

goods stores, 4,219 are rated at \$50,000 up. Of the 151,000 general stores, only 31,254 are rated at \$10,000 up.

It sometimes develops that a sales executive can gain operating advantages by separating his principal classes of trade into certain more or less arbitrary types such as A, B and C and checking the degree of concentration. Almost invariably he will find that a small percentage of the total number of outlets represent a large proportion of the volume. This situation in some instances has an important bearing on the sales, merchandising and advertising policies.

With the pressure on the part of the owners and management for additional volume, with the growth of progressive retailers, and with keener competition, there is a tendency in some lines for manufacturers to sell their entire volume or a substantial part of their volume direct to the retailer. This development must be analyzed carefully by the man responsible for sales plans.

Manufacturer to chain store to consumer is, of course, the same basic method as manufacturer to retailer to consumer. It is listed separately because of the large volume now done by chain stores and the surprising rate at which this business is growing.

In 1910 there were 19 grocery chain stores in New York City; in 1914 there were 40 and in 1922 there were 1,499. In 1910 there were 392 grocery chain stores in New York State; in 1914 there were 544 and in 1922 there were 3,739. In 1910 there were 942 grocery chain stores in the United States; in 1914 there were 1,083 and in 1922 there were 19,905.

Selling by mail to the consumer includes not only selling from the factory but also the sale from the factory to the mail order house such as Sears, Roebuck & Co. and thus to the consumer. The total volume of mail order sales is probably between \$500,000,000 and \$1,000,000,000.

Manufacturer to consumer by salesman or agent has been developed in a very interesting way during the last few years. The business of the Fuller Brush Company, reported to be in excess of \$14,000,000 a year is, of course, a striking example. Several manufacturers of vacuum cleaners, facing the difficulty of securing good retail representation and effective house-to-house canvassing by the store's retail salesmen, have obtained a large volume of business by this plan. Hosiery, underwear, subscription books, magazines, and countless other articles are sold successfully by this method. The total volume of business so handled

probably amounts to several hundred million dollars a year.

#### E. Master Planning

Since the subject of master planning has been exhaustively treated in other papers before this Society, we may simply mention the relation of selling to it. Given the job of keeping a factory operating profitably at capacity throughout the year, obviously sales volume is the first requirement.

The factory may have a single product, a variety of products, or a line of products. This has a direct bearing on the whole subject of master planning. In any case, however, the need for close cooperation between the financial division, the sales division, and the production division is the starting point of a sound plan.

Since the production division and the financial division must know, in order to lay out their work, the total volume of sales and the subdivision of volume by lines and by months, the decisions of the sales division are the primary ones. Other plans must necessarily revolve around and depend upon the sales program.

After each division has done its own analytical work and developed its own plans, these plans will inevitably be in conflict at certain points. Only by close cooperation can a decision be made as to which sacrifices involve the minimum cost and the maximum gain.

The financial vice-president of a large enterprise said recently: "If we could know six months in advance what our production in total and by types would be within 15 per cent, and if furthermore we could determine those facts thirty days in advance within 5 per cent, we could make a larger net profit on 20 per cent less volume."

A large manufacturer in another industry making over 2,000 private brands found that he could either double his profits or give better value, and so strengthen his competitive position, if his sales manager could shift the production to a standardized line of factory brands.

Clearly, situations such as these can be worked out only by the open-minded and cordial cooperation of the three primary divisions, under conditions where each division manager is actuated by a sincere desire to consider all of the facts affecting his associates as well as himself, and cooperate in a group decision which will promote the net earnings of the business as a whole.

#### F. The Value of Sales Analysis Now Recognized

Broadly, the selling problem involves such questions as these: what to make; what type of product and at what price; what features are desired by the public; what service will make a strong appeal to the public or to the trade; what volume can be sold; will the profits be satisfactory; will the business be permanent.

More narrowly, the selling problem is to work for a set quota at a definite cost, to earn a predetermined profit.

