

Marketing

The field of marketing deserves a prominent position today in the uncontrollable factors. Perhaps in the future business scientists may list this as a tangible, but today this would be impossible. Scientific marketing does not exist. The reputation of marketing as a fertile field for research, however, has become generally recognized. It involves the question of methods of distribution; for example, we sell through jobbers or individually owned resale units, or direct to the consumer or through any type of middleman. It involves a study of fields of activity, and types and sizes of customers. It is an intangible of intangibles.

Competition and Trade Practice

One of the most discussed subjects today is the question of competition and trade practice. Some years ago the Federal Government was definitely antagonistic to competitor co-operation. Today it looks upon such co-operation under restricted conditions with undisguised favor. Competitive co-operation may bring about great good to the producer and to the ultimate consumer. Through such co-operation only is it possible to do away with unfair practices, and yet the field is one that holds great dangers and should be carefully safeguarded.

Psychology

Of all the uncontrollable factors, however, that of psychology is the most evident, and yet psychology plays a tremendously important part in business as it does in football and baseball. The executive who can gain the confidence and affection of his employes can capitalize this in definite economies. Given the same conditions and equipment and the same class of employe, a leader with the ability to inspire those under him can show economies that can be figured on a percentage basis much higher than that normally used for a cash discount, and yet personality plays a lesser part today than it did a generation ago, and is bound to still further decline in its influence as business becomes more and more a science.

In endeavoring to set up this catalog of things controllable and uncontrollable, I have ventured into a difficult and perhaps a dangerous field, yet it is in such fields that we find our greatest interest and greatest possibilities. Perhaps its very indef-

initeness will serve to show the necessity of further research into the realms of the business unknown.

After all, business is established to serve the need of the community, that is, of the consumer, and to provide employment to a proportion of that community which will enable them in turn to become consumers. Therefore, one of our prime problems is to decide what our position in the business world should be, whether we should aim to sell what we make or to make what we can sell.

It is through research that such problems must be handled. The consumers' needs are our natural yard stick, and the justification of our producing any item or line must be decided by the opportunity and need on the part of the consumer. Research is the background of intelligent management. It not only dissects and analyzes, but it seeks the opportunity to create. It places the burden on that part of the human anatomy best fitted to carry the burden, and applying research to the subject before us, the possibilities for its use within the troupe of tangible, unknown and uncontrollable factors are undoubtedly greater than that of the field already known and controlled. It opens up a vista of opportunity that whets the appetite of the keen executive.

(Mr. Coonley's paper was presented by Mr. Joseph H. Barber, Assistant to the President of the Walworth Company, who concluded with the following comments of his own.)

Mr. Coonley said that research seeks the opportunity to create. In part it accomplishes this end by bending previously unrelated factors all in a single direction toward executive decision. Out of the intangible mists, it would condense the dew of tangible action. And, as a rule, such executive action is best secured by constructing from known and tested materials standards by which to judge and evaluate the unknown.

Clearly, the greatest profits are yielded at the point of best equilibrium, between the controllable and the uncontrollable factors. Here is opportunity for doing a man's task. It would be foolish to send a boy on a man's errand. It would be equal folly not to employ a skilled diplomat for an important commission. Research is applying for the job. With its ability to discover laws, establish yardsticks, eliminate old losses and create new gains, Research is the agent who will make it his job to promote harmony and equilibrium between the unknown

and the known. The following comments will suggest how the agent carries out his commission:

Research discloses laws that may be depended upon in a practical way. For instance, there is evidence that Nature works according to a so-called "law of concentration." In volume, one-fifth of the manufacturing units in the United States will dominate the total of all United States production. By individual items, one-fifth of those catalogued by a manufacturer will comprise a large majority of total tonnage and contribute nearly all of the profit. One-fifth of the individual customers will consume the bulk of the output. One-fifth of the economic factors will tip the scales one way or the other. Executive attention must be balanced well against these relative importances. It must be directed toward the major factors and withdrawn from the end items if there is to be equilibrium such as will assure maximum profits.

At the other extreme we find the so-called "law of discrimination," sometimes called the "law of sensations." As such, it is stated "sensations increase in arithmetical progression as the stimuli increase in geometrical progression." Phrasing this in business terms, we may say that, as we approach the margins of things, there is more resistance to further increases. It takes a bigger amount of effort proportionately to secure only an equal result, or, for an equal effort, returns will be most meager.

There is also the "law of natural balance." Economic forces tend to strike an equality or parity the one with the other. If there be temporarily too much industrial building, for instance, it will penalize and restrict residential building. In financing, there should be some share of permanent capital contributed to the business by bonds. This will magnify the percentage return yielded to the stockholders who take the greater risk. On the other hand, there should also be some proportion of current borrowings from the banks, for neither bondholders nor stockholders should invest in the business permanently all the capital that will be needed only through temporary periods of maximum activity. At the point of best equilibrium, profits will be greatest.

Net profits are a summary of all the variables affecting the business. If profits decline, we may choose to blame competition. If they increase we may like to attribute it to our wise direction. As a matter of fact, profits are as often contributed

by fortuitous circumstances as losses are occasioned by conditions beyond the individual administrator's control.

Speaking generally, it is the competitive market situation that fixes the selling price. There is in every industry the marginal producer whose volume of product is necessary to satisfy the grand total of demand, but whose costs are so high that he cannot continue to produce unless the price is maintained. If prices declined, this producer would close down. The market, being short of his product, would bid average prices up enough to cover his costs and keep him going.

In the long run this marginal producer fixes the industry's price level. In this sense then, any administrator may consider the market price level as fixing the standard of income within which he must operate at less than the marginal producer's cost if he is to make a net profit.

The administrator will predetermine what his profit shall be by predetermining the relative emphasis he will place upon each of several excellent principles, policies, or methods. Discussing any one of these separately, it may appear to be "the last word" or "the one best way." As a matter of fact, in application, one excellent principle may need to be subordinated in part to another principle of equal excellence.

For instance, in the matter of organization, the line and staff organization may be best in some places. So-called "functional organization" is the only answer under other conditions. With Walworth, it seems more suitable to have a line organization with respect to the factory and sales units in their contact with headquarters; whereas inside the individual works units, the functional organization is admirably suitable.

Again, in contemplating seasonal fluctuations vs. cycle trends, we may appreciate that a retail department store might well apply 80 per cent of its emphasis on studying and caring adequately for seasonal variations, with only a 20 per cent relative emphasis upon business cycle factors. With Walworth Company, on the other hand, it is essential for us to arrange 80 per cent of our emphasis according to conditions of the business cycle with but a 20 per cent relative emphasis upon seasonal factors.

Likewise, there must be discriminating emphasis with respect to the problem of stabilization of