

the moment when his money passes over the retail counter? If you will list these steps for a single purchase you will have a clear visualization of the intricacies of selling:

- the many questions involved in creating or designing a product;
- the interplay of fact and judgment in organizing the general marketing plan;
- the activities of the sales and advertising staff at headquarters;
- the job of selling the wholesaler and his organization;
- the handling of the product by the wholesaler;
- the sales work on the retailer and his employees;
- the transaction between the retailer and the wholesaler;
- the handling of the product by the retail store;
- the development of consumer demand or consumer desire;
- the final transaction between the buyer and the retail clerk.

#### A. The Total Market of the United States

We can classify the total market of the United States according to the types of purchasers and products, as follows:

1. Consumer purchases
2. Commercial purchases
3. Industrial purchases

In consumer purchases we may include all products or services bought by the 106,000,000 consumers, or 24,000,000 families, whose total yearly income is slightly in excess of \$60,000,000,000—the purchasing and renting of homes, fuel and light, clothing, food products, furniture, automobiles and automotive supplies, household equipment, miscellaneous services and miscellaneous commodities.

In commercial purchases we may include those products used by some 2,000,000 commercial enterprises—such purchases as accounting and stationery supplies, typewriters, filing cabinets, office furniture, adding machines, telephones, a substantial part of the automobile delivery wagons and trucks, and hundreds of other products. Commercial buyers may be divided into eight general groups. The total number of concerns in each group and the number which may properly be classified as “well-rated or well-established” are given below. The number of “well-rated” or “well-established” concerns refers to those which are large enough to be regarded as a promis-

ing market for products sold for business use; the standard adopted for each line of business was chosen with reference to the characteristics of that type of business.

Group	Total Number	Well-Rated
Wholesalers	117,194	38,616
Retailers	1,313,609	65,101
Banks	31,330	12,762
Financial (other than banks)	13,331	6,986
Insurance and Real Estate	92,887	16,207
Public Service	40,321	5,151
General	413,018	23,397
Government	30,815	12,404

In industrial purchases we may include parts, materials, equipment and supplies bought by some 300,000 industrial concerns. There is great concentration in that market. Statistics show that 10,413 firms, 3.6 per cent of the total number, have an output of about \$43,300,000,000 or 68 per cent of the total, whereas 152,925 concerns rated under \$20,000 have a total output of only \$1,113,000,000, or 1.8 per cent of the total.

It seems wise to confine our attention in this paper to the market for consumer products. However, most of the principles presented can be applied to the study and development of the commercial or the industrial market.

#### B. Volume of Consumer Trade

One of the first things to be done in studying any marketing problem is to identify the prospective buyers of the product. While the necessity of doing this is generally recognized, new applications of such studies are constantly being developed. Some recent developments in this field of sales analysis will be treated in the second part of this paper. At this point, however, I should like to remind you of the marked variations in annual income and buying power. By dividing the total annual income of about \$60,000,000,000 by 40,000,000 individual income receivers, we have an average annual income of \$1500. But 14% of the income receivers who get \$2000 a year or more, average \$4285 apiece; 47% of the earners who get from \$1000 to \$2000 a year, average \$1340 apiece; and 39% of the earners, getting less than \$1000 a year, average only \$628 apiece. These figures refer to the income of the individual; there is an average of 1.6 income earners per family; and the number of earners per family is undoubtedly greater in the

second group than in the first, and larger in the third group than in the second.

The following table gives the distribution of personal income for the year 1918 in more detail and is included as a matter of possible interest:

Income Group	Income Receivers	Total Amount of Income
Under - \$500	1,828,000 ( 5%)	\$ 685,288,000 ( 1%)
500- 1,000	12,531,000 (33%)	9,818,679,000 (17%)
1,000- 1,500	12,498,000 (33%)	15,295,790,000 (27%)
1,500- 2,000	5,222,000 (14%)	8,917,648,000 (15%)
2,000- 3,000	3,065,000 ( 8%)	7,314,413,000 (13%)
3,000- 5,000	1,383,000 ( 4%)	5,174,090,000 ( 9%)
5,000-10,000	587,000 ( 2%)	3,937,183,000 ( 7%)
10,000-25,000	192,000 ( 1%)	2,808,290,000 ( 5%)
25,000-50,000	41,000 (—)	1,398,786,000 ( 2%)
Over-50,000	21,000 (—)	2,469,555,000 ( 4%)
All groups	37,369,000(100%)	57,819,722,000(100%)

