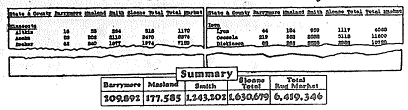
County Evaluation of Distributors Territory



State & County	Barrymore	Masland	Smith	Sloane Total	Total Market
Minnesota					
Aitkin	16	33	284	518	1170
Anoka	88	303	2110	3470	6076
Becker	62	240	1077	1574	7150

State & County	Barrymore	Masland	Smith	Sloane Total	Total Market
Iowa					
Lyon	44	184	939	1117	4063
Osceola	219	383	[illegible]	3118	11600
Dickinson	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Summary

Barrymore	Masland	Smith	Sloane Total	Total Rug Market
109.892	177.585	1.243.202	1.630.679	6.419.346

Figure 2

Distributors' Sales Budgets

On the basis of the soundness of the principles outlined above we developed county expectancy figures which demonstrated what volume that distributor hoped to get in any one year out of the total Sloane market of $1,630,000. In the counties centering about his distributing point he can reasonably expect to get 80 per cent of the Sloane market, which will decrease as he gets farther and farther from his distributing point until at the boundaries he will share his business almost equally with his neighboring distributor. When these percentages were applied to the county evaluation figures in Figure 2, we found that a total volume of $1,083,000 was a reasonable expectancy for a distributor operating out of Minneapolis.

It might be that when the actual sales figures were obtained this distributor would find he had secured a volume of only $600,000 in the first year. It is perfectly obvious that this is not an adequate return for his territory but it is also perfectly obvious that he cannot reach the $1,000,000 mark the first year.

Sales Effort Concentration

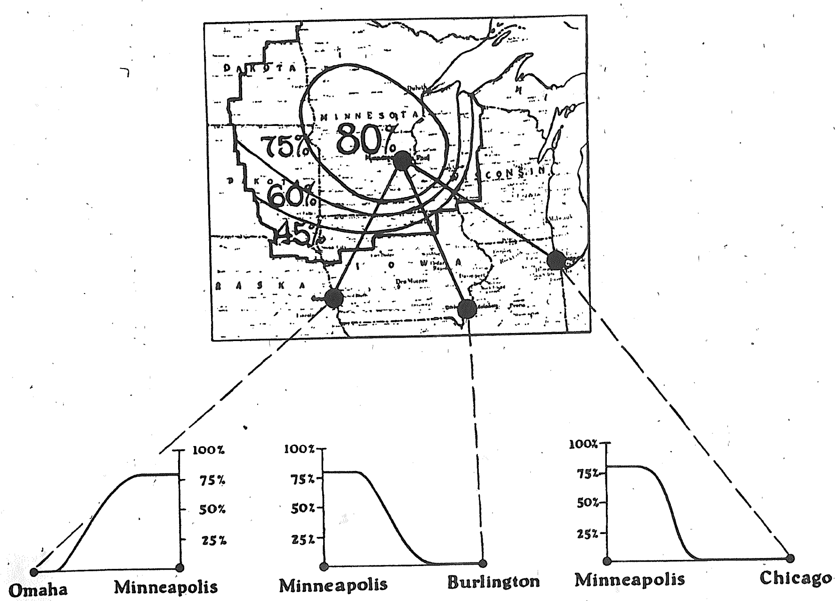


Figure 3

Knowing, however, that there is an easy $1,000,000 worth of business available to him, he should plan to reach that $1,000,000 mark in from three to five years.

These county expectancy figures can at the close of the year be utilized by the distributor to determine just where he is weak and where he is strong. Comparison with previous years' sales is not a true indicator of success. If the previous year was very poor and this year somewhat better, the distributor might be lulled to sleep by the improvement, whereas a comparison with an evaluation of that market will cause him dissatisfaction and influence him to apply remedial measures at the points where they are most needed.

By summing up all these computations in Figure 2, we obtain the distributor's sales budget. This shows that there is a total available rug market of about $6,500,000 in the Minneapolis territory. If we assume this territory is just an average one, Sloane can hope to obtain through its various distributors and directly a total of $1,630,000. Let us assume that the distributor is established and has been enjoying a volume of from $800,000 to $1,000,000. When a distributor has reached a point where his sales are equal to the above computed sales expectancy he can still further expand his market in a number of ways. First, the forecasted figure of $6,500,000 is not a static one. With increasing population and increasing standards of living, the floor-covering market too is increasing. If his territory is not influenced by any extended local disturbances, such as floods or industrial strikes, he can expect to see his market expand.

Furthermore, the total Sloane figure of $1,630,000 is not static. Sloane policies and Sloane advertising employed on a national scale will build up a demand, a part of which will be reflected in the growth of this $1,630,000 figure. If a distributor renders an economical service to his retailers he can rest assured that at least in his territory national averages will be exceeded.

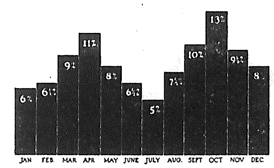
We have found many instances where distributors have fought for an increase in sales by over-extending their territory. We earnestly recommended that each distributor study his territory as outlined above to the end that he might increase his sales within the logical distributing area. By doing so he can realize a greater net profit per dollar on sales. I believe that the above example demonstrates that there is much opportunity for expansion at home.

For purposes of analysis let us assume that the Minneapolis distributor has established for himself a sales expectancy of $1,000,000 for the ensuing year.

Seasonal Variation

In order to plan his activities so as not to overload his inventory and yet always be supplied with adequate merchandise to satisfy his retail customers, a distributor should know the seasonal variation of demand in his own territory.

Approximate Monthly Percentage of Rug SALES by Distributors



Approximate Monthly Percentage of Rug PURCHASES by Distributors

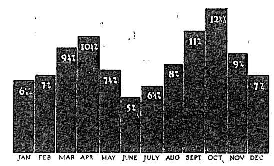


Figure 4

Figure 4 shows variations, on the basis of national averages, both of sales by distributors to retailers and of purchases by distributors from manufacturers. Although there is no appreciable variation in the characteristics of the two there is a slight difference in the per cent of annual volume obtained in each month.

A more usable picture of monthly variations was obtained by setting up graphically the per cent of *seasonal* volume in each month, under two headings. The spring season covers the months from January through June and the fall season the months from July through December.