

years and we would not wish to have them change. A salesman goes to them once or twice a year from Chicago and it would not be advisable to try to bring up the quotas for these Minneapolis territories.

12. All data relative to county quotas, number of prospects, number of accounts, etc., would be listed on the county record cards as Mr. Staubach suggests.

John A. Stephens. My job is to head up an organization, which means that I must delegate jobs in the distribution line to others. I do not therefore feel competent to discuss this paper, but I appreciate being asked.

Mr. Platte said in his conclusion that the old-style salesman was disappearing. I disagree with this statement. I think there are numerous businesses today to which the old-style salesman, operating in a slightly different fashion perhaps, is essential, and I venture to predict that he will continue to be essential to an untold number of them. I have in mind one phase of our own business. We used years ago to manufacture motion-picture film but never marketed it as a finished product. Today we are selling the celluloid base, which is later made up into X-ray, motion picture or ordinary camera film. This business here is pretty much concentrated in the hands of three companies, so that our sales are largely abroad. The product is such that it must be sold soon after manufacture; it cannot be warehoused. We have a London headquarters and one man traveling the European continent. He is the old-style salesman but despite a very intense European competition he continues to bring us in a very sizable piece of film business each year.

I was impressed with Mr. Platte's figures on potential Sloane markets and the distributor's share of them. Of a possible \$1,600,000 he states that the distributor should get \$1,000,000. It seems to me that these figures may have to be modified, however. Mr. Filene and others believe that the chain-store organization of department stores is increasing. If more and more rugs are bought directly by these department stores the distributor's share may be a decreasing one. And it will be hard to keep a distributor happy if his principal is taking

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the cream of the sales in his territory. Undoubtedly this five-year plan is a step in the right direction but more time will be required before it can be determined whether it is a success.

Mr. Platte made the statement that waste in distribution, and in production, was due to ignorance or indifference. I do not believe this. I do think that the American business man, in spite of his reputation for efficiency, does not do serious, intense thinking unless he is driven to it. And I think, too, that many of the present distribution problems are the result of the so-called scientific management that was applied in the production field some years back.

You all know that during the nineteenth century, or at least until 1880, a sellers' market predominated. We were building railroads and cutting timber. Our population was increasing at a rapid rate and new territories were being opened up. There was no question of markets. All that was necessary was to make the goods. At the beginning of the twentieth century the great motor industry came into being, bringing with it a wave of shop planning, production scheduling, etc. The result was much more effective production and an accumulation of goods. Then came the war and the building of still more factories without thought of future markets. And what have we today? We have facilities which require intensive use to keep down unit costs, but we have to sell goods in order to use the facilities.

If we had realized thirty or forty years ago that the prime object of industry was the distribution of its products, scientific management might have been applied in this field at the same time that it was applied to production.

In the proceedings of the National Management Congress an article by Virgil M. Palmer, a member of the Taylor Society, states that there are four things essential to waste elimination: (1) mental attitude, (2) knowledge of facts, (3) waste consciousness and (4) action. I am quite in accord though I might put it differently. The first essential to waste elimination is the presence of waste, the second, a stimulation of mental attitude, the third, a knowledge of facts, which brings with it waste consciousness, and the fourth is action.

Mr. Platte, or rather Sloane, has an ideal situation. They have a selling agency for four rugs which are apparently not competitive. Therefore

they have diversity to offer the distributor. And Mr. Platte's organization has been wise in using the established network of distribution facilities rather than trying to create a new mechanism and thereby add to over-production in that instance. Mr. Bigelow has stated that 52 per cent of the consumer's dollar, in the case of furniture, floor coverings and the like, goes to cover the costs of selling the products. If Mr. Platte could tell us what the selling costs were before this plan was put into effect and how they have been changed, either as reflected in lower prices to consumers or in greater profits to the manufacturer, since its adoption, we might be able to draw some conclusions concerning its success.

Mergers are in my opinion one way of effecting economies in distribution. The General Motors Corporation, which supplies a large part of the automobile market, has been able to work out a plan similar to the one described by Mr. Platte and has undoubtedly learned during this period of depression how it can be improved. In this industry seven companies are producing about 90 per cent of the pleasure cars made and in the tire industry five or six companies are producing 92 per cent of the tires made. When these few companies are able to operate at little more than half their capacity it is not hard to realize the tremendous expense involved in marketing the products of the many small concerns in the field and the tremendous possible savings in combinations.

Harry A. Wansker. One of the questions confronting every producer of goods is that of granting concessions to large buyers. Most producers arrive at their prices by figuring production costs, adding an amount for profit and letting it go at that. And they shade these prices to get large orders. They should take into consideration their own, the wholesaler's and the retailer's marketing costs as definite parts of distribution expense. Not only the actual handling cost of getting goods from the manufacturer to the consumer but the time element involved should be considered. Goods in warehouses and idle equipment pile up rent and interest charges which have to be met. Economic profit requirements should at least equal the normal cost of the service rendered by a plant producing

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its share of the total product of which the industry is disposing.

The one way to effect economies which will make prices attractive to large buyers is to standardize products. All the elements of cost should be actually figured and prices maintained on the basis of these costs.

Unless you spend an amount at least equal to your profit requirements on sales effort you cannot hope to maintain dividends and build up reserves for future development. If you spend one-half of this amount you will find your net profits have later shrunk to one-half, and if you spend less than that you are apt to find you have no profits at all.

Henry P. Kendall. I should like to ask Mr. Platte if he finds any embarrassing conflict between the men who are selling directly to the department stores and the distributors' salesmen? In other words, is there a tendency for the direct salesman to get all the business he can, and how does Sloane handle the problem, that this creates in respect to the distributor in the territory?

I am also interested to know what broad results have been accomplished so far in this five-year plan to secure a \$1,000,000 market.

B. Eugenia Lies. I should like to ask whether Mr. Platte's ideal dollar inventory was built up from the ideal stock units as a base or whether sales volume figures were used. And is the figure modified from month to month or set up for six months or more in advance, i.e., is it or is it not flexible?

H. S. Person. I should like to ask whether Mr. Platte or anyone of whom he knows has ever tried to work out a bonus to be paid to both direct salesmen and distributors, based on total sales in their territory?

Mr. Platte. In answer to Mr. Kendall's first question, I should say he was quite correct in assuming that it is embarrassing to have both distributors and direct salesmen working in a territory. We

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