

costly a marketing process for this purpose. Therefore the next logical thing to do was to find another market.

In 1929 a new type of product was designed after a study of the probable use of insulated gas and electric ranges. A few of the leading manufacturers had been experimenting along this line. An attempt was made to interest them further, even to the extent of helping them design stoves. They started out in the belief that they might do something with this idea and one bold soul said that they might get 15 per cent of their product into this higher-priced, insulated stove market. I am talking now of 1929. Before the end of 1930, some of these people found nearer 60 per cent of their entire sales consisted of this insulated product. One company, which did a typical research job and brought forth a new, interesting and stimulating product, found that the plant which designed this product, their largest unit, was unable to keep up with the demand for it. This was in the fall of 1930, a year of real depression. They had to bring another of their producing units in to help make this product. That very company alone has come to our organization this year and insisted upon making a contract with us whereby they alone are using more than the total capacity of our plant at this time last year. We do business now with a large number of other makers of insulated stoves. That was the definite study to find out if there was not a logical market in which the consumer, the manufacturer and the trade could be interested.

Let us take another case and look at it from the practical angle. The business of a manufacturer of one of our best-known orthopedic shoes was not sick but static. He did not want to induce a lot more people to buy the product; the desire was not to double and treble the number of outlets, but simply to get the established outlets to sell two more pairs of shoes per week.

We in America need to bring our vision down to the practical point which will change such a situation of static condition to one of successful accomplishment. We need to define our real objectives. Sometimes it is not easy to see these objectives. They may be in the vision of an individual only. I am thinking of such a company which is very sick financially. It has a flood of orders, relatively speaking, and no capital to fill the profitable orders. And what is the reason? The

chassis of a shoe is the inner sole. There had been virtually no development of inner soles in the history of modern shoemaking. Then a man, after fourteen years of work as a trained tanning chemist, devised an absolutely new type of leather for an inner sole. Because of the higher tensile strength of this new product there was developed a whole new method of machine shoemaking which duplicates, in virtually every respect, the hand-welted shoe for which we pay \$15.00 to \$30.00 a pair. The biggest shoe manufacturer in this country today is using this new product and new process to make a shoe that retails at \$6.50. You marvel when you see it; you wonder how the people who are making these \$16.00, \$18.00, \$24.00 and \$30.00 shoes will be affected.

This shows a conception, fourteen years old in one man's imagination, of a basic improvement which reached clear back into the chemistry of tanning. A new market situation is being created.

I am personally interested in another business, the manufacture of dynamic loudspeakers. There we have a test case of trade and even manufacturing resistance. Last spring it became known to some of us that on the Pacific coast a new product called a midget radio had sold four to one in competition with the standard console sets. As a result we went around and talked to some of the larger manufacturers of radios. With an almost unanimous voice they said, "There is nothing to this midget business. We certainly are not going into it. We are not going to make radio sets at \$59.50 and spoil our sale on the \$200 and \$250 sets. We do not believe that the public has any desire for these sets."

We went to the public. We found immediately that there was a market and therefore hastily designed a midget speaker which would be as good as the concert speaker. The business I mentioned had lost heavily up to the end of last June because of the chaos in the radio business. We wound up the year with a profit. Of all the speakers made in the last six months of last year, 78 per cent were midget speakers. Yet the trade had with a unanimous voice told us we had no market there; there was no sense in our going ahead with it.

Some of you probably came here expecting a typical Taylor talk on planning as part of all the methods work in business. I want to leave this audience with one thought that I am trying to

leave with every audience, and that is, that these wastes that Mr. Crossley has been talking about are to a considerable extent due to the absence in the merchandising and industrial marketing fields, of that cost accounting which is one of our most successful tools in the production field. The day is coming when we are going to check and inspect both the basic master plan, which has been so ably described here today, and the intimate working plans, by the adoption and analysis of costs which are going to give us the real picture of the relative efficiencies of these methods. There is just as big a job of planning the methods to bring about results in this picture as there is in the field of production. The research work remains largely to be done. The actual job of planning and the adaptation of cost accounting can literally be borrowed from the field of production. It is up to those of us in the marketing field to bring about a new condition of reduced waste by doing research work and by borrowing from already established methods.

Paul T. Cherington.* There can be no criticism of Mr. Cowan's main idea that effective approach to mass markets calls for a satisfactory combination of a human desire and an inducement to go about the job of satisfying it.

Concerning his treatment of the subject, however, it seems to me that there is a good deal to be said in the way of criticism. My disagreement with him in the way he handled his subject is fundamental and has to do mainly with two separate things.

First of all, it seems to me unfortunate that in discussing planning for sales he should devote so much emphasis and attention to showmanship. Necessarily, any effort to deal with the consuming public has to have a certain element of showmanship in it, but when one is discussing planning for sales it seems a bit unfortunate to exclude planning so completely for the sake of this more spectacular phase of the subject.

The second point in which I find myself in disagreement with Mr. Cowan is in the fact that practically all of his illustrations had to do with minor strategy rather than major strategy in sales. Many of the cases which he told about would have been much more satisfactory illustrations of planning

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for sales if he had called attention to some of the more intricate details in the sales history following the advertising efforts he mentioned.

One important phase of major strategy, of course, is the recognition of the general contour of the growth curve and the establishment of the position in its normal development which the concern occupies at any given time. (For example, the strategy in dealing with the public which is called for in the early stages, represented by the slow growth portion of the normal growth curve, is very different from that called for in the second phase, or period of rapid growth, or in the third phase of so-called stabilization.)

Stuart DuBois Cowan. There is one point I would make in support of the idea that there is a primary driving force which is all important, as illustrated by the shoe-development, the insulating-material and the radio examples which Mr. Freeland mentioned. We advanced some rather dramatic and interesting cases with which you are all familiar. But you may have had the feeling that there is something anti-social about developing inducements that satisfy wants.

I have felt for years that if the whole United States were just one company, and Mr. Clark, Mr. Crossley, Mr. Freeland and other members of this Society constituted a planning committee, it would be possible, without any export business whatever, to quadruple the income of our 25,000,000 families by providing and distributing to them the merchandise necessary to satisfy their real wants.

This point of view considered logically, instead of being anti-social, is rather pro-social.

In 1914, being much confused by the water-tight compartments which seemed to mark off our numerous economic and money and banking courses, I prepared a cycle chart in which I tried to relate them, placing the people with their wants at the top, industry at the bottom, and showing that the net result of all industry is its finished products. The steel mills, the railroads, the mines, and all the basic industries are after all controlled by the finished products (homes, shoes, radios, automobiles, etc.) that pass into the hands of individual families. In other words, the whole vast structure is not unlike an iceberg with one-eighth of its mass above the water, and seven-eighths below. If, then, the relationship between products and all their industrial back-