

sky-rocketed. Advertising and sales expenditures have mounted to colossal sums. Similarly the whole distribution system has taken on a very expensive aspect. So long as the industrial executive permits the economies which he has effected in production to be wasted through inefficient marketing, the result will not only be a loss to his own company but an economic loss of wide importance.

In the past year of depression a large number of companies have made money. Yesterday I read the report of one well-known company which had gone on a five-day week basis, maintained its wage scales, spent a tremendous amount for advertising and reduced prices, and yet had shown an aggregate net profit that compared favorably with the highest in its history. The final Wall Street edition, is not all sad reading by any means. You will see some of the stocks quoted at very good levels. The reason for this is not only the fuel mixture of deep-seated want plus the product. The secret lies in management. A small number of companies sold practically as large a unit volume of goods last year as the year before, but they used a lot of red ink for the balance sheet.

The hardest job that those of us in the research business have to do is to impress upon manufacturers what research is and why it is needed. Last Sunday I cut out of the *New York Times* a clipping from the business section which says: "Consumer demand, by which is meant what the public needs or wants at the prices which that public is able to pay, continues to be a neglected study in too many instances. Even in the midst of this depression it is pointed out that there is little real investigation of the consumer market and adaptation of products and prices to meet it. Many manufacturers are standing pat on their offerings and wondering why sales volume constantly dwindles. Given a newly fashioned product at the right price, it is argued, and their factories might be humming full time."

Suppose we go ahead and make a survey or a sales analysis of company records, or set up an advertising plan, and in every possible way utilize the component parts of a sales plan which Mr. Cowan would list under the term "combustion." All of these things crash and fail frequently in the "front office." The chief executive says: "That was a very fine piece of work you did. I have only just had a chance to glance at it." And that is all he ever does in some instances. There is too much

reckless spending of money, not only in advertising and sales plans but in the gathering of information for those plans. This information should be, but is not, put to practical use. Our own experience is that two to three years often pass before important recommendations based on research are put into effect. Here is very serious friction.

The keynote of Mr. Cowan's paper is the power of sincerity in a sales plan. The many instances which he cites in support of this premise are so convincing that we cannot gainsay the existence of such power. I think everybody will agree that in the end sincerity, truth and honor in advertising and all business relations win out, but in the battle between sincerity and its many foes, the other side often seems to be winning. Included among these foes would be luck, as well as fraud. Have you ever considered how much effect one popular event will have upon business? Lindbergh refused advertising offers, but suppose he had accepted something. Coming out of obscurity he laid the basis for a large fortune by thirty-six hours of flying. Not only could his personal fortune have been enhanced if he had accepted certain advertising offers, but the sales plan built around his name would have had such a psychological effect that it unquestionably would have produced large volume. Sales volume means employment. Employment means purchasing power.

Pepsodent, of course, was very successful years ago, as Mr. Cowan pointed out. But what has made Pepsodent lately? Perhaps you can say that it is the fuel mixture of a deep-seated want for entertainment plus the entertainment. Certainly entertainment has played a very important part in the sales curve of Pepsodent during the last year or more. Two comedians go on the air, strike the public fancy and up goes the curve. Take the example of Listerine, if you want. How much of the success of Listerine is due to the actual belief on the part of the American public that they ought to have it, and how much is due to the psychological acceptance created by name publicity? Mr. Cowan speaks of a certain cigarette. Everywhere I go I hear people say that the consumer does not take seriously the toasting process, the violet ray, the mellowing and purification by sunshine and all that sort of thing. Many people are amused by it, but they read it, listen to it, talk to each other about it, and buy. Perhaps the American Tobacco Com-

pany recognizes that pelting power. I wonder whether the announcer of their radio hour uses that peculiar inflection of his voice in logical argument or in the attempt to get over a slogan. It grates upon some people and yet Lucky Strike is one of the best selling cigarettes. I have heard it said that the United Cigar Stores, because of the conditions under which they must purchase Lucky Strikes, do nothing whatever to push the sales in competition with other brands, but Lucky Strike goes on and on.

Let us take the matter a step farther and look at the number of cigars, automobiles, tooth paste and other products depending entirely on some form of name publicity. It is a well-known saying in the advertising business that much copy is so written that the substitution of a competitive product would apply just as well. Take the testimonial. How much of its effectiveness depends upon name publicity? Actually, how many people buy toilet soap, because a large number of movie actresses were given samples of the product and now use it? What bank has made you open an account on the basis of the history of a city? What motor car has appealed to you because its copy, like that of many other cars, deals with comfort, convenience, design and all the other "old stuff"?

I am wondering whether one of the most potent forces in the sales plan today is not some sort of a catch phrase which will make the public think about the product up to the point of actual purchase. You cannot sell on the air. By that I mean, you are not allowed to mention prices or to present any strong selling argument. And yet look at the successes that can be attributed to radio broadcasting.

Summing up, then, it would seem to me that a major discussion point on which Mr. Cowan's paper scarcely touched is the great importance of the chief executives or the board of directors in the management of the sales plan. At their door lies a very great responsibility—the efficient use of these driving forces which Mr. Cowan mentions. For their own good and for the economic good of the nation, executive management must not only examine into and bring about the best fuel mixture and mechanical motion, and apply scientifically the elements of combustion, but it must eliminate so far as possible the manifold problems of friction. This means a reduction in the huge wastes in ad-

vertising, selling plans, distribution and allied factors of the market.

The human element must be followed very closely. The subjective attitude will not work. Industrial executives must think of production in terms of what the public wants. They must think also of all forms of selling, advertising and marketing in terms of what the public wants. Sincerity and logical fact play an important and permanent role but executives cannot afford to overlook the great American desire for entertainment and the great American receptivity to catch phrases, slogans and name publicity. Name publicity for many products is vital to success and often carries the load temporarily, with a minimum of scientific background. Permanent success needs both.

W. E. Freeland.<sup>4</sup> It is almost impossible to discuss Mr. Cowan's paper. I think we are all taking the attitude that all we can possibly do is to amplify it slightly. I am going to take you over into the industrial field for just a minute because I have gone through a transition which has been very interesting.

I was formerly pretty closely associated with Stuart Cowan, but in the last few years I have devoted much of my time to the actual management of business enterprises. At the present time I am trying to run five widely different businesses, and because of that can perhaps be said to have acquired a practical viewpoint.

I wish Mr. Cowan had discussed something of trade resistance, as well as sales resistance. It is the trade which serves the consumer, rather than the ultimate consumer himself, that offers the biggest battle to many of the best ideas offered.

I would like to mention an industry which manufactures insulating material made from rock wool, which, according to the Bureau of Standards, is the best insulating material made, but which had been an absolute failure over a period of eight years. This business has been through at least four reorganizations. In the last effort prior to the present successful one a lot of money was spent, trying to induce people to put this product around their household boilers because it would effect a great fuel saving, keep the cellars cool, etc. Even though these arguments may have been sound, it was too

<sup>4</sup>Freeland, Bates & Lawrence, Inc., Boston, Mass.