

Scientific Marketing Management

A Review of Percival White's New Book¹

By STUART D. COWAN
Cowan, Dempsey & Dengler, Inc., New York

TODAY we are living in a wholly new era in American business. The fact that Harper & Brothers publish a book of this type on the application of certain Taylor principles to marketing is one item of evidence.

Another is the space devoted to marketing in the editorial columns of business papers and even in some magazines and newspapers of general circulation.

The serious attention certain progressive investment bankers are giving to all phases of marketing, both before and after underwriting an issue, is most significant.

Finally, the keen interest in their customers' merchandising, selling and advertising operations on the part of a few outstanding commercial bankers, and their sympathetic aid in offering constructive suggestions are convincing proof that the new era is here.

For example, the studies made and the assistance to industry rendered by Fred W. Shibley, Vice-President of Bankers Trust Company, New York, one of our foremost industrial bankers, demonstrate that men once considered the "Bourbons" of the business world are now applying Taylor principles to marketing and thus to general management.

Perhaps the simplest way to provide a setting for Percival White's book is to outline the scope of Mr. Shibley's work and mention some of the results it is helping to produce. Not only is this information intrinsically interesting and stimulating but, what is more important, it points to a trend. It shows how men who inaugurate and operate scientific marketing methods inevitably face the need for scientific organization, the special subject of this notable book.

¹Percival White, "Scientific Marketing Management," (Harper & Brothers, 1927).

One of the first problems Mr. Shibley tackled, during the depression of 1921, was the reorganization of a concern manufacturing chewing gum, a business he knew nothing about. It was greatly over expanded, out of balance in every particular.

The methods applied to its rehabilitation are especially interesting.

First, the good, active assets were separated from the surplus and questionable assets. Then came the question, "Can the good assets be utilized in an operation without loss?" This involved study of what amounts of the various products could be sold and at what prices. That required market analysis. And the analysis, which had to be performed in a short space of time, consisted largely of "boiling down" the knowledge of the salesmen, appraising their statements, and judging their personalities.

In a comparatively short time, Mr. Shibley had a total quota for the United States, a quota for each territory both in total and by products, and a quota for each month. So conservative were these quotas that they were used as operating forecasts, a rock foundation on which to build.

We might mention, in passing, that this was his first job of market analysis and sales forecasting. He admits in all frankness that before facing this emergency he had been more or less of a "Bourbon" himself, had always regarded scientific management principles as a minor matter and believed that all a banker need look for was a good product and a good man at the head of a business.

Having before him an itemized sales forecast for this gum business, he then undertook to harmonize working capital, plant requirements and personnel. The sales dollar was broken down. The dollar of expense must fit the dollar of income. The first sales dollar showed \$1.15 for costs against an income of \$1.00. So they started a

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process of squeezing and paring. Finally, this balancing operation, their most difficult task, was completed. Meanwhile they had found the old management unsympathetic and had sought out a new president who would operate the plan.

At the end of the first year a small profit had been earned; sales had come within a few thousand dollars of the forecast.

The second year, sales increased satisfactorily. It was seen that each dollar of increased sales bore only the costs of material, labor and variable burden—that the profit on each added dollar of sales was considerable.

In a short time the business was handed back to its stockholders without debt to any bank. It is still operating on the simple plan adopted six years ago. Profits are steadily mounting up. Its common stock is constantly appreciating and pays substantial dividends.

The bankers who had watched the experiment with grave doubts were surprised and delighted. Here, so it seemed to them, was a new force, a new source of industrial power, ready for them to use.

Encouraged by his first test of market analysis, sales forecasting, budgeting-based-on-forecast and management control, Mr. Shibley had intensified his activities. He began to act as a clearing house, to gather facts about and personally study the new developments in many industries, in large companies and small ones, cases where only one phase of scientific marketing was operating and cases where several phases were combined in a comprehensive plan. All the time he was busily engaged in analyzing the problems of the customers of Bankers Trust Company, helping them to understand and meet the new conditions and new competitive problems that, unknown to some of them, had become a reality.

In the past six years he has gone deeply into many businesses, cotton, silk, hosiery, floor coverings, paper, printing and publishing, tires and rubber products, automobiles and trucks, steel and steel products, food products, and so on.

In a house making silk piece goods he found a man who says, "Style trends are no longer a problem with us. We have found a simple way to forecast our business. We now control our production and sales so they come within ten per cent of our forecasts."

A comparatively small motor company, acting on his recommendations, turned a deficit of one year into a profit exceeding \$2,000,000 the following year; the chief factor in this unusual and rather fortuitous result was that sales came within twenty cars of the forecast.

A large food products concern reports a saving of \$1,250,000 a year in one department, due to budgetary control, and a saving of \$250,000 a year in another department. Yet this organization has just commenced the application of "The New Thought in Industry" as Mr. Shibley describes his work and the work of others who are moving in the same direction.

A writing paper company making a line in which style is a prominent factor has recently reorganized its marketing under his direction. Market analysis showed that sales to jobbers were not only unprofitable but were interfering with good business. Many other significant facts came to light. Then followed a definite appraisal of the amount of available business by territories—new territories having been built up of individual counties which had likewise been appraised or evaluated. New quotas were set. New salesmen were hired and trained. Much needed field supervision was provided. Salary-and-bonus plans replaced the commission system. Merchandise planning was separated from sales operating. And in less than six months sales to retailers more than made up for the elimination of unprofitable jobbing sales. A comprehensive marketing system, with the forecast governing the budget, which should double this company's earnings in a few years! Incidentally when Mr. Shibley was satisfied that the former sales manager had talent for merchandising work, he suggested that the company permit this individual to specialize on style problems and metropolitan developments and that a younger sales manager come in who would work the new plan with a sure touch and marked aggressiveness—a functional type of executive.

Today Mr. Shibley is directing or studying many other programs now well under way, each different in character and treatment, but all alike in that basic Taylor principles are being applied.

²"The New Thought in Industry," an address by Fred W. Shibley, Vice-President, Bankers Trust Co., New York, presented at a dinner attended by the principal officers of the clients of Cowan, Dempsey & Dengler, Inc., at the Harvard Club, New York, February 3, 1927.