

Tendencies in Sales Management¹

A Consideration of the Influence of the Scientific Management
Attitude of Mind on Selling and Advertising

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I. Scientific Analysis of Marketing Problems

THERE is convincing evidence to support the conclusions of prominent executives that, by necessity of increasing competition, a closer approach is being made each year to the application of the scientific management attitude of mind to marketing problems. The following extracts, chiefly from letters from prominent executives, should be of interest:

Charles M. Schwab, Chairman of the Board, Bethlehem Steel Corporation: One of the greatest problems before the country today is that of distribution. We have brought production to a high degree of perfection, but a great deal remains to be done in developing economy in distribution. I am convinced that facts and figures gained through research are essential in solving our sales and advertising problems. . . . In the Bethlehem Company we are constantly endeavoring to discover new ways and means of economizing in getting our products from the factory to the consumer.

Says Mr. Schwab in an address before the National Automobile Chamber of Commerce: The most striking fact which producers of automobiles must face today is that in spite of the low level of manufacturing costs, 40 per cent of the shop cost has to be added to put the car into the hands of the consumer. . . . The chief problem of the automobile industry today is to reduce this cost. . . . To reduce the price at which motor-cars can be sold, every element of cost in distribution must be carefully examined, and wherever possible eliminated or reduced. . . . Indeed, a bold, courageous, and business-like attack upon this problem will do more to add to the health of the automobile industry, to reduce the price of automobiles and thus increase their use, and to give satisfaction to the ever increasing automobile-using public of the world than any other step that could be taken. The world takes off its hat to Henry Ford for his reduction in the cost of manufacture. But no individual can effectively bring about a substantial reduction in the cost of distribution. That must be accomplished by the earnest, cooperative effort on the part of every factor in the industry.

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²At the time of the presentation of this paper Mr. Cowan was a member of the J. Walter Thompson organization.

William Robert Wilson, former president of The Maxwell Motor Corporation, who has also been associated with Westinghouse, Dodge Brothers, and the Irving National Bank, makes some interesting observations: I believe that a tightening competition in many fields is driving executives to more and more analytical work as a basis for their decisions. . . . By analytical work I mean not only the preparation and study of statistics but commercial research in the field as to buyers' wants and buyers' psychology, and a challenge of the means of distribution. . . . Of course, all of this is nothing more than common sense applied to business in place of the "Prima Donna" with his brilliant hunches and his imposed personal intuition. In the manufacturing side of business the application of this idea has produced remarkable results through time study, motion study, straight line operations, personnel work and the coordination of design and production. . . . the success that has resulted is, I believe, naturally leading the minds of executives to apply the same principles in the field of merchandising where during the next few decades there are some remarkable results to be attained.

A. C. Ernst, whose personal experience has covered financial, commercial and industrial enterprises over a period of twenty-five years: The tendency on the part of sales executives is very decidedly towards replacing impressions with knowledge, conjectures with reasons. . . . This movement towards acquiring more exact knowledge is being accelerated by reason of the fact that business executives recognize that competition is becoming keener and in the next few years the law of "the survival of the fittest" will govern in business. . . . Scientific analysis has taken the place of guess work. . . . The advertising appropriations of progressive concerns are no longer made on what someone's guess is as to how much can be afforded for the purpose, but rather are based on what is necessary and prudent in the light of all the facts that can be obtained on such essential points as extent of market, potential buying power, plant capacity and distribution.

