An improvement in one item some years ago, marketed by a competitor, brought out the idea of subdividing the company into what might be called the Dennison Tag Company, the Dennison Box Company, etc., in order to provide for closer concentration of attention on each line. This subdivision was carried out in the usual Dennison conservative way. Men interested in some one particular line of the work had meetings about twice a year to talk over phases of that line of the business.

This system was worked out in natural, simple steps until five merchandise managers were established. A sixth will be appointed the first of next January on account of the growth of one of the lines which is now too large for one man. These men use the factory as a natural headquarters and travel about one hundred days in the year in order to get first hand information regarding sales needs and chances. All that has been done in coordination between the selling department and the factory has come through these men. Every question of change in style, size, etc., must be considered by both departments and both equally—one is not dominant over the other. The elimination of slow moving styles or sizes or the creation of new ones must be considered by both sides in conjunction with the merchandising manager.

The question of price is also one of the great important factors of merchandising. Changes of color, shape, form, size, content and raw material used are going on all the time. There is not one great campaign, but a constant correction. The price cannot be set by either the factory or the selling department. Neither could make the right price, but they are necessary parties to right action. A low price is always one way to make sales, but is not always just to the factory. Price making is one of the most difficult things going. The normal price is the one which will make the largest figure if the goods it sells is multiplied by the margin. This must be worked out by a man farther removed from the pressure to make sales than is the sales department. The price makes the quantity and the quantity makes the cost. The price should be set with the idea of what is coming. Real pricing must price a bit into the future and must be ahead of the up swings as well as ahead of the down swings. It is better to lead the market than to follow.

Scheduling is a function of the merchandising manager and is used in his coordination work. The factory can only see the past and cannot see the actual markets of today. The merchandising manager can see more clearly, however, as he uses the past in the light of the present and future and lays out the general lines of manufacturing. In some lines, the merchandising manager outlines the manufacture quite specifically, while in others he is more general. He sets the quantities to make up, the lines to be carried, the prices to be charged and takes charge of the scheduling for their manufacture.

The merchandising managers get out into the field to see what the public is grabbing for. They have no men directly under them. They are not responsible for sales or the control of salesmen. The merchandising manager is really off to one side to do his own individual work. He plays a very strong part in the delivery time of merchandise and the increase in new equipment. Much equipment has been purchased on orders received at the factory when there was no real business demand. In one case, new equipment was purchased for a new line on the strength of orders received from a thousand or so dealers who simply wanted enough material to get a small stock for their shelves. The merchandising managers make it possible to create new lines and yet withhold them until the right time comes to market them. We consider them, in fact, wholly indispensable to any proper balancing of manufacturing and distribution.

Scientific Marketing of a Perishable Product[1]

How Careful Analysis and Resultant Process Control Has Reduced the Spread Between Producers' Return and Consumers' Cost of Milk

By Charles F. Adams[2]

DURING the World War, a Fair Price Committee, of which the writer was a member, operating under the Food Administrator, attempted to ascertain and publish weekly a scale of fair wholesale and retail prices of staple food products for a consumers' guide, and to prevent, or at least, make more difficult, any substantial profiteering on the necessaries of life. The result of this committee's work was successful on most commodities, but in the case of fluid milk, the spread between the producer's return and the consumer's cost was so much greater than on other perishable foods that our committee spent much time in investigating the causes, and finally gave it up as a hopeless task. Figures furnished us from various distributing and producing sources indicated, if true, that every one concerned in milk production or distribution not only made no profits but, as a rule, lost substantial sums annually.

Because of this peculiar and untenable state of affairs and the repeated scoffing of my ideas of possibilities and plans offered to the distributors, and because I believed that milk could be merchandised the same as any other perishable commodity, I gave the matter further personal study after the committee ceased to function at the close of the war. I investigated far enough to arrive at the following definite conclusions:

1. The producer was applying to the cost of milk expenses not properly a part of its cost.

2. The producer was not crediting to the cost of milk production items that the dairy was wholly or in part entitled to.

3. The average distributor or jobber of milk was not vitally interested in the sale of fluid milk, as he made a substantial profit on the surplus milk not sold as fluid. (This profit would not appear in the statements submitted to the Fair Price Committee in their investigation of the fluid milk problem and its profits or losses.)

4. The law of supply and demand was not allowed to function properly in the commodity milk.

5. A tremendous economic waste had developed in retail milk delivery through unnecessary duplication of competitive routes in many districts.

6. A substantial loss of time occurred between the production of milk and its pasteurization and consumption which not only injured its quality, its food value, and consequently its sale, but also resulted in abnormal waste or a larger surplus for manufacture, all of which worked directly against a reasonable spread in price between producer and the consumer of edible milk.

7. An abnormal bottle expense because of the lack of responsibility of the consumer for empty bottles.

All these conditions, considered together, explained the formidable drain on the vitality of the milk industry and also offered an attractive invitation and economic opening for any chain store operator to enter the milk business,—as chain store managements have waded through and solved many similar problems in working out their place under the sun.

Knowing full well that any milk we offered would be subjected to unusual investigation and examination by health authorities and that every mistake we might make would be magnified a hundred fold by the old regime of milk interests, we devoted much time, before starting, to the selection of a source of supply with able management and perfect control, capable of producing large quantities of milk so far above the legal standard of health board requirements that there would be but a chance in a million for us to be successfully attacked from that quarter, which was the vital spot.

Our selection has proved even safer than our seemingly ridiculous estimate, as only one bottle, out of more than twenty-five million sold, has been found by health authorities to test below the legal standard of butter fat, and not a single instance of harmful bacteria has been found. This record has been made even though boards of health in our territory for a year or more spent a substantial part of the time of their departments in examining our product.

We located what, we believed, would prove to be such a supply at Bellows Falls, Vermont, only a few hours by train from Boston. The Bellows Falls Coöperative Creameries, Inc., had been formed and was financed and controlled by a group of dairymen, second to none in New England, who had ample cause to feel dissatisfied with their past experience in the marketing of their product. After a few conferences we formed an alliance which completed a direct channel from producer to consumer. Their plan of organization was a simple one, financed by a substantial investment by each producing member. Their plant was in the process of erection and was capable of being adapted, before completion, to suit our mutual requirements—namely, the receiving, pasteurizing and bottling of fresh milk—and equipped as well to care for any surplus not sold.

We knew that we had many advantages but we carefully considered every link in our chain of procedure, making doubly sure, as we developed the plant and our plans, that there could be devised by anyone no more economical way to produce lower costs that might bring about a disastrous end to our venture. We realized that almost unlimited capital could be marshalled against us if we showed signs of succeeding. The advantages that we had were apparent. Some of them seemed impossible of duplication by any establishment doing business under the old order of things:

[1]Digest of a talk at a meeting of the New England Section of the Taylor Society, Twentieth Century Club, Boston, February 5, 1925.

[2]President, John T. Connor Company, Boston.