

first processes of raw materials, such as is constantly going on, and especially in times of declining prices in order to limit the supply and consequently exaggerate the demand and increase prices and profits, should be dealt with drastically both as a preventive and remedial measure. Reports such as mentioned above should be compiled in a way so as to cover this item and means should be worked out to eliminate this practice.

Employment in public works as well as in privately controlled businesses should be organized and worked out along lines suggested above. We have great need of a Federal-controlled employment service with branches in all industrial and agricultural centers for the proper distribution of labor and the spreading of employment and employment information. Standardization of output of any one unit of an industry in regard to style and other things will put business in a position where cost can be lowered and more manufacturing can be done for stock and in anticipation of demand. Another thing that comes up in this connection is unemployment insurance. Insofar as unemployment insurance can be worked out so that it is chargeable directly to industry and to an organization in proportion to its percentage of regularization, it can be considered a preventive measure. Otherwise, at best, it is merely an alleviation of the results of unemployment which generally can be prevented.

As regards remedial measures applicable to the present situation I might quote Colonel Leonard Ayres who likens a situa-

tion like the present to a log jam. He suggests that if a key log is pulled out of the jam an even flow will again take place. It has been suggested, as you no doubt are aware, that in the present instance the settlement of railway claims against the government might put the railways in the market again for materials and supplies. They, of course, are the biggest factor in the steel industry, which seems to be in the middle west, at least, the key industry to the situation. It is further suggested that the government might expedite the settlement of other measures affecting commerce and industry such as taxation. The psychological effect of settlement may be a larger factor than the actual concrete results of such settlement.

I have not tried to cover all phases or points of view of this important question. I have merely tried to outline for your consideration some of the ideas that I thought might be of importance in the solution of the unemployment problem. There is no problem of greater importance to industry from the business as well as from the social point of view, because unemployment is the result not only of business, but our entire economic structure gone wrong. Like any other case of illness, the cure is not nearly as important as prevention. I hope, whatever else may be done, that effective means will be established to keep the problem of unemployment before the community during times of plenty and that means will be established for the education and assistance of all in the necessary steps for the prevention of periodic recurrence of these cycles of depression and unemployment.

SALES QUOTAS

A REPORT ON TERRITORY VALUATION¹

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I. INTRODUCTION

IT is not the purpose of this report to convert to the quota idea any one who is convinced that it cannot be applied to advantage to his particular business; neither is it intended to intimate that there is any fixed set of rules or methods that can be applied to any and all lines of business in establishing territory valuation.

The methods and ideas presented are the outcome of a practical experience that is country wide and have been checked up by repeated personal visits to every part of the United States and Canada. The subject should be entitled "Territory Valuation" rather than "Sales Quotas," as all correct quotas require proper analysis of the selling possibilities of the field.

To make this presentation comprehensive, I must start with the country as a whole, and work down to the individual selling unity. But I shall delay you just a little, in order to give a vision of quota application to the smallest unit, the individual salesman.

1. The Individual Sales Territory

I am a salesman. I have a specified territory. I

want to earn as much money as possible. But I also want to establish a record that will assure me greater opportunities as time goes on.

How much business should I produce? Where is the line between a fair and an unusually good performance?

If my worth is to be judged merely by volume of sales, may I not suffer by comparison with men having better territories? If I am a leader, is this due to my work or to a superior opportunity? Have I a fair territory assignment or is it based on a guess or chance, as to its boundaries? Am I getting maximum results? Can I be sure of anything except that I am making a living or better?

To some extent I may be at sea, with no charted course, without definite destination.

By contrast, suppose our territories have been scientifically analyzed, the possibilities of every section constituting a known quantity. A fair sales valuation has been established for every block or county. Territories of fairly equal values have been established.

Suppose that under these conditions I handle, say, three distinct lines of goods, constituting the company's product; that the relative possibilities of sale of each of the three lines have been worked out. In

my territory I am charged with the share, of the A, B, and C lines, that should be sold; my sales quota is a definite amount of business, so divided as to be secured during the year—this year's quota has been properly apportioned among the various months.

Under these conditions I know each month what is expected of me as a minimum. I know what mark I have to pass to become the efficient producer of the sort that my company wants to locate among its field force.

2. Illustrating How Quota Works

Applying the quota idea to a fictitious January record: My sales are expressed in "points," each \$25.00 of value representing one sales point. A \$300.00 sale means 12 points.

Suppose that in January my sales amount to 220 points; while Jones, who has the adjoining territory, has also sold 220 points.

Have we done equal justice to our opportunities? Are our records good, bad, or indifferent? Without territory valuation, who knows?

All we know is the record:

Sold, January, Staubach.....	220 points
Sold, January, Jones.....	220 points

Assume, however, that we have quotas, such as:

January quota, Staubach.....	190 points
January quota, Jones.....	240 points

The difference represents the variation in the sales possibilities of our territories.

Now read the record:

	Quota	Sales	Per Cent
Staubach	190	220	115
Jones	240	220	92

Observing this record, you must realize that while without quotas our results are on a par, my work in January is, through the quota system, demonstrated to be better than that of Jones to the extent of 23 per cent.

This record shows my company that Jones is due to speed up; also, incidentally, it shows me that my margin over quota is not so large but that it is up to me to produce a better March, April, etc.

Each territory has its own measuring stick, based on the same known factors. Our results are indicated on our own scale or possibilities and not on a general average. Would I not, as a salesman, prefer to work where quotas are the thermometers of progress, in territories the values of which have been accurately measured as part of a scientific valuation system?

Without quotas, or correct sectional estimates of some kind, each salesman would be judged largely by the money value of the business he produces. The largest producer would be considered the most valuable,

although he may not be doing half as good work as another, located in a territory less fertile.

3. Sales by Lines of Product

To carry this illustration further, remember that I am selling three separate lines of goods. Am I doing equal justice to them all? Here is my January record:

Sales A Line.....	100 points	\$2500.00
" B ".....	80 "	2000.00
" C ".....	40 "	1000.00
Total.....	220 points	\$5500.00

My A record looks good, B slightly less so, and the C sales appear very poor. But, just a moment! The "C" line is a new product; we do not expect its sales to reach those of the other lines for some time. But how good or how bad is the C record, considering this alibi?

Introducing quotas, these may be: A, 80 points; B, 80 points; C, 30 points; total 190. Applying the quota measuring stick my January record reads:

	Quota	Sales	Per Cent
A	80	100	125
B	80	80	100
C	30	40	133
	190	220	115

It is very evident that if these percentages continue it is my B and not my C sales that need special attention.

All records should be accumulative so as to observe readily the performance of several months rather than of a single month that may be exceptional. Furthermore, the month to month tendency is important.

"Tendency Charts" are of the greatest value. Records should be maintained to cover yearly periods, as a rule. To the record of the twelve months last elapsed should be added the current month, deducting the same month of the previous year. The result from month to month, displayed preferably on graphic charts, shows definitely where we are heading. Such tendency charts can be arranged both as to volume and as to quota percentages.

II. THE NATURE AND PURPOSE OF QUOTA

Quotas are closely related to territory valuations. As a matter of fact, reasonably accurate territory valuation is of first importance as to basis for assignment of the selling force and distribution of product as well as the establishment of a measuring stick by which the results produced by various selling agencies can be judged with relation to comparative opportunity as well as comparative volume. Territory valuation is the foundation of the sales quota. Having secured comparative territory valuation, the next step is

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