Let us divide that work into four functions:

1. Analysis and research.
2. Planning, including preparation and scheduling.
3. Actual selling and advertising campaigns.
4. Control; through records, supervision, investigations and other methods.

I am going to emphasize sales analysis and research and consider it in detail; if the sales analysis is correct, the efficiency of all other sales functions is at once raised to a higher level.

We have many indications that today more than ever before manufacturers are carefully studying available facts, and that a considerable number of manufacturing, merchandising and advertising organizations are spending much time and money to discover new facts as a further guide to their decisions.

You may be interested in the comments of a number of important advertising agencies on: (1) Better use of existing facts; (2) Discovery and use of new facts:

Barton, Durstine & Osborn, New York City: Sales executives are undoubtedly "studying existing facts more carefully" than heretofore. The period of depression following the war and the keen competition that we are now seeing have made this necessary. . . . We cannot say that we have noticed a "demand for special research work." Of course there is more commercial research work being done each year. Executives seem more ready to accept the idea of commercial research and possibly more willing to study the results, but there is no "demand" . . . Although many sales executives are studying existing facts and a constantly increasing number are accepting the thought of commercial research, they are still the minority. We in the advertising agency business come in contact only with the most progressive sales managers and even of these the number who are seriously studying facts and demanding commercial researches is not large.

The Corman Company, New York City: My answer to both questions is an emphatic yes. There simply isn't any question about it—the modern advertiser who takes his expenditure seriously and thinks of it in the same terms as he thinks of money invested in other business directions, wants to proceed on the basis of ascertained facts. . . . One of our clients said to me recently: "We are spending

a half million dollars for you in advertising. I think it is good advertising. Our business is growing. Possibly we shouldn't complain, but let's spend five or ten thousand dollars finding out more about our competition, our standing and all of the related facts to our enterprise" . . . That is the point of view that we are running against every day. It is also the point of view that we are trying our best to encourage with clients. Fairness prompts me to say that not only are many operating in the dark, but many are suspicious and unhappy when an intelligent fact-finding program is outlined. But there can be no question about the general tendency. It is all in one direction—the right direction—finding facts.

D'Arcy Advertising Company, St. Louis: The day of the "rule-of-thumb" methods and personal opinions has gone by. Never before has there been such a general overturn of accepted practices and customs, in the reckoning of sales opportunities and in the application of the efforts of sales and advertising organizations to realize their proper quota of business. . . . What I have said above would apply here. The main problem confronting the manufacturer, operating through his sales and advertising executives, is to lower his cost of distribution. Many factors enter into this, some of which are beyond his control, but he certainly requires the use of careful research work and investigation to find out what are his responsibilities and how he can better the existing practice. He must know more about his market and the application of his goods to the consumer's need. He must learn the way to reduce wastage in sales and advertising effort and thus increase the return per dollar invested. Any research along these lines will be well repaid.

The Erickson Company, New York City: We cannot speak for sales executives, but in advertising agencies of the modern type a study of existing facts is looked upon as a necessary preliminary to any preparation of an advertising campaign. . . . Research work is engaged in nowadays so commonly as to be regarded as standard practice in connection with general advertising. Its importance is recognized by advertising agencies and advertisers alike.

Erwin, Wasey & Company, Chicago: In a general way we can answer your two questions affirmatively. You may quote us to that effect.

Charles W. Hoyt Company, Inc., New York City: The very basis on which we operate is indicative of the trend to reject "rule-of-thumb" methods and personal opinions in sales and advertising, and of the growing interest in or demand for special research work to disclose new facts as the basis for more careful planning and control.

The H. K. McCann Company, Cleveland, Ohio: We do observe a tendency for sales executives to get into more adequate study of existing facts and conditions. This tendency is reflected in a number of ways. . . . (1) A very marked increase in the activity of our own research departments at our various offices; (2) Several clients have organized to study facts and conditions more definitely through the addition of statistical people and research experts; (3) We note a pronounced increased interest on the part of many of our clients in adopting and using reports