Various studies have been made of the way in which the consumer's dollar is divided between various types of products—food, clothing, rent, etc. Such studies, however, are based upon certain sections of the population and many variations from any such general analysis exist; these variations are exceedingly important in any given problem. Hundreds of manufactured products purchased in large volume are salable only to a small percentage of the 25,000,000 families.

A few facts on the sale of luxuries taken from Babson's summary of the Bureau of Internal Revenue reports for the year ending June, 1921, may be of interest:

Automobiles and accessories (excluding trucks)	\$2,512,000,000
Cigars, cigarettes, snuff and tobacco	1,740,000,000
Beverages (non-alcoholic), ice cream, etc.	830,000,000
Admissions, dues, etc.	950,000,000
Candy	715,000,000
Jewelry, watches, etc.	490,000,000
Pianos, organs, etc.	460,000,000
Sporting goods, cameras, etc.	185,000,000
Carpets, trunks, etc. (taxed excess value)	200,000,000
Fur articles	181,000,000
Perfumes and cosmetics	150,000,000
Toilet soaps, etc.	148,000,000
Chewing gum	88,000,000
Fire arms and shells	75,000,000
Sculptures, paintings, etc.	15,000,000
Electric fans, portable	10,000,000
Yachts, motor boats, etc.	7,000,000
Hunting garments, etc.	4,000,000
Cigar and cigarette holders, etc.	3,000,000
Livery and livery boots	3,000,000

Total \$ 8,766,000,000

Forward	8,766,000,000
Gasoline, auto repairs and garage rent	1,500,000,000
Luxurious food	1,500,000,000
Luxurious services	1,000,000,000
Other luxuries—pleasure resorts, races, etc.	1,000,000,000

Total \$ 5,000,000,000  
Combined Total \$13,766,000,000

#### C. Population Size-Groups

The distribution of the consumer market by population size-group is also significant. It has been found that 31 per cent of the families live in 144 cities having over 50,000 population; 12 per cent of the families live in 602 cities of 10,000 to 50,000 population; 9 per cent of the families live in 2,042 cities and towns of 2,500 to 10,000 population; 9 per cent of the families live in the very small unincorporated towns under 2,500 population, of which there are 12,005; 39 per cent of the families live in the country.

While many commodities sell in volume to all size-groups, for most commodities the methods of appraising and developing these fields usually require individual study.

#### D. Channels of Distribution

We may list five principal methods of distributing the product from factory to consumer:

1. Manufacturer to wholesaler to retailer to consumer;
2. Manufacturer to retailer to consumer;
3. Manufacturer to chain store to consumer;
4. Manufacturer to consumer by mail;
5. Manufacturer to consumer by salesman or agent.

We find, for instance, a total of 6,900 wholesalers distributing to 335,000 retail stores; 900 wholesale hardware houses distributing to 33,500 retail hardware stores; 680 wholesale druggists distributing to 50,000 retail drug stores. In addition we find roughly 100,000 automobile dealers in accessories, garages, repair shops; 4,800 department stores; 40,500 dry goods stores; and more than 150,000 general stores.

It is interesting to note the variation in type or grade among stores of a given class. Of 232,000 retail groceries only 33,000 are rated at \$5,000 up and only 5,477 at \$20,000 up, while 150,000 have no rating whatever. Of the 33,000 retail hardware stores less than half, or about 14,500, are rated at \$10,000 up. Of the 50,000 drug stores only 1,500 are rated at \$10,000 up. Of the 4,811 department stores, 1,368 are rated at \$125,000 up. Of the 40,000 retail dry