

# Scientific Management in Manufacturers' Marketing<sup>1</sup>

In Which a Sharp Distinction Is Drawn Between Merchandising and Selling

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## I. Merchandising

THERE is a complete lack of an accepted definition of the term "merchandising." Text books use it as synonymous with selling and with marketing. Some writers speak of it as an integral part of advertising, while others deny that it has any connection with advertising whatsoever. To individual companies the term means anything from so relatively simple a thing as the operation of warehouses to such a complex series of relationships as the whole field of service to dealers. Department stores have used the term to cover the whole field of selecting desirable merchandise, buying it at advantageous prices and displaying it in the store so as to attract the greatest number of purchasers.

In the history of the professions there is a noticeable trend from generalization to specialization and ultimately to co-ordination of the two. Thus years ago the field of engineering consisted of only one branch. In time civil engineers were separated from the main branch purely as a matter of convenience to distinguish the activities of surveyors in civil life from the activities of surveyors who were part of the military. And then the Industrial Revolution, and later the recognition of the line and staff principle as applied to the factory system, broke up the engineering profession into almost as many units of specialization as there are staff functions to be performed. Later still the term engineering came to have the wider application to any part of industry which is a piece of specialized practice, regardless of whether it be a purely staff operation or not.

Sales management has repeated the essentials of this history of engineering. Out of the functions that have evolved from the general field of management, there is to be recognized one as standing as a co-ordinating force between the job of selling

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goods and the job of manufacturing the goods to be sold. The function which has been so separated is, in general terms, to provide that the goods manufactured are of proper quality and in proper varieties, in sufficient quantities and sold at prices best suited to the market. This is the function that we of the Dennison Manufacturing Company term "merchandising."

Over a period of years, the task of merchandising has been found to consist of four elements. These are:

1. The study of the merchandise relative to:
  - a. Creating new merchandise
  - b. Finding new uses for standard merchandise and
  - c. Watching the trends of the market, particularly to avoid the retaining of items that give indication of becoming obsolete.
2. The study of the merchandise relative to estimating the amount of production necessary to meet the market requirements at different seasons and periods.
3. The study of the merchandise relative to making price estimates on special merchandise and to making changes in list prices of stock merchandise.
4. To make each line of merchandise of continuing interest to the selling organization.

To carry on this job of merchandising calls for a very special set of qualities. The successful merchandiser must have analytical power of no mean order. His analytical power must be buttressed by an exhaustive knowledge of the goods he is merchandising and a working knowledge of the businesses of many other people who may use the goods. Not only must the merchandiser have a background of facts, but he must, as co-ordinator between factory men and sales department, be able to put his deductions from these facts before a great many different sorts of people. This is a teaching problem, calling both for patience and resourcefulness. This means, too, that while the

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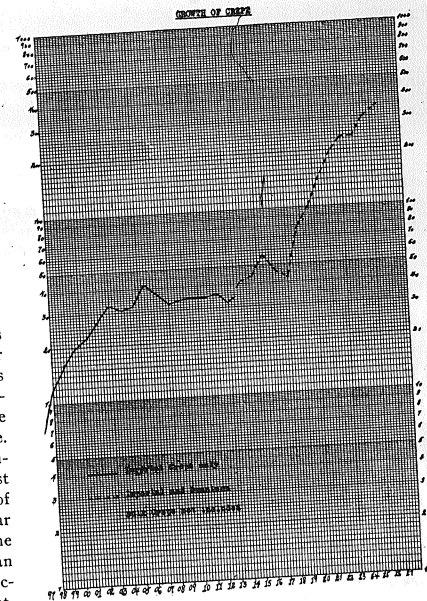
BULLETIN OF THE TAYLOR SOCIETY

527

merchandiser has his headquarters at the factory, a great deal of his time must be spent in traveling, so that he always has a direct contact with market conditions.

More than all else, the merchandiser must have and use constructive imagination. If he only piles up trade facts he becomes pedantic. If he is only imaginative he may be foolish. But by applying imagination to the facts of his merchandise and keeping in mind the total situation, he builds a solid basis for successful merchandising. So much for the outstanding qualities required in the merchandiser. As a next step, let us follow him through the four parts of the merchandising task.

It is essential in a going concern that new items of merchandise be added as young and vigorous members in the family of items. A study of our growth shows the years during which the impetus from new items has come. When domestic competition on crepe paper became active in 1895, we found it necessary to launch our own domestic line. On July 1, 1897, this line was trade marked Imperial crepe. It sold for ten cents per roll as against fifteen cents per roll for the imported. Sales of Imperial crepe increased rapidly till the peak year of 1906 when 3,600,000 rolls were sold. After the panic of 1907 crepe sales fell off even more than the Dennison line as a whole. In 1908 an unsuccessful attempt was made to increase sales by putting out a cheap crepe—"National"—to be sold at three and three and one-half cents per roll to wholesalers only. From 1908 to 1912, when the business as a whole was growing, Imperial crepe sales continued at almost the same level; and for 1913, while charges for the year showed a three and six-tenth per cent gain over 1912, sales of Imperial crepe fell off over ten per cent. The situation was serious. In October of that year, therefore, it was decided to adopt "Dennison" crepe, a finely creped, lustre-finished paper which was much better than anything on the market. This new product, launched early in 1914 in a distinctive folder, retailing for the same price as Imperial, met with an immediate success, which was retarded only by the war. From 1918 to 1926 the curve of crepe sales shows an increase of 745 per cent in eight years, proving that one way to meet competition successfully is to put out a better product than the market is used to, not a poorer one. (See Chart.)



Indeed, a study of the earnings of a series of companies shows the same thing. A case in point outside our own company is that of the Savage Arms Company, makers of fire arms of different types, who have recently added to their line of manufacture an electric washing machine for household use. Inasmuch as this machine required no new manufacturing equipment and is in line with a growing use in this country of electric household devices, the impetus given the sales of the company has been reflected very quickly on the balance sheet. (See Table.) The merchandiser is always studying the possibilities of any number of such items and makes a choice of those which seem to offer the prospect of widest success in connection with present goods.

New uses must be found for merchandise that has become standard through wide use. For years the yeast companies have been making compact packages of yeast for household and commercial