Otis A. Glazebrook, Jr., Vice-President and General Manager of Finance and Trading Corporation: It is apparent that the situation demands increased sales effort, and at the same time a closer coordination of factory manufacturing schedules with estimates of sales volume, and the latter, to be of real use, must be based upon a thorough and comprehensive study of market possibilities. . . . the successful sales executive in 1924, as contrasted with the moderately successful sales executive of the same period, will be that sales executive who can best appraise the

possibilities of his market and correctly determine the most economical methods of obtaining the greatest possible volume of sales. Any effort by the sales executive along these lines will be dissipated, however, unless the premise upon which he proceeds is developed from the application of fundamentally sound methods of establishing quotas, and is derived from the best sources of research that may be open to him. . . . The old days of "hit and miss merchandising" or consistent sales volume built around personal friendships and good fellowship are gone forever. . . . Standardization of product and concentration of sales effort along the lines of intelligent and analytical study of markets, based upon facts and not theories is today just as essential to the sales executive as standardization of factory procedure and attendant scientific research is to the production executive.

B. E. Hutchinson, Vice-President and Treasurer of the Maxwell Motor Corporation: Budget control is necessarily based upon careful estimates of sales volume. . . . Under competitive conditions the dependability of sales estimates is therefore subject to close scrutiny and in executive conferences the facts used in preparing sales schedules receive careful study. . . . They must know the degree to which the sales program is based on established facts, on special sales analyses, and what allowance to make for personal opinion and variable conditions. . . . an appreciation of the value of sales analysis, systematic sales planning, and frequent comparisons of sales results with expenses has become a primary consideration in the decisions of progressive executives who are responsible for the successful conduct of large scale industrial operations. . . . Business men are in sympathy with the sound developments in the advertising field during the past decade. They will welcome further developments which center the interests of advertising men more definitely on sales volume and net earnings.

As a further check on the conclusions of competent advertising agencies, I wrote to a number of representative advertising agencies, asking these two questions: (1) Do you observe a tendency for sales executives to reject rule-of-thumb methods and personal opinion and study *existing facts* more carefully? (2) Do you notice a growing interest in or demand for special research work to disclose *new facts* as a basis for more careful planning and more thorough control of sales and advertising? The answers to the first question was "Yes;" to the second question, "Yes," with qualifications. Extracts from these replies will be quoted later.

In his important paper presented to this Society in 1922³, Dr. H. S. Person suggested the probability of a long-run buyer's market possibly extending over an entire decade; that, while the general economic

³"Shaping Your Management to Meet Developing Industrial Conditions," *Bulletin of the Taylor Society*, Vol. VII, No. 6, December, 1922.

trend would be marked by up-swings and down-swings, the underlying characteristic for a period would be an excess of supply over demand in many lines with a resulting buyer's market which would make previous competition seem mild.

A digest of various forecasts for the year 1924 seems to show that prospects are such as to warrant confidence rather than enthusiasm. Apparently 1924 will be a year of fair business with varied conditions as between different industries, a year during which business will move forward at a level not far from the normal line, if that level represents an activity part way between boom and depression. Certainly it would seem wise to accept Dr. Person's conclusion and assume that satisfactory sales and profits can be obtained only by a careful appraisal of marketing difficulties and scientific management of the selling activities.

At times marketing problems seem highly complex as compared with production problems; there are variations in conditions so numerous and so marked as to make scientific procedure appear hopeless. That these problems are tremendously complex, we must admit. But we must also admit that, except in a few instances, these matters have not received the degree of careful study which has been devoted to production and financial subjects.

To illustrate the complexity of market analysis, consider a person such as yourself as one buying unit. In any one year he buys and uses thousands of different articles. As a consumer he fits into a certain buying group determined by income, occupation, or other valid standards. He buys from stores of different classes and of different types; for example, a grocery store of Type A or a hardware store of Type B. As a purchaser he is counted in a city or town of a certain size which belongs in a particular population size-group. His home is on the map in a definite geographic area. He has a considerable number of fixed wants and from time to time he acquires new wants. He has certain established mental habits subject to moderate change. He possesses a given number of human instincts and, according to Dr. John Watson, has three basic human emotions.

You can thus define a person such as yourself as one individual prospective buyer of certain products—one consumer in a mass of 106,000,000.

How does an article which he buys reach him? What influences are active all down the line, step by step, from the time the product is conceived and made until