

try to do too much thinking for them we shall overlook one of our larger assets.

With regard to this matter of quota, I do not know whether everybody here agrees that the quota idea is fundamentally right or not. There isn't time to discuss that. I do believe that in certain lines of selling the quota is a very important factor.

To begin with, the quota idea starts at the point where a business enterprise of any kind realizes that it needs a definite estimate of the task in hand, whether this is a question of manufacture or of distribution or both. We must estimate the possibilities. That means two things,—the possibilities of the production plant and possibilities of the field. These must be estimated.

Bearing in mind what the manufacturing possibilities of your concern are as to volume, the merit of the product and the market, it is necessary to place a reasonably accurate estimate on what is to be expected of the distributing force for a given period, a year or whatever you may determine.

Distribution may be through dealers or direct branches or both. The fullest application of the quota plan is perhaps through a direct selling force, as the quota idea reaches its highest development where the sales are made by men directly representing the house, and I will therefore illustrate a case where we can apply quota to salesmen working directly for the firm through branch houses. The same thing, however, can be applied to dealers.

If the concern, to start with, has a clear idea of the volume of business that it can reasonably expect to secure and take care of (there is no need of selling a lot of stuff you can't deliver), the company must establish its sales quota. This may be the amount that the company expects or hopes to sell, or it may be based above or may be based below that volume. You may put your quota at exactly what you can manufacture or you may place it above that or below that figure.

If you place a quota above what you think can be accomplished, it is on the theory that the higher you aim the higher you hit; but on the other hand we are liable to handicap ourselves if we set a mark which only a few men can reach. Men like to win and don't like to lose out. If we place a quota below the possibilities, then it is because a quota must be regarded as a minimum to be exceeded and not a maximum to be reached.

Perhaps a valuable guide to be followed is to make

the quota for a given year something exceeding the previous year's results but below the current year's expectancy. Have it between the two. When the men know that that is the basis, they realize that the quota is a minimum. They know it can be exceeded because it is not unreasonably above what has been accomplished in the previous year, and they also know that they have a fair chance to make it.

Having set a company quota, this can be recorded in various ways. If you manufacture only one article you can express your quota in numbers of that article. If you have various articles it is well perhaps to work it from the basis of dollars and cents valuation. The concerns in this country which are using the quota system with the greatest success, I believe, are expressing quota in terms of what they call a "sales point." They do not talk about so many millions of dollars but so many sales points. It is customary to make \$25 a point, and after the selling force gets used to it they speak of a twelve point sale instead of a \$300 sale and know exactly what they are talking about. If the article is something that sells below \$25, some concerns might want to make a point \$5. That is a mere detail.

Suppose we have our quota for the entire country; suppose we have set a quota of \$25,000,000 worth of business for the entire country. The next question is, "How are we going to properly distribute that quota over the area and not load up one place and slight another?"

We must select certain units. You can take states, if you please, and set quotas on each state, but you will find where any article has a national distribution, the state unit is probably too coarse. You will have few dealers that can handle an entire state or several states, and you will find that the state line is no longer a good dividing line between territories. You should divide territories according to lines of travel and other considerations of that sort, state lines meaning nothing.

Having studied the quota subject for a number of years, I believe that you can take it as an axiom that the proper unit for figuring sales possibilities is the county, and in the larger cities, arbitrarily determined business "blocks."

If, with very few exceptions, you divide your territory according to counties, agencies having certain numbers of counties, there are very few places where county lines have to be cut. There are a few exceptions; for instance, in some western states where a

wide river runs down through the middle of the county. Here you may perhaps have to divide the county because there are no bridges across the river.

In order to get quotas arranged by counties you have to start with certain statistics. Populations is one factor, easy to secure, but after it has been used sufficiently it can be displaced and absolutely ignored in many lines of business, although remaining an important item in others.

There are three factors, as I see it that you can get data for. If your product already has a wide sale you have experience to work them,—what has been done can be done again and exceeded. Where goods have been sold, repeat orders can be secured or the old equipment replaced. We therefore take as one of the factors the present users or present buyers.

The next factor is the people who can use and who never have bought. A third factor would be people who have bought similar goods to yours which you may not have sold. In the specialty line those data are a little difficult to get, because in certain territories you can get very accurate information as to what competitors have sold and in other localities you cannot; and to be perfectly fair, you must get comparisons that are reasonably accurate.

I cannot go into details as I should like to, but here is the broad proposition on which the present Burroughs' quota system is operated. The fact that it is interesting to other concerns is shown by the fact that the list of business enterprises on which it is based, has been furnished at their request to other concerns in similar lines.

Last year we had a force in our home plant actually count every business enterprise in the United States and divide these according to four classes of business ratings. We took about twelve general groups of business lines and divided each one of these twelve into four ratings.

For instance, manufacturers provided one classification. We have a count including every manufacturer in the United States. We know the total number in each county in the United States. How do we get it? In the first place, there are about twenty reference books which give us everything we want. We begin with Dun or Bradstreet. That gives us the great bulk. Then we have certain other directories which include lines of business not covered by Dun's or Bradstreet's, such as banks, building and loan associations, electric and gas companies, but all of these have national directories which give the lists.

Using about twenty of these directories, we had a force of people make the count and were able to rate them into these classes, if I remember them all;—first, banks; second, other financial institutions separate from banks, taking into that classification real estate agents, building and loan associations and enterprises of that sort; third, city, county, state and national prospects, which we term "government"; fourth, the public service corporations, a classification including water, gas and electric companies; fifth, the manufacturers; sixth, the wholesalers;—we do not try to divide the manufacturers or the wholesalers excepting into four classes according to the rating; seventh, the department stores; eighth, the general stores; ninth, the garages, which are getting numerous; tenth, other retailers. Then we have a general "miscellaneous" classification to include all lines of business not included in the other groups.

Now, what is the object of doing all this work? We know in each city and each town that has a post-office how many concerns are in business in that town, and we know which classification they fall into and what the ratings are. All we have to do is to know how much more one group is worth to us than another. If the retailer is worth one dollar to us and the wholesaler is worth five, we have something to work on because then in figuring our quota we would rate five retailers to one wholesaler.

We are able to secure a proper ratio in the following way,—some concerns follow a similar plan: As an instance we know how many manufacturers there are in the United States rated between \$5000 and \$10,000.—We know how many adding, bookkeeping and calculating machines in point value have been sold to manufacturers rated between \$5,000 and \$10,000. We divide that money value by the total number of manufacturers of that size in the United States and thus secure our value in the past per manufacturer thus rated. By getting the same figure on the larger manufacturers and the smaller we have the relative value of the four classifications of manufacturers.

We know in any single county or territory how many manufacturers there are, rated between \$5,000 and \$10,000, and we know what the potential value of a manufacturer of that size is to the business next year. Knowing this we can charge at that rate for the number of manufacturers for each town, add towns together in a county, thereby producing the county valuation; and if there are several counties put the totals of the counties together. This done