

However, it has required constant plugging and education.

Sloane realized that if an efficient job of distribution was to be done, each distributor had to be made into a self-sustaining, profitable unit, serving a logical area. Each distributor had to be converted from a haphazard "trader" into the equivalent of a branch sales and warehousing organization. The advantage of this was that the distributor was operating his own business. He was not an employe. He had the incentive to work. And he had the incentive to learn more about his business and how to conduct it at a greater profit to himself.

This was obviously an educational job for Sloane—a five-year task. The objective was to leave in each center a strong independent distributor, combing the territory thoroughly, operating at a profit and refraining from extending his activities so far afield as to endanger the operations of other Sloane distributors.

In order to show you how Sloane went about this task, I have selected the Minneapolis distributor as a case example.

A study of such a jobbing area from the point of view of sales indicates that about 85 per cent of the total volume obtained would be secured from the lightly shaded area in Figure 1. Although a certain amount of sales can be obtained from the areas farther from the distribution center, in many cases this increase in volume can be obtained only at a very high selling cost. A study of almost any other so-called jobbing area will demonstrate to you that similar conditions apply.

We recommended that each distributor make an analysis of his own sales by counties to see if he could isolate that nucleus in which he could make the greatest profit per dollar of sales because of low selling cost.

That nucleus obtained by the study suggested would give what we term a distributor's sales area in counter distinction to a jobbing area. While the Minneapolis distributor will send salesmen outside of this distributing area for purposes of training and in order to secure orders from certain old accounts, his real activity will take place within the confines of the shaded area. Figure 1 also shows the extent of normal operations of other Sloane distributors. We believe that a wise manufacturer will so arrange his distribution system that he can minimize duplication of activity by his own

distributors; in other words, prevent them from taking business away from each other. Some duplication must of necessity occur, for it is impossible to develop sharp lines of demarcation. If, however, these overlapping zones are made as small as possible there will be less waste of sales effort on the part of all distributors, with a resultant decrease in selling expense and a net increase in profits. In any study of a distributor territory this internal competition within the network must be recognized.

When the territory of major operation had been outlined and the boundaries of competition within the distributing network established, the next step involved the evaluation of that territory, preferably by counties, in such a manner that the distributor might secure those necessary yardsticks that would enable him to determine the success or failure of his own operations; not only as a whole but also in specific districts. Figure 2 shows such an evaluation for the Minneapolis territory. Recognizing the fact that other manufacturers will be operating in this territory either directly or through other distributors, we have applied to these total market figures national percentages and have obtained thereby a picture of the amounts which Sloane can readily hope to secure. In many territories the position of a Sloane distributor will be so dominant that he can hope to obtain greater sales than these national averages would indicate.

After securing what we call the Sloane County Evaluation in total dollars, the next step was to break down these figures by *Barrymore, Smith and Masland*, the mills for whom Sloane are selling agents.

In the Minneapolis territory pictured in Figure 2, there is a total market, according to forecast, of approximately six and one-half millions of dollars, of which Sloane has every reason to expect at least \$1,630,000, based on national averages.

We have stated that internal competition with other Sloane distributors must be recognized due to the slight overlapping of sales territories. We must also recognize the fact that large department stores are loath to place their orders through distributors. For that reason the Minneapolis distributor does not expect to obtain 100 per cent of the total Sloane business in his territory. Furthermore, the farther a retailer is removed from the distributing point the more difficult it becomes for

## Typical Distributors SALES Area Showing Extent of Competitive Distributors Activities

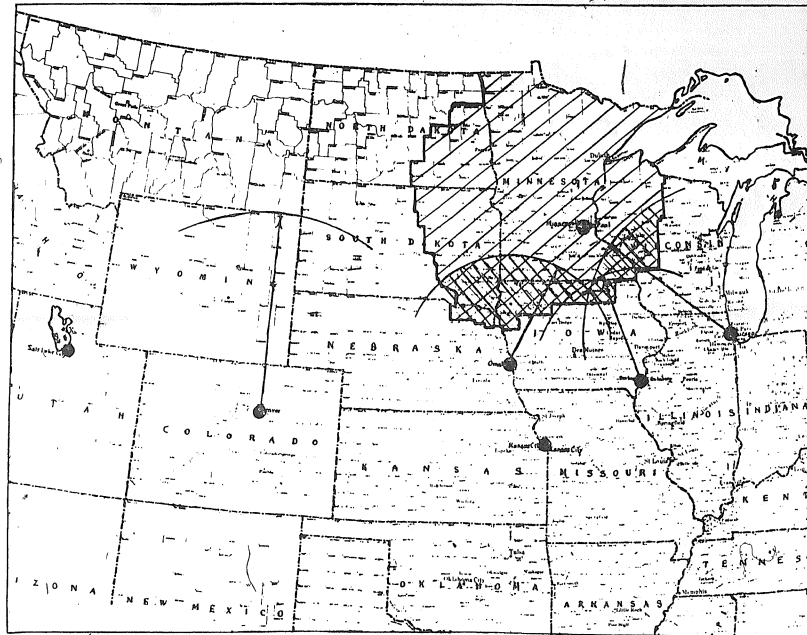


Figure 1

him to render adequate service and the more easy it becomes for another distributor to compete for that business. For that reason we have divided this sales area into percentage zones. The extent of these zones is determined entirely by the location of other distributing points. It is perfectly obvious that a Chicago distributor will be able to extend his operations more than one-half of the distance from Chicago to Minneapolis, for the simple reason that a Minneapolis distributor must ship back over the same route that the merchandise has traveled in going from the factory to his warehouse. In other words, such merchandise must travel a longer distance to reach its ultimate destination than if

shipped out of Chicago. This is uneconomical, of course, and serves to demonstrate why distributing areas normally will extend farther westward than eastward from a distributing point.

Another way of demonstrating the same characteristic is shown in Figure 3. The figures at the bottom of the chart indicate how rapidly sales opportunities diminish after a certain distance from the distributing point has been reached. It is also interesting to note that the cross section from Minneapolis to Omaha favors the Minneapolis jobber much more than that cross section established between Minneapolis and Chicago. There the Chicago jobber has the advantage.