

Chart III. Actual Growth Compared with Standard or Planned Growth

available, although not on this schedule sheet, the sales on these items over a period of a number of years. It is an interesting angle of this system that the individual items of a line seem to increase in almost exactly the same proportion. We may have a hundred silk-strung tags, for instance, and over a period of the last ten years, while the sales of the entire 100 may have varied 75 per cent from the sales of ten years ago, the individual sizes have not varied an appreciable amount from the general increase or decrease. This is true in so many directions that it can almost be taken as a rule for such items of merchandise. Our merchandise managers are so closely in touch with the sales of our items that such variations as may be pronounced will be discovered and either corrected or allowed for before the tendency to pile up stock or to run out of stock becomes serious.

In one important direction our problems are apt to differ from those of many other concerns. Our quotas on lines of merchandise are apt to be set by our producing ability. With us our production usually trails our sales because the market is far from saturated and our selling organization is able to find very many new or larger outlets for our goods. Our problem therefore is comparatively simple because our ability to produce is usually less than our ability to sell. Despite the fact

that our merchandise is so widely distributed, we do not believe that we have come within appreciable distance of the law of limitations, and we are sure that the public could easily and painlessly absorb several times as much merchandise as we now make. Even though our facilities were much greater, we should still believe that there would be tremendous value in the setting of definite quotas because of the incentive to be derived from hitching to a star. The pages of the advertising journals, for instance, are constantly telling us stories of concerns which have apparently reached the limit of distribution and which suddenly awake to the realization that they have been overlooking altogether new and very wide fields of distribution. We have not yet reached a height where we are willing to admit that the horizon which we can see is the ultimate limit, and we believe that the limits which are set by most manufacturers are self-imposed limits and are set because of a lack of perspective plus a lack of analysis.

The monthly schedule sheet and the enlargement of one of the schedules (Chart II) will show you how we try to keep in very close touch with every item of merchandise. The enlarged schedule is filled in as it would appear on March 1st. On that date we revise the March schedule, if it is necessary to revise it; we revise the April schedule, if that is necessary; and we enter

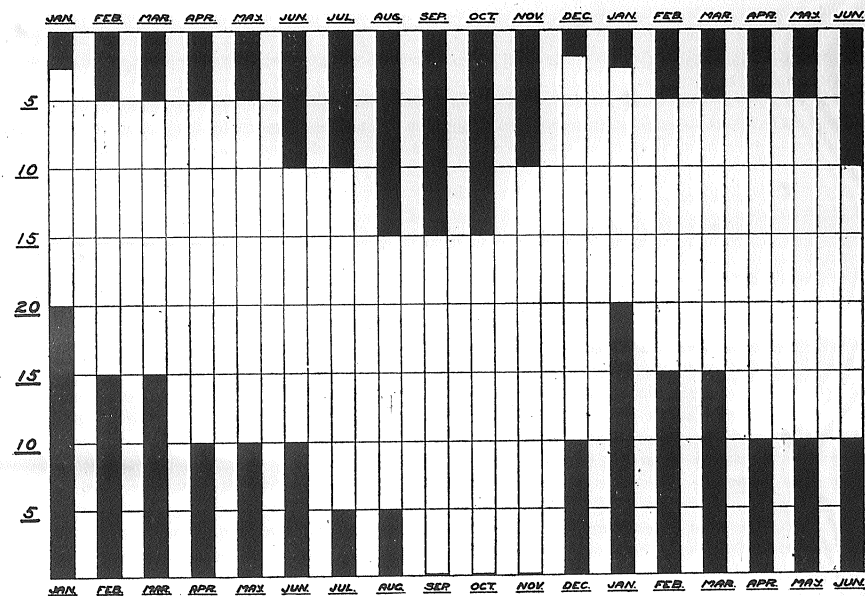


Chart IV

Box department. The bars at the top indicate the scheduling of facilities to produce for special orders; the bars at the bottom indicate the scheduling of facilities to produce stock items; the white space between indicates the scheduling of facilities to produce for the firm's use; thus the capacity of the department is utilized every month of the year.

the figures for May (on some items where there are intricate manufacturing processes we schedule for the third month ahead instead of the second). If there is any emergency, such as a sale out of all proportion to any previous records, a merchandise manager is able to consider it with the factory division superintendent without any delay, inasmuch as both men are at one place. Thus the best thoughts of the selling end and the producing end are immediately available for the consideration of any problem which may come up. These pages come to us for review at the beginning of each month, but if some condition should arise during the course of the month which would endanger our stocks, it would be reported at once and would be handled separately.

Back of the monthly schedule sheet is the yearly estimate, the figure of which, as it applies to each particular item, is entered in its proper space on the monthly estimate form. In one sense of the term we

buy our goods from the factory just as customers do, and we are by no means certain but that the plan which we use would be of very great advantage to actual customers if they would only use it. In June of each year we are called on to estimate our sales on every item of merchandise for the following year and we give to the factory our best guess as to what they will be required to produce during the next year. If we expect to sell more than they are able to produce, they have ample time to secure new facilities, provided the directors will approve the order for those facilities. If the quantities that we anticipate selling are less than they are able to produce, we are notified to that effect, and we have a period of several months in which to plan sales campaigns or new items or to put into effect whatever may be necessary to bring the sales up to the production. You will understand that we are not content to set a mark for ourselves which is easy to reach. The sales quota for each important group of items