

ing them upon small towns and accounts, instead of vigorously attempting to take advantage of all the possibilities of co-operation with the jobber. Another sales counselor recently told me of his success in helping a small manufacturer to turn a \$30,000 loss into a \$20,000 profit, by letting a sales force of four men go and employing in their place thirty side-line salesmen. Perhaps we are permitting our interest in the new things in marketing to blind us to equally simple solutions of our policy problems.

I am surprised, as I go about the country, at the number of marketing managers who have problems because they will not interest themselves in the subject of commercial or marketing research. They are content to base policies and methods upon opinion—and largely inbred opinion, at that—rather than to find the facts of their own business. Research is of such fundamental value to a business that the resistance to its introduction is almost incomprehensible to one familiar with its achievements. Its value to a small business is relatively as great as it is to a big business. Few businesses are so small that they cannot support at least one man on this work. There is an increasing number of men who have set themselves up as specialists in this field and can be employed for special work, or on a part time basis.

A problem in which many are interested is the sales forecast which, in these days of company budgets, underlies the plans of every function of a business. The sales forecast has become a necessity for management planning and control of industry. I cannot stop to discuss all the many variations of this problem. I only want to make a plea for a larger development of statistical treatment of economic data as a measuring stick for whatever quota methods may be used, whether they be estimates by the sales force, analysis of past sales, or what not. It is just as important to study the business which you are not getting out of a territory as the business you are getting, and the statistical measurement of economic data is invaluable for this purpose.

One of the problems which many business managers are studying is the value of this new function which Henry Dennison calls merchandising. This function intervenes between sales and production and serves as a real co-ordinator of their requirements. It is primarily concerned with the char-

acter of products, control of finished goods inventories, prices, and similar matters which call for the service of men of special aptitudes and training. It is a particularly useful department of a business which has a long or varied line of products. A study of its usefulness is one of the most profitable things that a business manager can undertake, for the work goes on steadily whether properly organized or not. We simply pay more in the end and get less efficiency if the job is scattered instead of centralized.

As one talks with marketing managers he cannot but be impressed with their silence about marketing or sales control, in contrast with the production manager and his conversations about production control. We just simply do not recognize that one of our big problems is to secure a control of our marketing work. In the first place, in most instances we have not had enough research to discover what we are, or should be, trying to control. In the second place, only rarely do we find any written marketing plans, with quantity and time schedules and expense budgets. We have a big job ahead of us to catch up with the twenty years' lead of production in this matter of control. I predict that we shall continue to see a high turnover of sales managers until we have established a breed that believes in and practises research, planning and control in marketing. I know that the big leaders in industry are thoroughly awake to the situation and that their influence and example is bound to change the present neglect of those things which make for scientific marketing management.

What constitutes a proper sales territory? That is a problem in which many are interested. Shall we build our territories upon the business which we ought to have or upon the business we do have? Are we going to have a policy of intensive selling and cut down our territories, or shall we adopt selective selling as our policy and make our territories larger? Shall we assign territories on the same basis to the man who makes ten calls a day and has a few of our items in each store, and to the man who makes five calls a day, does a good sales job, and gets a representative line into each of his outlets. I am thoroughly convinced that, as it becomes better developed and understood, the statistical valuation will become the prime basis for establishing territories, in place of past sales or physical load estimates of uncontrolled sales work.

Who has not at some time or other pondered over the problem of establishing sales quotas? Methods there are, galore, but few that are thoroughly satisfactory. Yet we need a sound quota as the basis for plans and budgets, for control standards, and possibly as a basis of compensation. I am constantly seeing sales quotas set up which do not take into account the many forecasts of business conditions, or the estimated effect of planned sales campaigns, and which have no element of flexibility incorporated in them. We of the marketing group have much to do in the development of quota methods. It is a major problem.

Now let us take up three subjects which are much tied together and constitute another of the unsolved problems of business. These are routing of salesmen, frequency of call upon customers and classification of accounts. How little most of us have done in working toward the solution of this problem! It appears that we must classify our accounts and prospects in order that we may determine the profitable frequency of all, so that in turn we may properly route our men. Many men say to me that they do not believe in controlled routing of salesmen. My reply is, that if you have good research and cost accounting in marketing, the conditions that disclose themselves almost drive you to adopting it. We have to tackle this high cost of marketing somewhere. Why not be sufficiently scientific to tackle its elements first? I do not think that all manufacturers can route their men, but I do expect to see a great development along this line among manufacturers of resale goods. Like all plans that we make, there should be an element of flexibility in routing, to meet emergencies, but not enough to break down the central control.

I have made some comment on cost accounting in marketing. Too many sales managers do not realize that this is one of the real problems in which the progressive chief executives of business are vitally interested. Cost accounting in this field is hardly out of the primary stage. It may interest you to know that the research committee of the National Association of Cost Accountants is to make this its chief study this winter. Where cost accounting in marketing has been attempted, the disclosures have often been quite disturbing, even though stimulative.

What problems are appearing? Of course we want to know the actual costs of our field work, advertising, sales promotion, etc. Sometimes we feel that we have quite good figures on these activities, but let us look at the cost of field work for a minute. Do the figures we compile give us a real basis for genuine control? I think that I can make the generalization that, because they are historical, because they are usually total instead of element costs, and because they do not show the effect of various activities upon profits, they do not give us a foundation for effective marketing control.

We should know the costs of selling various items or classes of product as an element of price setting. We should know the profit by customers if our control is to become effective guidance of effort. We would welcome cost accounting which would give us a true picture of profits by salesmen, to use as one of the bases of better compensation methods. Scientific management in production would have been long delayed if it had not been for the invaluable assistance of cost accounting. I know of no business which does not now have a problem of hastening the development of cost accounting in marketing so that it may proceed with its major problem of marketing control.

Many of my sales friends glibly tell me that they have good expense budgets. But when I investigate I find that, based on past results, they have decided to spend 10 per cent on selling and 3 per cent on advertising, and the budget is the apportioning of the lump sums thus arrived at to various classes of expense. This is what I call the restrictive budget. Now if we had good commercial research, we should find definite objectives for a sales period, or a campaign, and would then proceed to have a definite written plan for the activities necessary to attain the objectives. This plan would call for certain assigned activities on the part of individuals which would create expenses. With this start, we would build up a budget from study of these projected activities. This I call a constructive budget. If the final budget called for more money than the executives were willing or able to appropriate, then we would modify our original plan. By so doing we would decide what to omit from the complete structure and should be able to use much better judgment than would have been possible if we had not first had the complete plan. Perhaps in many cases we would