it. A cutter-up of merchandise who thinks that he can permanently buy from a manufacturer at a price lower than cost will ultimately destroy his own business, if he continues in this practice.

An industry, manufacturers of resale goods, that is exceedingly prosperous all along the line in this country is able to follow its products through to the ultimate consumer. It knows what is being done with its products, how they are being styled, what the processes of manufacture are and how the products can be made so as to please, approximately, the ultimate consumer. This is the automobile industry. The automobile industry is not going to the steel companies and saying, "You must sell me so many sheets of steel at such a price. I will pay you that much and no more. Take it or leave it." That is not good ethics in the industry. Throughout that whole industry the golden rule is working today, and success is the consequence.

The introductory thought that I want you to have in mind is that co-operation must come into business, more than ever in the past, in order that success may obtain. The individual cannot go it alone and succeed. He must work with the other man. Everyone of us must think that the other man's success is his success. We must try to help each other. The buyer of woolen goods and the cutter-up of woolen goods must think in terms of the manufacturer. He must try to get his style ideas back into the minds of the manufacturers and they must think ahead into his field.

I am much interested also in the human aspects of these problems. Recently I attended a meeting of the board of directors of a phonograph company. We were discussing the sale of records throughout the world, and I asked the sales manager who in the United States had sold the greatest number of

records for this company during the last year. We had been listening to quite a long talk about the difficulties of distributing this product. The man who held this record was a man who lived in Chicago and had a shop on Wabash Avenue, I believe. The store has a nine foot frontage and is open at both ends. It is twenty feet long from front to back. This man is always in his store. He plays a record into the street and studies its effect upon the people that pass. When he finds a record that people stop to listen to, or come across the street to hear, he plays it over and over again. He continues to play it just as a silk manufacturer continues to work a style, until it is overdone. He then tries a new record. And the people continue to come into that store and he is always there to see that the potential buyer gets what he wants. Out of this little story emerges a human being—and the most important element in merchandising distribution is the human being.

I asked also for the story of the man who was the second largest distributor of this product. It turned out to be a man who lived in a town in West Virginia with thirty-five hundred inhabitants. He sold into the millions of records each year in this little town. He too was a human being. How did he do it? He hired a number of Ford cars and his daughters and some young men that he hired went about the country selling records to people. He was not an educated man and he was not trained in scientific management, but he knew how to make each one of those Ford cars pay a fair return on the invested capital.

In contrast to these two men is the story of the man who wrote and asked me to go over his balance sheet and tell him why he was not making money. This was a human question and so I told him to send along the balance sheet. I found it a first class statement, broken down and analyzed so that I could get a good picture of the man's business. The thing that stood out immediately was that he was paying too much money to sell his product. There were three brothers in the business and each drawing a good salary. I wrote to the man and told him that there were too many men in his organization who were sitting around making figures instead of working. I told him that if he wanted to make money he should send these men out to sell his product. There is more of this sort of thing in big business than in small.