

Table 1—Four Years' Sales Distributed by Lines of Business Sold

Lines of Business Sold	Year 1		Year 2		Year 3		Year 4		Average Per Cent
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent	
Banks	\$235,454	33.3	\$265,848	31.2	\$364,976	30.9	\$390,109	30.9	31.4
Financial Concerns	27,151	3.8	36,430	4.3	37,371	3.2	43,399	3.4	3.5
Government Offices	28,946	4.2	34,958	4.1	40,233	3.4	37,066	2.9	3.5
Pub. Ser. Institutions	31,251	4.4	46,406	5.4	51,584	4.4	56,124	4.5	4.5
Manufacturers	76,045	10.8	123,870	14.5	176,513	15.0	188,755	15.0	14.0
Wholesalers	54,858	7.8	90,900	10.7	138,049	11.6	109,934	8.7	10.0
Retailers	189,621	26.9	184,570	21.7	287,825	24.4	329,892	26.2	25.2
General Concerns	62,177	8.8	69,176	8.1	83,920	7.1	106,367	8.4	8.0
Total Sales	705,503	100.	852,144	100.	1,180,483	100.	1,261,646	100.	100.

have revealed the same tendency, and I am sure you will find it true in similar form in your business.

It seems that the business of concerns flows in definite channels and when these facts are discovered many invaluable conclusions can be reached.

Turning to the chart again, we notice that the business to wholesalers does not vary from the composite average of 10 per cent more than 2 per cent. Just think of a concern whose business runs into the billions every year securing a certain definite percentage of that business, no matter what the total may be, from a particular group of their prospects, as is illustrated by this wholesaler observation. And yet I want to remind you that similar conditions are true of your business. This means that no matter what we may set as a goal, or quota for this concern to attain in the way of business during the coming year, if we allot 10 per cent of that business to wholesalers, we will come within 2 per cent of being absolutely correct. If at the beginning of 1925 we set as a goal five millions of dollars to be secured by this company, we can correctly forecast that 10 per cent of this amount, or five hundred thousand dollars, will come from wholesalers. At the end of 1925 after the entire organization, both at the headquarters office and at the field offices, have all done their best in advertising and in selling, no matter what the total business may be, approximately 10 per cent of it will have been sold to wholesalers.

Now, therefore, if there are 5,555 wholesalers in the entire United States whom this concern considers as being in their market, this \$500,000 must naturally come from them, and, if from among them all the company is to secure \$500,000, each one represents a potential value of \$90. This, of course, is secured by dividing \$500,000 by 5,555 wholesalers.

What we have done with the wholesalers group can be duplicated in any one of the other eight groups,

because you can see that there is the same regularity obtaining among them.

The composite performance among the manufacturers is 14 per cent. You can see that during two of the years the company's business was within 1 per cent of this figure. In another year it was within ½ per cent. In the first year shown on the chart we have the greatest variance, which is 3.2 per cent.

We will assume that there are 21,870 manufacturers in the United States who are considered prospects by this company. Having previously determined that 14 per cent of whatever business they may hope to attain during the coming year would come from these manufacturers, by dividing the total business to come from manufacturers, which in this case would be 14 per cent of five million or \$700,000, the result would give us the value per manufacturer, or \$32.

A similar calculation is shown herewith where we divide the amount of business to come from retailers, or \$1,250,000, by the number of retailers in the United States to whom this company can sell its product, giving us the \$18 value per retailer.

\$5,000,000	x	10 per cent	=	\$500,000	=	\$90.
Wholesalers in the U. S.		5,555				
\$5,000,000	x	14 per cent	=	\$700,000	=	\$32.
Manufacturers in the U. S.		21,870				
\$5,000,000	x	25 per cent	=	\$1,250,000	=	\$18.
Retailers in the U. S.		69,400				

With our values per prospect we can work out two of the ideal figures we need; quotas by salesmen and quotas by counties or cities.

I am sorry I haven't more specific data showing the significance of these records and the benefits accruing to you by keeping them. But with a system of record keeping such as is outlined here and a tabulation showing the number of prospects you have in every

unit of territory, you are prepared not only to make a market study but to advance to the next step, namely, determining the selling organization you need to realize on your possibilities.

When you start your market analysis, whether it be along questionnaire, personal investigation or statistical methods, see to it that you gain from it information which will cause you to reshape your selling organization and constructively change your policies. Try not to limit it to a temporary aim or objective. Let it decide what your sales plans must be and I am sure you will not go very far astray.

### Discussion

Paul T. Cherington<sup>2</sup>: Markets are groups of individual buyers and hence represent aggregations of their individual nature.

Any market study for any product, of voluntary use and sold for an appreciable consumer price, involves both the factors of *ability* to buy and *willingness* to buy. By the law of averages it may, and frequently does, happen that the quantitative figures for numbers of people may give a satisfactory guide to the qualitative factors represented by inclination to buy. This does not alter the fact that any market analysis to be complete should cover both the qualitative, as well as the quantitative, factors.

The main thought I want to add to Mr. Livingston's discussion is this one that market studies, in order to be of most value, must consider these qualitative elements. Brute force in selling will accomplish much, as truly as it will in any other form of effort. But as sales effort becomes less dependent on brow-beating a customer and more dependent on serving him by virtue of a real knowledge of him and of the motives that control his buying activities, the greater will be its value to both buyer and seller.

It is indispensable of course, to know and assemble all the essential facts about the number, geographic distribution and economic status of customers or "prospects." But the point I want to make clear is that these have to do only with *ability* to buy. Unless these facts are supplemented by knowledge of resistances, susceptibilities, habits, prejudices, customs, buying motives and the utilization of these facts which have to do with inclination to buy, only part of the truth about the market is known. With these factors analyzed, marketing is largely a matter of skill. With quantitative data only it must be largely a matter of brute force.

W. A. McDermid<sup>4</sup>: To an audience like the Taylor Society it is unnecessary to emphasize unduly the hidden significance of Mr. Livingston's presentation of the subject of market analysis. Its scope, as to purpose, method and use is so great that the utmost compression is necessary.

For example he refers incidentally and in a single phrase, to the use of analysis to give "new and better advertising ideas." Within the past month there has been published a statement by a prominent concern showing how an analysis reconstructed their entire advertising program and it took nearly 5,000 words to portray the seriousness of their problem, the difficulties involved, the existing waste and inefficiency, and the manner in which the analysis was applied to the solution of the problem. And this was only incidental, in turn, to the effect on their engineering, their production, and their merchandising.

When one seriously considers the far-reaching possibilities of intelligent market analysis, it is easy to understand, first, why there has been such a marked and growing interest in it; second, why so many concerns are either afraid of it or sceptical about it; and third, why there is such a startling spread between those who have used it with conspicuous success, and those at the other end of the scale who refuse to concede that it can possibly benefit them.

Mr. Livingston has touched only briefly on one of the basic problems of successful research—the need for either questionnaires or reporters that really get the facts. The number of so-called surveys, in unskilled or biased hands, which give utterly faulty results and prejudice the entire method, is simply appalling. The most encouraging thing in the whole situation is that there are at least a few people in the field who combine with a knowledge of merchandising a scientific regard for fact, an ability either to draft intelligent, non-leading questions or drill a reporter into how to question and how to report, and finally, an ability to tabulate results and make sound deductions. In the hands of these few, market research is assuming the place which it deserves in enterprise.

To one of my personal bias, the outstanding value of the kind of research that Mr. Livingston has described, and more especially the statistical analysis of values by prospects or business enterprises, lies in its application to the problem of sales control.

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<sup>4</sup>The Hoover Company, North Canton, Ohio.