

Inventory-Control System

While the above methods of establishing inventories are absolutely sound, the actual figures used are national and must be modified to suit local conditions. After they have been made to fit such local conditions they must be modified currently to keep abreast of local changes. We have, therefore, urged upon distributors the adoption of a stock-control system similar to the one developed for the control of our own inventory in the mills. (Figure 8). The services of our sales promotion department were made available for the installation of this system. It requires a card for every pattern, for every size, for every grade and for every weave, in other words, for every item in the line.

When demand is likely to be low, stocks are kept low. When the peak-sales season arrives, the inventory-control system predetermines the quantity necessary to supply all normal demand.

Figure 8

Salesmen's Territory

The complete procedure outlined above for analyzing the whole distributor's territory can be applied to advantage in analyzing the territory of each salesman. Only by setting up a correct yardstick with which to measure results obtained by the salesman can any guide be found which will determine whether or not such a salesman is an asset or a liability. We have taken an area which might constitute a typical salesman's territory. We have listed the counties comprising this territory together with the sales expectancy of each. We could further break this down into seasons if we chose and thereby obtain a measure of results by seasons for each salesman. A picture of those localities in which the salesman has been comparatively weak is also given. Such data serve as the bases for salesman's quotas.

There are about three thousand counties in the United States. Probably no distributor's territory will have more than a couple of hundred of them. It should not be a very complicated matter for a distributor to utilize the Sloane evaluation figures in order to obtain these yardsticks for the few salesmen operating out of his office.

It might be desirable to go even further into this setting up of yardsticks and list towns with the number of retail outlets in each, as we have done. We have taken only furniture stores, but a distributor might go even further and list those department and general stores known to have floor-covering departments. A comparison with these figures will determine whether or not the distributor is securing proper representation in the retail stores of his territory. It will also serve to acquaint the distributor with the salesmen's activities in the opening up of new accounts.

YEAR	SMITH			SMITH			SMITH			SMITH		
	SALES	COST	PROFIT	SALES	COST	PROFIT	SALES	COST	PROFIT	SALES	COST	PROFIT
JAN												
FEB												
MAR												
APR												
MAY												
JUN												
JUL												
AUG												
SEP												
OCT												
NOV												
DEC												
TOTAL												

Figure 9

In the territory referred to as a typical salesman's territory the sales expectancy is given at \$179,000, whereas the total market in this territory is over one million dollars. In other words, \$179,000 is not the ceiling; it is not the maximum that can be obtained by any one distributor.

There are innumerable methods of recording sales. We felt that it would be advantageous to the distributor to use a record similar to that shown in Figure 9. This could not be too elaborate as the distributor was not equipped to handle a complicated system.

A card is prepared for every customer. On that card is recorded for every month the total sales in dollars, broken down by mills; namely, Smith,

Masland and Barrymore. At the same time there is also recorded the cost of this merchandise. The difference constitutes the gross profit.

We list these figures by months so that we may have a correct picture of the trend of each distributor's business as well as a basis for comparison with previous years. It is no longer satisfactory to wait until the close of a season, for retailers also are learning the need of keeping a smaller inventory and of filling in as required. They no longer make two purchases a year as was formerly the case. Another advantage is the service a distributor can give to dealers in correcting purchases by seasons.

One of the great advantages of the Sloane plan is to get retailers to concentrate with one distributor and for that reason sales are listed by mills. A customer's record card containing the above information quickly reveals whether the distributor's salesmen are selling the plan properly or devoting themselves to the sale of a small portion of the line. Obviously, it is to the distributor's advantage to have the higher-priced merchandise sold as well as the more popular-priced line, for by increasing the sale of this higher-priced merchandise the gross-profit margin is considerably increased.

Costs are listed to give a quick picture of the gross-profit margin. That salesman who places too much emphasis on the large purchaser and neglects the small retailer will produce for the distributor a very small gross profit which will soon be eaten up by the cost of warehousing, sales and administration. It would be a simple matter for a distributor to make an analysis at the close of each season and plan his sales activities for the coming season on what he has learned by this study. Increasing sales is not enough. An adequate gross profit must also be maintained. It will be noted that two years' sales are recorded on one card. It is even possible to utilize the reverse side of a card and have two more years' records on it. This permits rapid comparison with previous years and quickly reveals the true status of any customer as a profitable or an unprofitable account.

At the close of each season all customers' cards should be totaled and recorded on a county card and all county cards should be totaled and recorded on a sales territory card. The combination of sales territory cards will give a picture of the total distributor's business.

By comparing these figures with the yardstick

previously set up, the distributor will rapidly obtain a detailed and accurate picture of his past six months' operations. In themselves these pictures are of little value; as a guide to further planning they are indispensable. Unprofitable accounts can be easily weeded out or so handled as to become profitable. Unprofitable salesmen can be readily detected, eliminated or placed on a remuneration basis that will show a net profit to the distributor. Those sections of the territory which are weak are cast into bold relief and set aside as areas in which the distributor can place greater sales promotion emphasis during the coming season. Furthermore, it is in these areas that Sloane's sales promotion men can render the most effective help to the distributor.

The cost of keeping these records is but an infinitesimal part of the gain resulting from this added sales control.

Conclusion

This is just one phase of the work done by one manufacturer in organizing his distribution system so as to secure the maximum of sales with the minimum of cost. What has been explained here has been done with each distributor in the network.

In addition there have been the organizing and training of the manufacturer's own salesmen who cover that part of the trade which insists on buying directly from the mills. There has been the training of a sales promotion staff which is constantly in the field selling the plan (not the merchandise) to retailers, assisting in the training of distributors' salesmen and performing a host of other functions which should facilitate the smooth flow of merchandise through the distributing channel. There has been the establishing of an efficient inventory-control system for the mills so as to make it possible to supply all normal demand without excessive investment. There has been the organizing of a sales-control system so that we can determine how well the sales plan is operating at any time; how well the various units in the machine are functioning.

All of this work has as its objective the elimination of waste in selling. There will always be some waste but we can avoid a large part of it by aggressive management plus intelligent planning. The day of the go-getter salesman is gone. The light of his star is dimmed. No longer does he have the