

their customers. The latter are largely food packing concerns and confectionery manufacturers whose present attitude is one of watchful waiting. This company finds that the price factor is no longer of supreme importance in selling their product. Service, in its broadest meaning, is of paramount importance in developing a larger market for cans and containers. The service facilities of this company are exceptional—including a complete food research laboratory and a group of plant engineers who are available to their customers.

A leading manufacturer of high priced golf shoes finds his major problem lies in cheap facsimile imitations of his own product. These imitations lack certain features of design, material and workmanship which contribute to the higher cost of the original. To bring prices in line with competition means withdrawing the basic features which have popularized the shoe with players. To continue present lines and prices means increased sales resistance and smaller profits.

A leading worsted manufacturer states that never before has it been so difficult to get buyers to maintain adequate stocks. This is only partly due to the natural hesitation engendered by a period of depression. One of the principal reasons for restrained buying lies in the sweeping changes which are taking place in the executive personnel of the major retail outlet. These changes reflect a desperate attempt to find the answer to successful retail merchandising. This shifting around of important merchandising executives with consequent lost motion, new policies and ideas, has to a large extent tied the buyer's hands. This buying restraint on the part of retail outlets simply backs up on the cutting and manufacturing trade who correspondingly confine their purchases to minimum requirements.

A manufacturer of pyroxalin toilet-ware which is distributed nationally finds that intense competition within the industry has tended to shift control over styling and pricing from the manufacturers to the retailers. Large outlets such as mail order houses, chain stores, etc., shop the market for special sets, to be designed exclusively for them and priced by them at figures which show no reduction other than that of overhead by increased volume. While there are many facets to this manufacturer's major problem, it can be summed up as

one of securing a larger proportion of the profitable business, leaving the unprofitable to competitors. This is scarcely a problem of 1930 alone as the process will be one of gradual infiltration involving a careful restyling of present lines, the addition of new profitable products, a thorough revamping of sales policies and personnel and vigorous advertising to lend prestige to the trade name and help break down sales resistance. As a preface to a carefully integrated long-term program, a specific merchandising plan will be introduced in the fall, the effect of which will be to give this manufacturer a sharp point of individuality and disassociate his products in marked degree from those of other manufacturers within the industry.

It is apparent that these examples might be further extended without bringing us materially closer to underlying causes. They are, in fact, symptoms which are intensely interesting to anyone interested in marketing, but are useful only as they provide some basis for diagnosis. A composite of these symptoms indicates the following general situation among the trade: a feeling of uncertainty and confusion, accompanied by a tendency to subordinate quality to price and style; to overemphasize the value of volume and rapid turnover in gaining net profits; to make up for price concessions on established lines by longer margins on lesser known merchandise; to "average up" profits, particularly on "style goods" by selling part at a long profit, part at cost and part at a loss; to depend more on the "mechanics" of merchandising and less on its human aspects.

It is evident that the reaction of the trade to the situation is the resultant of two forces—the force exerted by the producer and the force of the buying public. These forces have always existed, but they have been increasingly intensified by the developments of the past ten years. These developments have brought about the following situation:

1. Supply and demand are obviously out of balance. Growth in consumption while substantial has, nevertheless, lagged far behind normal production capacity. Both production and consumption have gone ahead in a series of spurts but with production slowing down intermittently to permit consumption to catch up. Actual production is now substantially less than normal capacity and vastly less than potential capacity. Under the

stimulus of science this potential will continue to increase and affect not only our factories and farms but speed up such services as transportation and management.

2. Whereas the principles which govern increased productivity are relatively few, scientifically defined, quickly resultful and limited only by the capacity of the human mind, the factors which govern consumption are manifold, often indirect, characteristically slow-moving and easily thrown out of balance.

3. Unused production capacity will continually seek an outlet, and because it cannot always be held under leash, supply and demand will remain out of balance. Thus an indefinite continuation of the buyer's market appears likely.

These conclusions simply outline the broad economic trend which has been gathering force during the past decade. Let us now consider the developments within that trend, particularly those which are most characteristic of 1930 and therefore represent its major marketing problems. Of these the most significant are: the Trend of Unemployment, the Decline in Commodity Prices and what we may term Buying Fatigue—the latter being a state of mind rather than pocketbook.

1. *Unemployment.* Not since 1921 has unemployment been a factor of such general concern as in 1930. No other factor is so sinister in its implications nor so sensitive to any maladjustments of the economic *status quo*. So long as unemployment remains a purely seasonal occurrence of minor intensity, no reason exists for profound apprehension, although it will definitely depress the year in which it occurs. Let us consider the extent to which it will probably affect 1930. It is estimated that there are now about forty-six million workers of whom about one million are habitually unemployed. In the depression of 1921, unemployment reached a peak of six million, with results which were disastrous.

Looking back to the late summer of 1929 it is probable that employment was as high as it has been since the period of war activities. In October the index of employment had declined to 98 per cent but, coincident with the stock market crash, it dropped precipitately to 84 per cent in late December. Secretary Davis points out that the recovery was conspicuously rapid and substantial in scope—from 84 per cent in December to 92 per

cent in February. This abrupt recovery coming at the time when seasonal unemployment customarily sets in, is rather surprising. In fact, President Green of the American Federation of Labor feels that the figures issued by the government put too favorable a light on the situation. However, it seems definitely assured that there has been a recovery from the low point. This is particularly impressive because the imposing program of new construction fostered by the administration has not as yet got into full swing.

There is, however, another angle to the unemployment situation which remains definitely unfavorable. Recent surveys show a steadily increasing number of clerks, salesmen and minor executives in the ranks of the unemployed.

While under normal circumstances employment among the white collar group should rise and fall with that of industrial workers, two adverse factors are now present. One is the effect of mergers and consolidations, in reducing the numbers of employes required, and the other is the increasing adoption of labor-saving devices in business administration.

These two factors are commencing to exert a measurable influence on the problem—all the more so because the principal objective in consolidations is to effect economies in administration. Here is a problem that deserves more consideration than it appears to be getting. Aside from sentiment, this white collar brigade represents an important purchasing group both as to quantity and quality. It cannot be lightly disregarded in any era whose major problem is to increase consumption.

As a basic factor in the marketing problems of 1930 the trend of employment easily ranks first. It is a direct reflector of buying power and also an influencing factor in making that power manifest in consumption. For it is traditional of our people that when the skies are unclouded and modest reserves have been set up, they are free spenders of surplus income.

Now it seems probable that the employment clouds will continue to lift. This should do much to restore the status of savings deposits. An examination of this important backlog of buying power indicates that it not only suffered some depletion but also a reversal of a long upward trend. Beginning with 1910 and continuing without interruption through pre-war and post-war depressions there was a steady increase in savings deposits.