

give a most valuable index for the consumption of a wide range of products. Many of the factors and methods employed in typical market evaluations of this kind have been published and furnish a clue for such evaluations for individual products. In addition various periodical publishers have furnished most valuable material regarding economic data, purchasing power, standards of living, etc., of counties and important cities and of the trading areas dominated by recognized trading centers.

The value of these market evaluations is that they furnish a standard to be used in conjunction with past sales records and other information in the perfecting of budgets and quotas for a business. The word "standard" is used advisedly to describe a useful tool which changes slowly and is based upon uniform treatment of economic data without the injection of opinion in the treatment itself, although intuition, experience and judgment may have played some part in the selection of the data to be treated. The market evaluation is a proved tool; it has passed from theory into accepted practice.

Research has paid big dividends in the field of product analysis. Many a moribund product has been given new life by study which has introduced new merchandising factors to win public favor. A modification of design, a new finish or an improved container may multiply sales. So, too, research has opened new markets by developing new uses. It has produced startling economies by simplifying and standardizing products—or sometimes by diversifying by the addition of by-products or complementary products to stabilize production, prevent wastes or lessen the market risk.

It is the research group to which the manufacturer turns for light upon proper price determinations, brand protection, or forewarning of competitive activities.

In order to make sure that the research group is kept busy, he asks it to study the selection, training and operation of salesmen, the most profitable type of selling equipment, and the elements of control of the marketing organization. This group, also, may find major tasks in such problems as inventory control and the selection of distribution centers and methods.

Sales Organization

The progress of scientific management in production has been marked by the recognition of func-

tional organization and the development of staff groups. These developments are now taking place in marketing.

The simple form of sales organization, still largely common, is the military form with a sales manager supervising a group of salesmen, and an absence of any functional or staff workers.

Advertising, as it became more common, forced the first functional recognition. As this division grew, it broke into sub-functions some of which have become independent functions in large organizations. Sales promotion is one sub-function which has thus grown in importance in many organizations.

As physical distribution became more wide-spread, the charge of finished goods inventories was given to sales, and warehousing began to emerge as a separate function.

As stocks began to be scattered over the country in strategic centers, it became necessary to decentralize the credit work and thus the credit function has frequently passed from a division of the major function of finance to a functional division of marketing.

Most recently of all, a function has emerged which usually bears the name of merchandising. As yet no standardization of this function is visible but in general it takes over those problems of marketing which have to do specifically with the product and the coordination of the sales and production programs. In some instances, it has absorbed the function of warehousing.

It is never easy to distinguish between functional and staff groups. In marketing a staff group is now often found under the title of sales research or commercial research. Its work has been described.

Only rarely is a staff group found in charge of planning marketing activities. It is in this field that marketing has most need to borrow from the experience of production. The development of science in marketing will be halting until the need for planning and scheduling is better appreciated.

A staff in charge of records and files is quite common but the development of statistical work in staff form is not common. In many organizations, research, statistics and planning are found in a single staff group.

Occasionally one finds a budgeting staff attached to the marketing organization but usually the budget staff serves the entire organization. Similarly, in very large enterprises, sales auditing or other staff divisions appear.

Sales Budgets

The word "budget" as it is now so frequently appearing in published articles has no clarity of definition among business men. Its increasingly wide use, however, promises to have an influence on the adoption of scientific management in marketing. If we accept the meaning of budget to be a statement of predetermined condition or status at specific periods, then it necessarily fosters research and analysis—and the attempt to control by budgets must foster the planning of the operations to reach the predicted budget condition.

In the marketing function of business the quantity budget is usually spoken of as the sales quota. There are many ways to approach the establishment of a sales quota. A common but extremely faulty method is to make an arbitrary advance over a past sales record. Another somewhat common method is to establish it upon the expectancy expressed by salesmen and the supervising staff. The chief fault of this method is that it takes no account of the sales possibilities of the salesmen's territories.

The real sales budget must take into account in each territory the potential business (the market evaluation), the record of past sales, the planned marketing efforts for the period, the stage of development of both the territory and the salesman, the activities and advantages of competitors, and the forecasted business conditions.

Expense budgets are more widely employed than quantity budgets. The usual faults with them are that they ignore the need for any forecasting of conditions and lack the element of flexibility to permit adjustment to meet unexpected developments. They are not designed to distinguish between the fixed charges that the personnel cannot control and the expenses that should fluctuate with the attained volume of business. At least one large marketing organization has attained a high measure of control by adopting a budget based upon the accounting method developed by John H. Williams.³

Control through budgets has the great virtue—when well done—of setting up standards which permit a large measure of administrative responsibility to fall upon divisional executives, even down

³"A Technique for the Chief Executive," *Bulletin of the Taylor Society*, Vol. VII, No. 2, April, 1922.

to minor officials, and thus help to develop initiative, resourcefulness and power of decision. It is a powerful weapon in the development of morale and the spirit of cooperation in an organization. It is another example of the result of establishing fair standards against which men may measure individual achievement and upon which management may more fairly and clearly develop its present and future executive staff.

Forecasting is virtually essential in the making of budgets. We are beginning to comprehend that we may have business depressions even though money is plentiful and interest rates low. Many an industry can establish a reasonably accurate forecast. We are able to go even farther than that and establish a forecast for the individual establishment. The work is far from perfect, largely due to gaps in our knowledge of essential basic data, but some of us have been sufficiently successful to whet our appetites for this highly interesting—and usually highly profitable—work.

Sales Operations

Most salesmen's territories have been assigned upon an arbitrary or intuitive basis. The rising cost of marketing has forced attention to the possibility of more scientific assignment of territories. In this field the evaluations of consumption and volume of purchases by distributors have become an important factor. It helps to determine where the law of diminishing return will operate against intensity of effort. With a predetermined cost ratio of a salesman's operating cost, it is simple to ascertain how much business must be reasonably attainable to maintain or lower the cost ratio.

But this alone does not suffice. With a standard of obtainable business in a country or a city, we can determine how much money we can spend to obtain it; this immediately leads to a study of the frequency of call necessary to get the business or to retain it against competition. Nearly always we find that there is business we can get if we are willing to forget the item of a cost standard. Usually we find that some adjustment between our conflicting desires is essential and that we really gain a profit by letting our competitors have some of the business in sight.

As we pursue our studies on territorial assignments, we find that we can afford to call upon one town once a week and upon another perhaps only